

2016

ANNUAL REPORT



CHANG HWA BANK

ANNUAL REPORT 2016



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.

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Website : <https://www.bankchb.com>
MOPS : <http://mops.twse.com.tw>

Spokesman

Name : Horng-Yao Tu

Title : Executive Vice President

Tel : (886-2) 2536-2951

E-mail : customer@chb.com.tw

Acting Spokesman

Name : Hom-Gang Wang

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, Ziyu 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

- Mega Securities Co., Ltd.
Address : 1F., No.95, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)
Tel : (886-2) 3393-0898
Website : <http://www.megasec.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., Songshan 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.bankchb.com>



Our Glories

- ◆ 2016 Top 5% Listed Company in Corporate Governance
~ Taiwan Stock Exchange Corporation
- ◆ 2016 Futures Diamond Award - The Excellence Market Maker for Futures of RMB Exchange Rate Award
~ Taiwan Futures Exchange
- ◆ 2016 Annual Best Operation System of Electronic Cash Flow Business Award & Best Innovation Excellence Award
~ Financial Information Service Co., Ltd
- ◆ 2015 Excellent Credit Guarantee Partner Award & Guaranteed Financing Growth Award
~ Ministry of Economic Affairs(MOEA)
- ◆ 2015 Top-Performing Bank in SME Lending (Session 10)
~ Financial Supervisory Commission
- ◆ 2015 Annual Best Innovation of Mobile Pay and Mobile ATM Business Excellence Award
~ Financial Information Service Co., Ltd
- ◆ 2015 Annual Best Business Development of Electronic Finance Award - Credit Card Business and Visa Financial Card Business
~ Financial Information Service Co., Ltd
- ◆ 2015 ITeS Award - Outstanding Technology Service Management Project Award
~ IT-enabled Services Management Association
- ◆ 2015 The Market Risk Technology Implementation of the Year
~ The Asian Banker Magazine
- ◆ Futures Diamond Award - 2015 Annual Contribution Award
(The Excellence Market Maker for Futures of RMB Exchange Rate Award)
~ Taiwan Futures Exchange
- ◆ The Global TOP 500 Banks
(For years 2010~2013 and 2015~2017)
~ The Banker Magazine
- ◆ 2014 Excellent Credit Guarantee Partner Award
~ Ministry of Economic Affairs (MOEA)
- ◆ 2014 Top-performing bank in SME lending/
Special Award in e-business lending (Session 9)
~ Financial Supervisory Commission
- ◆ 2014 Electronic Banking Excellence Award — Issuing Credit Card (through Financial Information Service) with Interbank Business
~ Financial Information Service Co., Ltd.
- ◆ 2014 Electronic Banking Business Innovation Excellence Award
~ Financial Information Service Co., Ltd.
- ◆ 2014 Securities Broker ETF Trading Competition — Transaction Improvement Award in April
~ Taiwan Stock Exchange Corporation
- ◆ 2013 Electronic Banking Excellence Award — Correspondent Banking /Interbank Business
~ Financial Information Service Co., Ltd.
- ◆ 2013 Outstanding Government Bond Market Maker
(For the first half of 2013)
~ Taipei Exchange (TPEX)
- ◆ 2013 Young Entrepreneur Assistance Award
~ Ministry of Economic Affairs (MOEA)
- ◆ 2013 Phoenix Collection Incentive Reward Program — Debt Collection Growth Award
~ Small and Medium Enterprise Credit Guarantee Fund (SMEG)
- ◆ 2012 Security Award
~ Joint Credit Information Corporation (JCIC)
- ◆ 2012 Excellent Credit Guarantee Partner Award
~ Ministry of Economic Affairs (MOEA)
- 〈 The Award before 2012 〉
 - ◆ Financial Fraud Prevention and Control
The Excellent Financial Institution Award &
The Excellent Financial Outstanding Practitioner Award
~ Financial Supervisory Commission
 - ◆ Best Foreign Exchange Service Bank in Taiwan
 - ◆ Best Domestic Provider of FX Service in Taiwan
~ Asiamoney Magazine
- Financial XML Business
 - ◆ Laurel Wreath Award
 - ◆ Eagle Award
 - ◆ Award for Best System Stability
~ The Bankers Association of the Republic of China (BAROC)
- ◆ CG6005 Corporate Governance System Evaluation Certification
(The first state-owned bank to receive this honor)
~ Taiwan Corporate Governance Association (TCGA)
- ◆ Pan Dragon Award — Happiness Company
- ◆ Golden Eagle Award — Responsibility and Devotion
~ China Productivity Center (CPC)



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I | Letter to Shareholders

In January 2017, the International Monetary Fund (IMF) published its world economic outlook that revised the 2016 global economic growth down to 3.1%. The report highlighted a drop in corporate investments in the United States during the first half of the year, impacted by the weakened market demand and strong dollar. However, the recovery of the labor market combined with wage growth fueled private spending and the real estate market, contributing to an expected annual growth rate of 1.6%. Meanwhile, political and economic uncertainty increased in the Eurozone after Brexit, which undermined confidence among corporations and consumers. Fortunately, the crisis was alleviated by the British interest rate cuts and continued loose monetary policy in the Euro zone, which as a result, boosted economic momentum with annual economic growth expected to be 1.7%. Growth in Mainland China continued to slow with estimated annual economic growth of 6.7%, mainly affected by rising debt risk, sustained economic restructuring, the elimination of excess capacity. In Japan, Prime Minister Shinzo Abe's decision to delay a sales tax increase, followed by his 28.1-trillion Yen financial incentives announced in early August 2016, is expected to stimulate domestic demands and private spending, especially when corporate demand for labor has increased. Annual economic growth is estimated to reach 0.9% for the year.

With regards to the domestic economy, the Directorate-General of Budget, Accounting, and Statistics (Executive Yuan) published its report on January 25, 2017, which revised economic growth to 1.4% for 2016. The report showed strong private spending in the first half of the year due to holiday spending (Chinese New Year, Qingming and Duanwu). The peak season was followed by slower salary growth coupled with reduction in net demand for labor that undermined private consumption. As a result, private spending growth rate has been revised down from 2.68% in 2015 to 1.99%. In terms of private investment, ongoing decrease in the price and volume of real estate transactions has discouraged private construction projects since 2015, and private investments continued to weaken given the nation's lack of incentives for business ventures as compared to many other Asian countries. Nevertheless, private investments still expanded by 1.68% as semiconductor manufacturers and suppliers invested extensively to maintain technological advantage and to accommodate newer, smarter applications of their products.

Import-Export trade had suffered in the first half of the year due to the world's stagnant economy and competition from Chinese suppliers. It was not until the second half when demands for new



Chairman *Ming-Daw Chang*

consumer electronics increased that growth gradually rebounded quarter by quarter, and contributed to the rise of imports. Overall, export and import trade were estimated to grow by 2.14% and 3.34%, respectively. Consumer price index (CPI) is expected to rise by 1.40% for the year, as food price increased due to impact of local climate and typhoons, while global prices of commodities are also showing signs of recovery. With regards to the interest rates, the Central Bank has maintained discount rate, accommodations with collateral rate, and accommodations without collateral rate unchanged at 1.375%, 1.75% and 3.625%, respectively. Given the recovery of export growth and moderate increase in private spending, investment, and consumer price, the Central Bank is expected to maintain interest rates unchanged over the short term, as opposed to following the Fed's rate hike footsteps. As for exchange rate movement, the TWD strengthened moderately between January and August 2016 due to quantitative easing undertaken by European Central Bank (ECB) and Bank of Japan (BOJ). The Fed's decision to postpone interest rate hike in the first half of the year that attracted global capital back into Asia, and positive export growth rate in July and August 2016. Later, as the Fed started to raise interest rates, the TWD weakened against the USD.

Despite the challenging economic and financial environment, the Bank still managed to deliver exceptional results in 2016, owing to the contribution of all employees, with cumulative pre-tax earnings reaching TWD 14.083 billion, making 2016 the 7th consecutive year in which the Bank has earned more than TWD 10 billion in earnings, living up to shareholders' expectations. In terms of asset quality, the Bank managed to maintain its non-performing loan ratio at 0.25% and loan loss coverage ratio at 458.58%. Furthermore, the Bank was selected a composition of the TWSE Corporate Governance 100 Index by Taiwan Stock Exchange in 2016. At the same time, the Bank was also evaluated as top 5% among Taiwan listed companies in corporate governance by Taiwan Stock Exchange in 2016, which represented an acknowledgment of the Bank's sound management practices in a number of aspects including corporate governance, finance, business growth, and solid operation. We would like to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.

The details of the 2016 business results of the Bank, the 2017 Annual Business Plan, the Future Development Strategy, and the impact of the external competitive environment, the regulatory environment and the overall business environment and the latest credit rating are summarized as follows:

A. 2016 Results of Operations

a. Organization changes

1. To enhance the functionality and increase competitiveness of the organization, the Bank made the decision to separate its Wealth Management Section from the Domestic Banking Division, which became the Wealth Management Division on April 1, 2016.
2. To reduce the business tax burden, support government policy and offer better protection for consumers, the Bank undertook a short form merger to acquire the life insurance business from its former subsidiary, CHB Life Insurance Agency Company, Ltd. and non-life insurance business from CHB Insurance Brokerage Company, Ltd. Under this arrangement CHB, assumed all rights and obligations of the respective subsidiaries, and established the Insurance Agency Division on April 1, 2016 to provide life and non-life insurance agency services.
3. To centralize loan management activities for better operating efficiency, the Bank reorganized its collection team on July 25, 2016. Under this adjustment, the loan management team that previously operated as a sub-section under the Commercial Regional Center now belongs to the Loan Asset Management Division.
4. To more effectively promote securities underwriting services, an Underwriting Section and a Brokerage Section were created under the Domestic Banking Division to oversee the Bank's securities underwriting and brokerage activities.

b. Accomplishments

1. Corporate banking:

Launched new corporate lending solutions, including: loans against fund account, photovoltaic project lending, machinery upgrade loans, and machinery export loans, and supply chain factoring.

2. Consumer banking:

Launched new personal lending solution, including: green energy motorcycle hire purchases, privileged employee loans, and investment-backed loans.

3. Syndicated loans:

A total of 106 syndicated loan cases were completed by domestic business units in 2016. CHB served as lead arranger in 7 of these cases, and co-arranger in 42 and ordinary participant in the 57 remaining cases.

4. Deposits:

Provided new services interbank cash deposits over ATM and cardless withdrawals.

5. Credit card:

(1) Issued VISA Infinite and MasterCard World cards; launched HCE mobile credit card service.

(2) Enabled credit cards and debit cards to be used for payment at government agencies, and enabled credit cards to be used as carriers for digital invoices.

(3) Launched credit card marketing campaigns including: \$1,000 shopping credit for new cardholders with spending requirement, 5% cashback on Taiwan Railway purchases, \$100 rebate for \$888 spent at Welcome, 40% off movie tickets daily at selected cinemas, cashback and installment option for insurance premiums, Taiwan High Speed Rail business class upgrades and standard class discounts, discounts at selected restaurants, installment option for online shopping, and concessions for shopping at department stores.

6. Foreign Exchange:

(1) All branches of the Bank have become full-fledged foreign currency units, while 70 of them are full-service foreign currency units and 116 of them are designated foreign exchange units.

(2) Launched foreign currency NCD and foreign currency clearance/settlement banking services.

7. Trust:

(1) In 2016, the Bank added 114 new domestic funds, 80 new offshore funds, 23 foreign bonds and 31 overseas ETF to the product portfolio. As of the end of 2016, the Bank had a total of 746 domestic funds, 1,157 offshore funds, 23 foreign bonds and 31 overseas ETF, distributed to the market, giving investors a broad range of selections to choose from.

(2) The Bank added 2 new domestic funds launched to its custodial services. In terms of the size of assets under custody, the Bank ranked 6th among local peers.

8. Wealth Management:

(1) Adopted two separate training programs for general employees and financial advisors, and took measures to enhance the professional capacity of financial advisors.

(2) Eight investment seminars of distinctive themes were organized in 2016 to raise customers' satisfaction towards the Bank.



President

James Shih

9. E-banking:

- (1) Developed a hospital-exclusive mobile app that offers useful features such as appointment booking, payment, and medicine collection. The app allows customers to make real-time inquiries and payments while reducing waiting time.
- (2) Actively promoted the use of the Web ATM service due to its many advantages, including low cost, high collection efficiency, and applicability in a wide range of business activities (including but not limited to healthcare and meat auctions). This service continues to exhibit growing transaction volume.
- (3) In response to increasing demand for third-party collection and payment services, CHB has launched an O2O solution based on QR Code to accommodate domestic transactions; for cross-border transactions, CHB has collaborated with Tenpay to launch an O2O solution based on the WeChat Pay service, which enables users to make and collect payments using the same account.
- (4) The Bank's official website underwent a makeover that gives users the optimized web page layout depending on the type of device they use, and hence provides customers with a whole new user experience.

10. Information Technology:

- (1) The Bank's information system had passed the ISO 27001: 2013 reevaluated certification.
- (2) Continued efforts in implementing various information systems, while developing new electronic payment systems to support new services.
- (3) The Bank continues to maintain and develop its offshore branch core account system and Internet banking system. Improvements are being made to the 2nd generation payment system in China, while on-site backups are being developed for all branches located in China.

11. Risk Management:

- (1) Established Industry Limit Guidelines for effective diversification across a broad range of industries. Meanwhile, credit risk management practices are being escalated for overseas credit exposure, including China.
- (2) Implemented the Bank's 2016 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.

12. Non-performing loan management:

As of the end of December 2016, non-performing loans amounted to NT\$3.516 billion or 0.25%, and the loan loss coverage ratio stood at 458.58%.

13. Relocation of domestic branches:

Relocate Neihu Branch (the Bank's first digital branch) and Siyuan Branch.

14. New overseas branches:

Set up a subsidiary, Chang Hwa Bank (China) Ltd. and a Nanjing Branch in China, in addition to Yangon Representative Office in Myanmar, Manila Branch in Philippines, and Chang Hwa Bank (Cambodia) Specialized Bank, Ltd. in Phnom Penh.

15. Awards:

- (1) The Bank was given an excellent performance rating in the FSC's 2015 (10th) SME lending review.
- (2) Received the 2015 Excellent Credit Guarantee Partner Award, Guaranteed Credit Growth Award, and Outstanding Credit Manager commendation from Ministry of Economic Affairs, R.O.C.
- (3) Received the 2016 "Electronic Banking Excellence Award - Best System and Best Innovation - Domestic Bank Division" from Financial Information Service Co., Ltd.
- (4) Received the Diamond Award (2nd) - RMB Futures Market Maker of the Year from Taiwan Futures Exchange.

16. Participation in social welfare:

- (1) Made donations to the "Tainan City Bureau of Social Affairs Social Aid Account" to assist the Tainan City Government in disaster relief and reconstruction following the recent earthquake in southern Taiwan.
- (2) Made donations to the "Taitung County Government Social Aid Account" to assist Taitung County Government in reconstruction from the aftermath of Typhoon Nepartak.
- (3) Made donations to Chinese Taipei Olympic Committee to fund the silver medal and the bronze medal incentives during the 2016 Rio Olympics, and encouraged the best performance from the nation's top athletes.
- (4) Made donations to the Taitung County Sports Association to assist in the training of top performers and potential athletes, and thereby contributed to sports development.
- (5) Sponsored the efforts of Huashan Social Welfare Foundation in delivering New Year meals and mobilizing volunteer services to lone elders.
- (6) 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.
- (7) Made donations to the program - "Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association R.O.C.
- (8) Sponsored Commercial Times in organizing its first FinTech Creativity Challenge in the hope of bringing Taiwan into the new era of financial technology.
- (9) Sponsored the Department of Finance, National Sun Yat-sen University College of Management, in organizing its 24th Conference on the Theories and Practices of Securities and Financial Market.
- (10) Sponsored Global Views - Commonwealth Publishing Group in organizing the 14th Annual Global Views Leaders Forum.
- (11) Made donations to Children's Lantern during the 2016 Taiwan Lantern Festival organized by the Tourism Bureau, Ministry of Transportation and Communication R.O.C.

17. Corporate Social Responsibility:

- (1) Published the Bank's 2015 corporate social responsibility report and obtained the certification of British Standards Institute (BSI).
- (2) The Bank's energy management system was certified by Societe Generale de Surveillance (SGS) for ISO 50001: 2011.

c. Budget Execution

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,553,286,413 thousand or 99.95% of the original budget target.
2. The total loans volume was NT\$1,347,855,030 thousand or 97.67% of the original budget target.
3. The total investment business (securities) volume was NT\$310,753,535 thousand or 102.19% of the original budget target.
4. The foreign exchange transactions totaled US\$122,587,053 thousand amounting to 88.46% of the original budget target.
5. The securities brokerage transactions totaled NT\$62,237,009 thousand or 83.40% of the original budget target.
6. The wealth management business volume was NT\$69,081,454 thousand or 81.87% of the original budget target.
7. The assets under custody totaled NT\$130,408,600 thousand or 89.35% of the original budget target.
8. The total card transaction volume (retail spend) reached NT\$16,221,641 thousand representing 100.21% of the original target.

d. Financial Highlights

1. Net interest income: NT\$21,726,769 thousand
2. Net income other than net interest income : NT\$9,281,712 thousand

3. Net revenue and gains: NT\$31,008,481 thousand
 4. Provisions for bad debts expenses and guarantee liability : NT\$1,138,044 thousand
 5. Total operating expenses: NT\$15,787,396 thousand
 6. Income Before income Tax: NT\$14,083,041 thousand
 7. Income Tax expenses: NT\$1,997,069 thousand
 8. Net income After income Tax: NT\$12,085,972 thousand
 9. Other comprehensive income (loss),net of Tax: NT\$-1,077,343 thousand
 10. Total comprehensive income : NT\$11,008,629 thousand
 11. After tax EPS: NT\$1.35
 12. Return on Assets (ROA):0.62%.
 13. Return on Equity (ROE):9.05%
- e. Research and Development
1. Active development of digital banking service that resulted in patent registration:
 Financial technology (FinTech) is the latest trend in the global financial industry. In response to this trend, the Bank has taken pro-active steps to develop patented proprietary FinTech and combined them with relevant technologies to improve the quality, efficiency and added value of conventional banking services. The Bank is confident that this development will yield higher profits and make the organization more competitive in digital banking. The Bank filed 8 patent applications in 2016. So far, the Intellectual Property Office, Ministry of Economic Affairs, has approved 4 new patents for the Bank's Internet banking login system, electronic payment security system, bill payment system, and cheque system. All of them have been implemented to banking services. The other 4 patents, including the customer development system, marketing system, integrated account system and fax transaction authentication system, have progressed to the review stage.
 Enhancement of digital banking infrastructure: with regards to mobile communication, the Bank has adopted new mobile communication technologies to support the new version of its mobile securities trading service as well as the new personal banking app, mobile payment (TSM and HCE), iPay O2O, WeChat Pay O2O and other innovative services. In terms of cloud service, cloud technology is being adopted to support various types of FinTech service, given the technology's potential to reduce system development costs. As for the big data project, the Bank has completed the integration of external open data with internal data warehouse. In 2017, the Bank plans to collect data on users' browsing history on the CHB official website and their personal Internet banking system, and develop a more advanced big data platform to analyze data in a way that more effectively supports business development in all directions. In terms of blockchain development, the Bank has been invited to participate in the "Financial Blockchain Research and Application Development Committee" assembled by Financial Information Service Co., Ltd., and is starting practical development of blockchain technology for the corporate banking segment in 2017.
 2. Research on economic and industry dynamics:
 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 extensively analyzed the economic and industry dynamics. The bank closely monitored developments in key industries. These efforts were aimed to identify turning points in the business environment, and the reports were distributed to all branches and the Commercial Regional Center on a regular basis via video conferencing.
 3. Business research and development reports and publications:
 The Bank's management units had identified prevailing issues relating to business operations and the financial environment. Employees compiled these issues into research reports. A total of 22 studies were completed in 2016. The research reports were placed on reserve 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. 2017 Highlights of Business Plans

a. Business Directions and Operational Policies

1. Deposits:

- (1) Introduce new digital banking solutions, enhance electronic banking service and develop a third-party payment platform to provide customers with greater convenience and security. Attract NTD and foreign currency deposits to expand the overall deposit size while increase the source of current deposits.
- (2) Expand the Bank's foreign currency deposit pool by launching promotional campaigns in line with market trends for popular currencies such as USD, CNY, EUR, etc. The expansion of the deposit pool will help the Bank capture foreign currency opportunities to a greater extent.

2. Lending:

- (1) Support the government's innovative industry development policy by introducing project financing solutions. Promote supply chain financing as a means to the growth of both volume and utilized credit exposure among small and medium enterprises.
- (2) Promote consumer loans and personal investment loans as the two supporting pillars for the growth in retail banking.
- (3) Actively explore opportunities to lead-arrange, co-arrange, and take part in prominent international syndicated loans for greater volume and increase international visibility.
- (4) Explore opportunities in cross-strait financing as China introduces further deregulations on cross-border RMB lending. Deeply engage overseas local markets to enhance the proportion of direct lending.
- (5) Restructure loan portfolio to increase the weight of high-margin or high-income customers and shift towards small and medium enterprises for better net return on capital.
- (6) Adopt a quality and quantity balanced focus when developing business. Maintain credit asset quality and focus on risk segmentation in addition to pursuing volume growth.

3. Foreign exchange:

- (1) Urge branches to take initiative in visiting premium customers for more opportunities to provide import, export, and foreign exchange services.
- (2) Strengthen relationships with depositary banks and correspondent banks; collaborate in expanding foreign exchange and its related services.
- (3) Promote cross-border payment collection as a means to increase the volume and market share of the Bank's foreign exchange service. Generate foreign exchange income in the form of fees income.

4. Investment:

- (1) Develop a multitude of financial products in line with market trends; promote financial products as solutions to corporate finance for greater profit potential.
- (2) Exercise sound judgment of financial product trends and timely adjust investment portfolio.

5. Trust:

- (1) Select funds, offshore bonds and offshore ETFs that conform to current market trend and offer them to customers as part of the Bank's investment consulting service. Increase fee revenues by launching a broader variety of custodian services.
- (2) Provide customers with broader variety of trust services including real estate trust, real estate transaction trust, senior nursing trust and disability trust.

6. Wealth management:

- (1) Enhance performance of the wealth management system as well as the training and retention of wealth management personnel.
- (2) Expand investment product variety for higher penetration of wealth management customers.

7. Insurance agency service:

- (1) Intensify promotional efforts on conventional protection-type and investment-linked insurance products of longer duration. Continue efforts in growing personal non-life insurance in the retail segment.
- (2) Utilize digital marketing solutions to improve the penetration of mortgage and life insurance products. Enhance collaboration across different departments for maximum cross-selling results.

8. Cards:

Launch credit cards with exclusive features and privileges designed for specific customer groups. Expand the card base and grow transaction acquisition services by applying segmented marketing.

9. E-commerce / Online banking:

- (1) Integrate collection/payment services into e-commerce and online transactions, and guide existing as well as new customers to making the best use of them.
- (2) Combine the Bank's advantage in financial technology, social media and payment service to develop its exclusive brand image and a fully featured mobile payment app.
- (3) Devote resources into developing a mobile banking app that focuses on distributing real-time messages. Build closer relationship and learn more about customers' needs through the use of social media.

10. Services expansion in Overseas:

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 visibility.

11. Securities brokerage:

Explore opportunities in the securities market by increasing market share of the Bank's online securities trading service. Increase revenue by guiding branches in exploring customers for underwriting services.

12. Operational management:

- (1) Improve the quality of employees' core training. Develop digital banking and international finance talent. Raise overall talent quality for greater corporate competitiveness.
- (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 to secure shareholder interest and strive to attain the best results in corporate governance evaluation.

13. 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.

14. Internal Control:

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.

15. Regulatory compliance:

- (1) Enforce the Bank's compliance policy and practices.
- (2) Enhance the Bank's anti-money laundering and counter terrorist financing practices.

16. Back-end operations:

- (1) Enhance IT security control; raise efficiency and availability 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 Operational Targets

1. Deposit Volume: NT\$1,600,258,052 thousand
2. Loans Volume: NT\$1,375,932,275 thousand
3. Investment Business (Securities): NT\$331,787,211 thousand
4. Foreign Exchange Transactions: US\$118,764,579 thousand
5. Securities Brokerage Transactions: NT\$64,048,151 thousand
6. Wealth Management Transactions: NT\$74,125,000 thousand
7. Assets under Custody NT\$134,500,000 thousand
8. Credit Card (Transaction Amount): NT\$17,700,000 thousand

C. Future Development Strategy

a. Deposits

Introduce new, upgraded banking services starting with the launch of digital foreign currency deposit accounts.

b. Lending

1. Design domestic and cross-border foreign currency financing features for the “supply chain online financing system,” and thereby expand the diversity of financial services offered to customers.
2. Continually adjust the credit portfolio and place more emphasis on SME lending for higher margin. Actively utilize SME credit guarantee fund as a means to improve credit quality and capital adequacy.

c. Investment

Pay close attention to the movement of international capital market and changes in counterparty credit ratings and actively develop diversified channels. Exercise robust liquidity management; optimize long term and short term allocation of funds by striking the right balance between liquidity and revenues.

d. Foreign Exchange

Strive to become the agency bank for the foreign currency collection services of Financial Information Service Co., Ltd., and thereby increase the volume of foreign exchange transactions.

e. Overseas Business

Support the government's New Southbound Policy by establishing local branches and merging local financial institutions in potential ASEAN countries. Search for suitable merger targets or investees and use them to quickly enter to local financial markets.

f. Securities brokerage

Respond to new digital banking trends by introducing an online securities brokerage account opening system that has the potential to explore new customers and grow the securities brokerage business in volume and market share.

g. Insurance agency service

Introduce innovative insurance products combined with the latest financial technology to satisfy customers' needs.

h. Wealth Management

1. Assemble a professional investment service team (with product, taxation, and asset planning specialists) that focuses on exploring and maintaining relationships with high net worth individuals and corporate customers, and carrying out differentiated marketing strategies and services.
2. Connect trading platforms of peers for product offerings such as sub-brokerage, private equity funds, and innovative investments. Meanwhile, the Bank will progressively optimize its asset allocation and adjust the portfolio of products sold by introducing new marketing campaigns.

i. Trust

Upgrade and test the existing fund system. Develop “New Generation Special Purpose Money Trust Trading System” to improve service efficiency and satisfy customers' investment requirements.

j. Cards

1. To accommodate changes in consumers' payment methods, the Bank will be consolidating multiple services into a single card as a means to provide more incentives for using the CHB card and for raising customer loyalty.
2. Analyze data gathered from the "Open Financial Data and Application Program" to explore ways to complement the existing product line. Apply more advanced customer segmentation to help source new customers, increase card spending, and expand the card base more effectively.

k. E-commerce / Online Banking

1. Introduce upgrades to the personal Internet banking and mobile banking systems.
2. Develop the collection payment app and the corporate Internet banking app.
3. Launch cloud-based payment (HCE ATM card) service.
4. Replace and upgrade the customer service system for better service efficiency.

l. 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 leasing, superficies set-up, 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 overdue loans; resolve bad loans to maintain the Bank's asset quality.

m. Risk Management Operations

1. Continue monitoring and management of credit exposure in China.
2. Develop credit risk management techniques and quantitative models for expected losses.
3. Improve existing operational risk management tools, and enhance the connection and integration of different management practices.

n. Regulatory compliance

1. Ensure compliance in all aspects. Avoid being penalized by the supervisory authorities and suffering financial losses or damage to reputation for violations of the law. Continually assist all departments of the Bank in reviewing and revising operational guidelines, and thereby maintain the effectiveness of the internal control system.
2. Enforce anti-money laundering (AML) and countering terrorist financing (CTF) practices. Make plans for the evaluation and management of AML and CTF risks.
3. Continually enhance training intensities to raise employees' professional capacity while at the same time reduce compliance risks of the Bank.

o. Back-end Operations

1. The Bank has made regulatory compliance, AML, CTF, information security, and financial derivative service as the key focuses of its audit effort. Steps have been taken to enhance the quality of internal audit. Improvements are being suggested to the management at appropriate time to ensure that the internal control system remains effective.
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. In response to the new FinTech era, the Financial Supervisory Commission has proposed its Financial Technology Development Strategy White Paper, which introduced detailed actions, goals and strategies toward achieving “Innovative Digital Technology in Smart Finance” by 2020. To contribute to this vision, the Bank has been invited by Financial Information Service Co., Ltd. to take part in the Corporate Finance Research Consulting Team of the Financial Blockchain Research and Application Development Committee, where it began practical development of blockchain technology for the corporate banking segment. It is the Bank’s hope to raise the efficiency of financial services delivered by introducing innovative applications of the blockchain technology.
2. In an attempt to prevent the negative interest margin from widening to an extent that may threaten the financial security and solvency of insurance companies, the authorities have made an announcement to adjust assumed interest rate for reserves of new insurance contracts in 2017 (interest rates for NTD, USD and AUD insurance plans will be reduced by 25–50 basis points). This policy is expected to cause a rise in premiums across all types of insurance products in 2017. Although customers’ anticipation in rising premiums may stimulate sales growth in the short term, high premiums would ultimately deter customers from purchasing insurance over the long run, which may negatively affect the Bank’s business performance as an insurance agency in the future. The Bank will continue to observe changes in market interest rates, and make appropriate adjustments to its product strategy to minimize the impact of interest rate changes on the performance of the Bank’s insurance business.
3. FundRich Securities Co. Ltd. is founded with the assistance of Taiwan Depository and Clearing Corporation. In September 2016, the company’s online fund trading platform was launched. This new platform allows investors to open accounts and place orders online, and offers several advantages including lower subscription fees (as compared to orders placed through banks) and waived trust management fees. More than 8 thousand online accounts have been opened using the platform, which makes it a prominent competitor to conventional banks. The Bank will devote greater attention to improving products and services, including the quality of Internet banking services, the range of investment products offered, the user experience in the fund/bond system, and the training of financial advisors, to mitigate impact of price competition.

b. Regulatory Environment

1. Establishment of the Countering Terrorist Financing Act:

The Countering Terrorist Financing Act was implemented under the President’s order on July 27, 2016 to prevent and suppress funding to terrorism, terrorists and organizations and to enable international cooperation for the protection of national security and basic human rights. It provides a more robust foundation to the nation’s counter terrorist financing efforts. According to the Counter Terrorist Financing Act, the Ministry of Justice serves as the competent authority for the Act, while the Executive Yuan is responsible for developing CTF policies, regulation review, planning, and general supervision of CTF activities. The competent authority is required to assemble a “Countering Terrorist Financing Review Committee” that specializes in reviewing the list of sanctioned terrorists and organizations and devising appropriate measures.

Any individual, legal entity or organization that has been identified in the United Nations Security Council’s resolution regarding terrorists, terrorist organizations, or the prevention of weapons proliferation need to be added to the sanction list and announced immediately by the competent authority.

2. Amendment of Notes on Anti-money Laundering and Countering Terrorist Financing for Banks:

In an attempt to enhance AML and CTF practices within the nation, the Financial Supervisory Commission reviewed and made several amendments and text correction to Notes on Anti-money Laundering and Countering Terrorist Financing for Banks on December 2, 2016 based on the 40 recommendations announced by the Financial Action Task Force (FATF).

For banks, the boards of directors and executive management are required to understand how their organizations are exposed to risk of money laundering and terrorist financing, as well as the types of AML and CTF measures in place. In addition, steps must be taken to develop proper AML and CTF culture within their organizations.

Each bank is required to establish an independent department that specializes in AML and CTF activities; in addition, the board of directors must appoint one senior manager to the role of AML/CTF Officer and provide the officer with adequate authority to serve as the second line of defense. This AML/CTF Officer shall report to the board of directors and supervisors at least once every six months. Every branch, local and abroad, must have a senior manager assigned to supervise execution of AML/CTF policies and procedures, and conduct self-audits on related matters.

3. Amendment to Articles 7 and 8 of Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business:

The Financial Supervisory Commission has tightened supervision over the launch of complex, high-risk financial derivatives by banks. In order to address the riskiness of complex high-risk products while protecting investors and ensuring stable and sound growth of financial institutions and the market, the Financial Supervisory Commission made amendments to Articles 7 and 8 of “Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business” (referred to as the Regulation below), which requires banks to seek prior approval or prior acknowledgment from the competent authority before offering complex high-risk products to customers other than institutional investors and high net worth corporate investors.

Products that involve foreign currencies would require approval from the Central Bank and acknowledgement from the Financial Supervisory Commission. New complex high-risk products that have not been permitted for offering, or have been permitted for offering for less than six months, would require prior approval before launch. Products that have been permitted for offering for more than six months are subject to follow-up reporting process. These amendments were made for the purpose of encouraging financial product innovation.

4. Amendment of electronic payment regulations:

Since the implementation of Act Governing Electronic Payment Institutions on May 3, 2015, the Financial Supervisory Commission has been helping electronic payment institutions grow business by making a series of deregulations, including amendment of “Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions” on August 17, 2016, and amendment of “Rules Governing the Administration of Electronic Payment Business” and “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions” on September 10, 2016. Meanwhile, banks are being encouraged to engage electronic payment institutions in business collaborations for the benefit of both parties.

The Bank will aim to capitalize on the ongoing deregulation and the growing demand for mobile payment by expanding its electronic payment services. In addition to O2O payment solutions, the Bank will also introduce new security measures such as pattern lock, hand gesture and fingerprint recognition to simplify transaction procedures in the age of cashless payment, and thereby attract different customer profiles.

c. Macroeconomic Environment

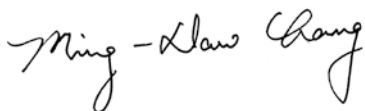
1. Some of the most significant uncertainties presented to the world's economy in 2017 include: U.S. policies under the Trump administration, localized supply chain and adjustment of economic structure in China, performance of the European economy, timing of Brexit from the EU, and election outcomes in Germany and France. All of these will affect financial market volatility. The Bank will continue monitoring the above developments and respond with caution.
2. The Bank is in pursuit of excellence while maintaining a sound business philosophy. The Bank has planned to focus on five major initiatives for the coming year: "corporate banking, retail banking, wealth management, and overseas business as core areas," "broad and deep employee training," "prioritizing information security for new financial technology," "immediate compliance supervision," and "delivering recognition for employees, value for shareholders and social welfare for society." Through integrated digital and physical banking channels, we will provide customers with more innovative and diversified financial services, and position ourselves as one of Taiwan's top banks.

E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2016/11	-	-	twAA	twA-1+	Stable
S&P	2016/11	BBB+	A-2	-	-	Stable
Moody's	2016/12	A2	P-1	-	-	Stable

Note: Compared to January 2016, the latest rating published by Moody's has maintained the Bank's long-term and short-term ratings and prospect unchanged, whereas baseline credit assessment (BCA) was adjusted upwards from Baa3 to Baa2.

Chairman



President



II Bank Overview

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II | Bank Overview

A. Registered Date

Registered Date : July 1950

ID: 51811609

B. The Bank's Development History

The origin of Chang Hwa Bank (the Bank) dates back to the colonial period under Japan's governance when Wu Ju-Hsiang founded the Kabushiki Kaisha Shoka Ginko in Chang Hwa on June 5, 1905, with an initial capital of 220,000 Japanese yen raised from local businessmen and landlords. In 2005, CHB celebrated its centennial anniversary.

Kabushiki Kaisha Shoka Ginko relocated its head office from Chang Hwa to Taichung in 1910 to better coordinate its expansion efforts of setting up branches and offices in all major cities in Taiwan.

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

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. However, in an attempt to reduce business tax burden, support government policy and offer better protection for consumers, the Bank undertook a short form merger on April 1, 2016 to acquire the abovementioned subsidiaries followed by the establishment of an Insurance Agency Division. Under this arrangement, the Bank assumed all rights and obligations of the respective companies, and added life and non-life insurance agency services as part of its business activities.

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

At the end of 2016, the Bank's authorized capital stood at NT\$90,000,000,000, and the Bank's registered capital stood at NT\$89,647,625,890. The Bank is one of the leading banks in Taiwan in terms of paid-in capital and sound financial structure.

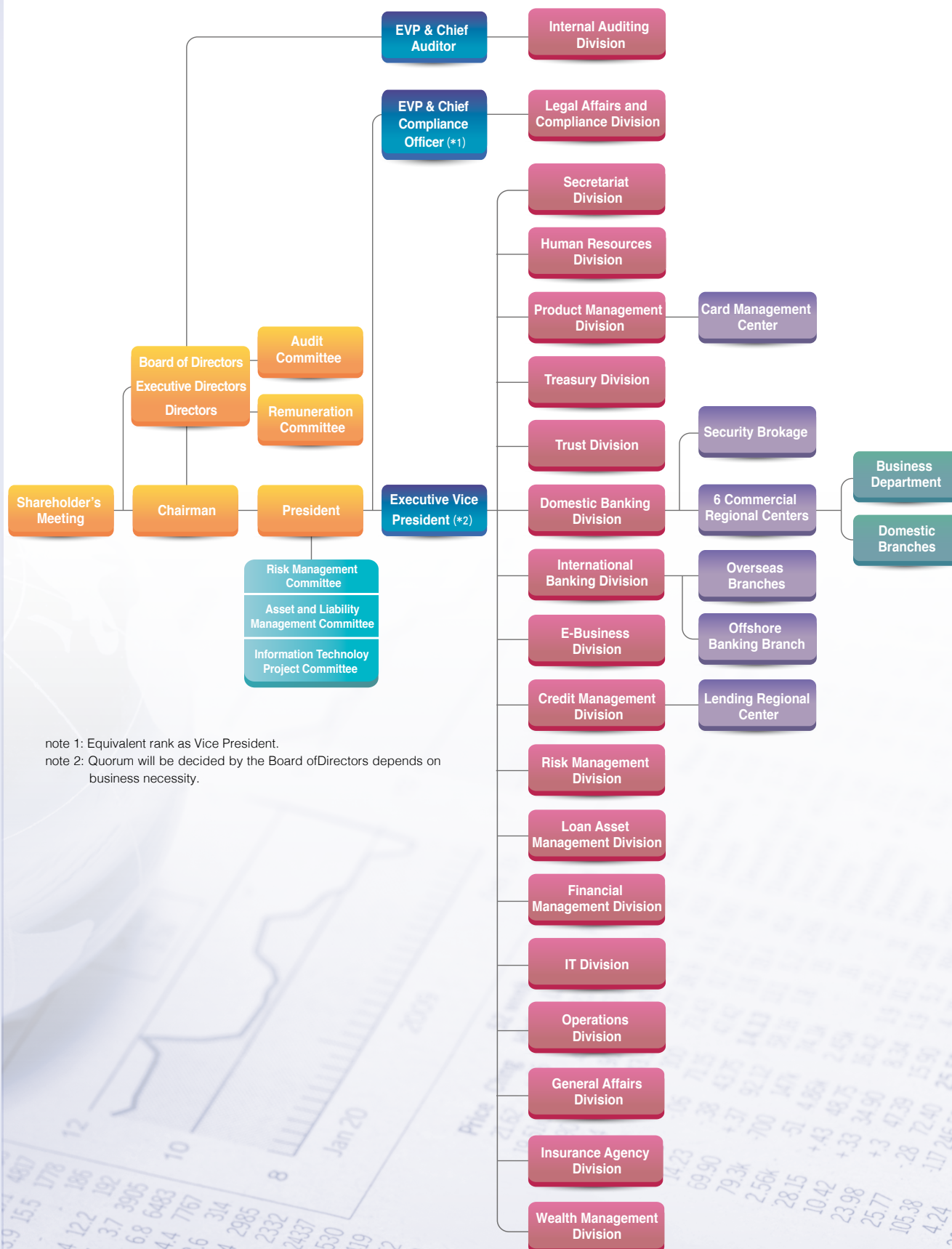
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III | Corporate Governance Report

A. Organization

a. Organization Chart





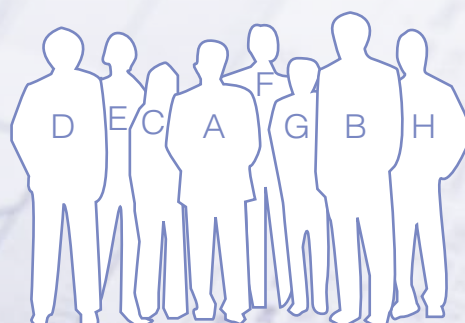
A. Chairman | Ming-Daw Chang B. President | James Shih

C. EVP& Chief Auditor | Ya-Ling Lin

D. EVP | Horng-Yao Tu E. EVP & Chief Compliance Officer | Jih-Cheng Yang

F. EVP | Hom-Gang Wang

G. EVP | Carol Sun H. EVP | Bin Chen



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 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 consists 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 consists 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 consists 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 consists 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 consists 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 consists of Product Development Section, Operations Section, Custody Service Section, Trust Management Section and Investment Consulting Section.
- (1) Accountable for trust product development, marketing plan and operations; provide custody services to entrusted assets.
 - (2) Making pricing arrangement 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 consists of Business Sales & Promotion Section, Business Analysis & Management Section, Factoring Marketing Section, Securities Section and Syndicated Loans Section. An Underwriting Section and Brokerage Section were created under the Securities Division.
- (1) Executes marketing strategies for NTD and foreign currency businesses.
 - (2) Supervises budgets for NTD and foreign currency businesses; reduces operating costs and improves business performance by implementing efficient operations and cost controls.
 - (3) Reviews performance results in NTD and foreign currency businesses.
 - (4) Plans for the installation, relocation, and dismissal of offices and automated service equipment.
 - (5) Securities underwriting and supervises the securities brokerage business.
 - (6) Supervises business operations of regional centers; identifies sales targets for each regional center with regards to NTD and foreign currency 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 consists 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 off-shore 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 consists 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 consists 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 consists 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 consists of Support & Control Section, Workout Section I, Workout Section II, Workout Section III, Workout Section IV, Workout Section V, 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) Administrates and controls the non-performing loans.
- (3) Disposes the non-performing loans.
- (4) Performs bad debt charge-offs and follow-up management.
- (5) Executes transactions of non-performing loans.

14. Financial Management Division:

Financial Management Division consists 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 consists 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 consists 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 consists 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. Insurance Agency Division:

Insurance Agency Division consists of Product Planning Section, Business Development Section and Operation Management Section.

- (1) Planning and execution of the Bank's insurance agency service.
- (2) Selection of partnered insurance companies and products, and preparing products for sale.
- (3) Revision and amendment of business policies and contracts.
- (4) Planning and execution of promotional activities, incentive campaigns, and after-sale service system.
- (5) Supervision and management of business solicitors and trainers.
- (6) Calculation and payment of commissions and bonuses.

19. Wealth Management Division:

Wealth Management Division consists of Business Operation Management Section, Customer & Product Marketing Section and Sales Force Consolidation Section.

- (1) Development and execution of marketing strategies for wealth management.
- (2) Design of investment products, and development and execution of promotional campaigns.
- (3) Execution of wealth management budget.
- (4) Tracking and review of wealth management performance.
- (5) Planning and development of wealth management systems.
- (6) Development and enforcement of rules concerning wealth management performance bonus.
- (7) Supervises business operations of regional offices; determines wealth management sales targets and monitors performance for each regional office and domestic business unit (including Business Department).

20. Commercial Regional Centers:

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

- (1) Offers guidance, assistance, and support to business operations 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.

21. 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) and Major Managers

a. Board of Directors (including Independent Directors)

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

Title	Nationality/ Domicile	Name	Male/ Female	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))	M	103.12 (Dec.2014)	2.6	102.9 (Sep.2013) 36.02 (Feb.1947)	963,738,496	12.19	1,093,072,201	12.19	
Managing Director	R.O.C.	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	M	103.12 (Dec.2014)	2.6	95.03 (Mar.2006) 94.11 (Nov.2005)	1,782,059,748	22.55	2,021,212,165	22.55	
Managing Director (Independent Director)	R.O.C.	Kuo-Yuan Liang	M	103.12 (Dec.2014)	2.6	97.11 (Nov.2008)	0	0	0	0	
Director	R.O.C.	Ching-Hwa Juan (Delegate of MOF)	M	103.12 (Dec.2014)	2.6	102.03 (Mar.2013) 36.02 (Feb.1947)	963,738,496	12.19	1,093,072,201	12.19	
Director	R.O.C.	Ing-Wei Peng (Delegate of MOF)	M	103.12 (Dec.2014)	2.6	103.12 (Dec.2014) 36.02 (Feb.1947)	963,738,496	12.19	1,093,072,201	12.19	

Jan. 31, 2017

	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
	209,000	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	None	None	None	None
	144,370	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	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
	0	0	0	0	Master of Laws, National Chengchi University Director General, Dept. of Legal Affairs Executive Secretary, Legal Affairs Committee, MOF Executive Secretary, Petitions and Appeals Committee, MOF	Chief Secretary, MOF	None	None	None

Title	Nationality/ Domicile	Name	Male/ Female	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.	Chih-Hsien Lin (Delegate of MOF)	M	105.08 (Aug.2016)	2.6	105.08 (Aug.2016) 36.02 (Feb.1947)	963,738,496	12.19	1,093,072,201	12.19	
Director	R.O.C.	Cheng Ching Wu (Delegate of TSFHC)	M	103.12 (Dec.2014)	2.6	94.11 (Nov.2005) 94.11 (Nov.2005)	1,782,059,748	22.55	2,021,212,165	22.55	
Director (Independent Director)	R.O.C.	Jung-Chun Pan	M	103.12 (Dec.2014)	2.6	103.12 (Dec.2014)	0	0	0	0	
Director (Independent Director)	R.O.C.	Shang-Chen Chen	M	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	Bachelor of Law , TungHai University Section Chief, Legal Affairs Committee, Executive Yuan Deputy Director,Senior Specialist,Insurance Bureau, Financial Supervisory Commission,Executive Yuan Deputy Director, Senior Specialist,MOE Counselor,Mainland Affairs Council,Executive Yuan	Counselor & Executive Director, National Development Council (Supervising and managing the Regulatory Reform Center)	None	None	None
	795,220	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

2. Major Institutional Shareholder:

April 18, 2017

Institutional Shareholder	Major Shareholders of Institutional Shareholders
Taishin Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd. (3.06%)、Taishin Leasing & Financing Co., Ltd. (2.88%)、Pao Chia asset management Co., Ltd. (1.74%)、Dedicated investment Account of Vanguard Emerging Markets Stock Index Fund which managing by Vanguard Group in custody by Standard Chartered Bank (1.58%)、China Life Co., Ltd. (1.56%)、Tasco Chemical Co., Ltd. (1.47%)、CitiBank Taiwan was commissioned and management investor account of emerging market fund (1.29%)、Shinkong Synthetic Fibers Corporation (1.22%)、Tung Hsien Invest Co., Ltd. (1.18%) CitiBank Taiwan was commissioned and management investor account of Norway Central Bank (1.08%)
Ministry of Finance	N/A

3. Major Shareholders of Major Institutional Shareholders of the Bank:

April 18, 2017

Institutional Shareholder	Major Shareholders of Institutional Shareholders
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings (100.00%)
Taishin Leasing & Financing Co., Ltd.	Yun Ten Co., Ltd. (40.60%)、Tung Hsien Invest Co., Ltd. (26.00%)、Pan Asian Plastics Corp. (22.20%)、Ruey-Shin Enterprise Co., Ltd. (7.06%)、Ruey-Shiang Invest Co., Ltd. (4.07%)、Jau-Heng Co., Ltd. (0.07%)
Pao Chia asset management Co., Ltd.	Ho Yang Consultant Co., Ltd. (94.95%)、Ho Tsu Investment Ltd. (5.00%)、BVI Nick & Ziv Capital Ltd. (0.05%)
Dedicated investment Account of Vanguard Emerging Markets Stock Index Fund which managing by Vanguard Group in custody by Standard Chartered Bank	N/A
China Life Co., Ltd.	KGI Securities (9.66%)、CitiBank Taiwan was commissioned and management investor account of Singapore (2.89%)、Videoland Television Network (2.35%)、DeutscheBank Taipei Branch was commissioned and management investor account of N.Y. city fund (2.13%)、JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabia Central Bank (2.08%)、Fubon Life Insurance (commissioned by SinoPac SITC) (1.91%)、JPMorgan Chase Bank N.A. Taipei Branch in custody for Abu Dhabi (1.66%)、TaiwanBank was commissioned and management investor account of Ma Shih Invest Co. (1.59%)、Dedicated investment Account of Vanguard Emerging Markets Stock Index Fund which managing by Vanguard Group in custody by Standard Chartered Bank (1.51%)、Dedicated investment Account of Credit Suisse which managing by Standard Chartered Bank (1.24%)
Tasco Chemical Co., Ltd.	Tai-He Enterprise Invest Co., Ltd. (58.20%)、He-Cheng Invest Co., Ltd. (19.55%)、Fong-He Development Co., Ltd. (9.11%)、Da-Jan Invest Development Co., Ltd. (1.61%)、He-Fong Invest Co., Ltd. (1.07%)、Fong-He Invest Co., Ltd. (0.99%)、Cheng Ching Wu (0.99%)、Shang-Bin Wu (0.99%)、Pei-Jyuan Wu (0.95%)、Pei-Rong Wu (0.93%)
CitiBank Taiwan was commissioned and management investor account of emerging market fund	N/A
Shinkong Synthetic Fibers Corporation	Shin Kong Life Insurance Co., Ltd. (5.80%)、Shin Kong Company Ltd. (5.22%)、Shin Sheng invest Co., Ltd. (4.98%)、Trust property account managed by HwaTai Bank (4.66%)、Shin Kong Spinning Co., Ltd. (3.47%)、Shin Kong Fire & Marine Insurance Co., Ltd. (3.04%)、Julian invest Co., Ltd. (2.37%)、Toray Industries, Inc. (2.20%)、Yuan-Bau Co., Ltd. (2.18%)、Ruey-Shin Enterprise Co., Ltd. (1.98%)
Tung Hsien Invest Co., Ltd.	Ruey-Shin Enterprise Co., Ltd. (78.75%)、Guei-lan Wu (3.125%) (note)、Eugene Wu (3.125%)、Anthony Wu (3.125%)、Thomas T.L. Wu (3.125%)、Hsien Hsien Hsu (2.50%)、Ruo-Nan Sun (2.50%)、Hsing Hua Ho (1.875%)、Eric Wu (1.875%)
CitiBank Taiwan was commissioned and management investor account of Norway Central Bank	N/A

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

4. Board of Directors (including Independent Directors) (2):

Jan. 31, 2017

Name	Qualifications			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
Ching-Hwa Juan			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Ing-Wei Peng			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chih-Hsien Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		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:

- A. 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.
- B. 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.
- C. 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 during the term, directors or supervisors shall meet the following terms with " ✓ " mark.

- (1) Neither employees of Bank nor its affiliates.
- (2) Neither a director or a supervisor of the Bank nor its affiliates. (This restriction does not apply to independent director positions in the Bank, its parent company or subsidiary, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- (3) 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 Bank or ranks among the top 10 shareholders who are natural persons in terms of the share volume held.
- (4) 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.
- (5) 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.
- (6) Not directors, supervisors, or managerial officer, or shareholder holding 5% or more shares of a specific company or institution and which also has financial or business dealings with the company.
- (7) 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.
- (8) Not a spouse or relative within the second degree of kinship within directors.
- (9) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- (10) 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.

b. Major Managers

Based on: March 13, 2017

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
Head Office	President	Chien-An Shih	Male	R.O.C	1040108	86,939	0%	97,308	0%	0	0%	MBA, Saginaw Valley State University of Michigan, USA	Director of Taiwan Small Business Integrated Assistance Center Director of CDIB & Partners investment Holding Corp	None	None	None
Head Office	EVP & Chief Auditor	Ya-Ling Lin	Female	R.O.C	1050726	1,275	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Head Office	Executive Vice President, adjunct SVP & Division Head of Insurance Agency Division	Hong-Yao Tu	Male	R.O.C	1040201 (Note 1)	79,415	0%	0	0%	0	0%	IMBA, Tamkang University	Director of MasterLink Securities Corp.	None	None	None
Head Office	Executive Vice President	Hong-Gang Wang	Male	R.O.C	1041101	101,229	0%	0	0%	0	0%	Cooperative Economics, Tamkang University	Director of Taiwan Asset Management Corp.	None	None	None
Head Office	Executive Vice President	Hui-Lan Sun	Female	R.O.C	1050201	10,000	0%	0	0%	0	0%	Accounting, Fu Jen University	Director of Taipei Forex Inc.	None	None	None
Head Office	Executive Vice President, adjunct SVP & Division Head of E-Business Division	Bin Chen	Male	R.O.C	1060301	80,000	0%	0	0%	0	0%	The Graduate Institute of Information Management, National Central University Institute of Computer Science and Information Engineering, National Chiao Tung University	Supervisor of Financial eSolution co., Ltd.	None	None	None
Legal Affairs and Compliance Division	EVP & Chief Compliance Officer	Jih-Cheng Yang	Male	R.O.C	1040201	14,158	0%	0	0%	0	0%	Economics, National Taiwan University	Director of Lan An Limit Co.	None	None	None
Internal Auditing Division	SVP & Division Head	Chang-Hua Cheng	Female	R.O.C	1041001	93,337	0%	0	0%	0	0%	Cooperative Economics, National Chung Shing University	None	None	None	None
Secretariat Division	SVP & Division Head	Shiou-Yu Chang	Female	R.O.C	1001101	44,228	0%	0	0%	0	0%	Master of Finance, College of Management, National Taiwan University	None	None	None	None
Human Resources Division	SVP & Division Head	Shyi-Neng Chen	Male	R.O.C	1021101	31,445	0%	0	0%	0	0%	Public Finance & Taxation, National Chung Hsing University	None	None	None	None
Product Management Division	SVP & Division Head	Chiou-Yueh Chen	Female	R.O.C	1050523	20,410	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Treasury Division	SVP & Division Head	Chih-Chen Hsu	Male	R.O.C	1040416	0	0%	0	0%	0	0%	Department of Economics, National Taiwan University	None	None	None	None
Trust Division	SVP & Division Head	Rueih-Hwa Cheng	Female	R.O.C	1051121	193,774	0%	0	0%	0	0%	Computer Science, PACE University	None	None	None	None
Domestic Banking Division	SVP & Division Head	Hsiu-Luan Hsieh	Female	R.O.C	1050901	12,223	0%	0	0%	0	0%	Master of Banking & Finance, Damkang University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
International Banking Division	SVP & Division Head	Chen-Yu Chen	Male	R.O.C.	0981208	136,080	0%	1,930	0%	0	0%	MBA, University of Texas , USA	None	None	None	None
Credit Management Division	SVP & Division Head	Shwu-Fang Wang	Female	R.O.C	1050726	160,383	0%	0	0%	0	0%	Department of Business Administration, Soochow University	None	None	None	None
Risk Management Division	SVP & Division Head	Nell H. Tseng	Female	R.O.C	1020201	0	0%	0	0%	0	0%	Business Administration, National Chengchi University	None	None	None	None
Loan Asset Management Division	SVP & Deputy Division Head	Mei-Fang Wu	Female	R.O.C	1040201 (Note 2)	0	0%	0	0%	0	0%	Law, Fu Jen Catholic University	None	None	None	None
Financial Management Division	SVP & Division Head	Tsaifeng Lin	Female	R.O.C	0960801	24,550	0%	1,934	0%	0	0%	Business, National Taiwan University	Supervisor Of Financial Asset Service Corporation	None	None	None
IT Division	SVP & Division Head	Yaw-Nan Huang	Male	R.O.C	1050901	6,340	0%	97	0%	0	0%	Administration, Open Junior College Of Commerce Affiliated National Chengchi University	None	None	None	None
Operations Division	SVP & Division Head	Wei-Tsair Chang	Male	R.O.C	1051121	76,647	0%	172,131	0%	0	0%	Law, Soochow University EMBA, Fudan University Law	None	None	None	None
General Affairs Division	SVP & Division Head	Hsiang-Chun Wu	Female	R.O.C	1051201	0	0%	0	0%	0	0%	Department of Law, National Chengchi University	None	None	None	None
Wealth Management Division	SVP & Division Head	Hui-Yu Chen	Female	R.O.C	1050401	0	0%	0	0%	0	0%	MBA, Tulane University	None	None	None	None
Offshore Banking Branch	VP & GM	Yu-Shan Chen	Female	R.O.C	1020719	47,508	0%	0	0%	0	0%	MS Banking & Finance, Tamkang University	None	None	None	None
Commercial Regional Center 1	SVP & Division Head	Chaur-Chyan Lin	Male	R.O.C	1050901	67,938	0%	203	0%	0	0%	Business Administration ,Open Business College Affiliated With National Taipei College of Business	None	None	None	None
Commercial Regional Center 2	SVP & Division Head	Shuen-Chang Yeh	Male	R.O.C	1040316	0	0%	0	0%	0	0%	Department of International Trade, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Commercial Regional Center 3	SVP & Division Head	Pao-Sen Yu	Male	R.O.C	1050901	0	0%	0	0%	0	0%	Accounting, Chinese Culture University	None	None	None	None
Commercial Regional Center 4	SVP & Division Head	Jui-Chun Wu	Female	R.O.C	1031201	57,526	0%	0	0%	0	0%	Department of International Trade, Fu-Jen Catholic University	None	None	None	None
Commercial Regional Center 5	SVP & Division Head	Ko-Chung Wang	Male	R.O.C	1050401	66,044	0%	0	0%	0	0%	Department of Business, National Open University	None	None	None	None
Commercial Regional Center 6	SVP & Division Head	Lien-Ching Chen	Male	R.O.C	1011101	0	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated National Chengchi University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
Business Department	VP & GM	Tse-Tsang Tso	Male	R.O.C	1050401	100,204	0%	70,702	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Tzungbu Branch	VP & GM	Chen-Hui Yeh	Male	R.O.C	1040608	153,871	0%	74,025	0%	0	0%	International Trade, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Taipei Securities Broker	VP & GM	Shun-Hung Huang	Male	R.O.C	1050501	101,734	0%	74,388	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Taichung Securities Broker	VP & GM	Shuo-Hung Huang	Male	R.O.C	1050501	38,792	0%	0	0%	0	0%	Department of Food and Nutrition, Chinese Culture University	None	None	None	None
Chi-Hsien Securities Broker	VP & GM	Fu-Rong Chiu	Male	R.O.C	1030210	4,513	0%	0	0%	0	0%	Cooperative Economics, Tamkang College	None	None	None	None
Taichung Branch	VP & GM	Yen-Chun Chen	Female	R.O.C	1050901	24,657	0%	0	0%	0	0%	Department of Foreign Languages and Literature, Providence University	None	None	None	None
Pei-Taichung Branch	VP & GM	Chi-Tsung Shih	Male	R.O.C	1051121	7,000	0%	0	0%	0	0%	Agricultural Economics, National Taiwan University	None	None	None	None
Nan-Taichung Branch	VP & GM	Cheng-Fu Yang	Male	R.O.C	1050401	13,243	0%	0	0%	0	0%	Department of Finance, Chaoyang University of Technology	None	None	None	None
Peitun Branch	VP & GM	Yuan-Fen Chen	Female	R.O.C	1030401	12,117	0%	0	0%	0	0%	Department of Finance, Chaoyang University of Technology	None	None	None	None
Chung-Kang Branch	VP & GM	Pei-Chung Yang	Male	R.O.C	1040501	41,681	0%	0	0%	0	0%	Accounting, National Chung Hsing University	None	None	None	None
Shuinan Branch	VP & GM	Ti-Tien Liao	Male	R.O.C	1030301	2,012	0%	21,671	0%	0	0%	Business Administration, Fu-Jen University	None	None	None	None
Nantun Branch	VP & GM	Shiu-Hwa Chang	Female	R.O.C	1050101	12,990	0%	0	0%	0	0%	Open College of Continuing Education Affiliated, National Taichung University of Science And Technology	None	None	None	None
Hsitun Branch	VP & GM	Lin- Ling Chen	Female	R.O.C	1051121	17,697	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Keelung Branch	MANAGER	Der-Ho Chen	Male	R.O.C	1040608	1,277	0%	0	0%	0	0%	Department of Shipping And Transportation Management, National Taiwan College of Marine Science And Technology	None	None	None	None
Jenai Branch	VP & GM	Yueh-Ming Yu	Male	R.O.C	1040316	0	0%	21,675	0%	0	0%	Department of Japanese, Tamkang University	None	None	None	None
Dung-Keelung Branch	VP & GM	Don-Y.T. Wang	Male	R.O.C	1020201	308	0%	0	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Yilan Branch	VP & GM	Jenn-Gwo Lee	Male	R.O.C	1010201	497	0%	0	0%	0	0%	Department of International Trade, Tamkang University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
Lotung Branch	VP & GM	Hsi-lung Wu	Male	R.O.C	1050401	400	0%	0	0%	0	0%	Accounting, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Suao Branch	VP & GM	Tsuan-Sheng Tseng	Male	R.O.C	1001101	62	0%	6,620	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated With National Taipei College of Business	None	None	None	None
Taipei Branch	VP & GM	Mei-Li Chiu	Female	R.O.C	1040608	5,926	0%	0	0%	0	0%	Commerce, Shilin High School of Commerce	None	None	None	None
Chengnei Branch	VP & GM	Yu-Hui Lin	Female	R.O.C	1050901	12,685	0%	827	0%	0	0%	Business Management EMBA, National Taipei University of Technology -College of Management	None	VP & GM	Sheng Tung Chen	Spouse
Dunhua Branch	VP & GM	Shyr-Chiou Chen	Male	R.O.C	1050901	26,741	0%	0	0%	0	0%	Senior High School, Taipei Municipal Commercial School	None	None	None	None
Wanhua Branch	VP & GM	Meei-Tzww Lin	Female	R.O.C	1050401	7,219	0%	0	0%	0	0%	International Trade, Ming Chuan College	None	None	None	None
Shuangyuan Branch	VP & GM	Fu-Jinn Chiou	Male	R.O.C	1041001	412	0%	0	0%	0	0%	Business Administration, Chinese Culture University	None	None	None	None
Ximen Branch	VP & GM	Feng-Tsung Chang	Male	R.O.C	1050901	1,233	0%	0	0%	0	0%	Agricultural Economics, National Taiwan University	None	None	None	None
Beimen Branch	VP & GM	Jin-Kuei Chen	Male	R.O.C	1060313	21,881	0%	0	0%	0	0%	International Trade., Open Junior College Affiliated With Taipei Municipal Junior College of Business.	None	None	None	None
Yungle Branch	VP & GM	Mei-Hsing Lin	Female	R.O.C	1040316	14,660	0%	0	0%	0	0%	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Jiancheng Branch	VP & GM	Ruei-Jan Chen	Female	R.O.C	1050523	66,844	0%	0	0%	0	0%	Fianace & Banking,- Fu Jen Catholic University	None	None	None	None
Datung Branch	VP & GM	Pi-Chin Shao	Female	R.O.C	1040316	2,885	0%	0	0%	0	0%	Shipping& Transportation Management, National Taiwan Ocean University	None	None	None	None
Mingsheng Branch	VP & GM	Jung-Chien Hu	Male	R.O.C	1051121	1,664	0%	0	0%	0	0%	EMBA, National Cheng Chi University	None	None	None	None
Zhongshan N. Rd. Branch	VP & GM	Yi-jung Chan	Male	R.O.C	1041001	191	0%	0	0%	0	0%	Science of nsurance, Tamkang University	None	None	None	None
Jingguang Branch	VP & GM	Lih-Lan Yang	Female	R.O.C	1050901	166	0%	1,281	0%	0	0%	College of Business, Business & Applied Commerce, Open Junior College Affiliated with National Taipei	None	None	None	None
Jianguo Branch	VP & GM	Hsiao-Hua Yin	Female	R.O.C	1050901	10,207	0%	0	0%	0	0%	International Trade, Ming Chuan Commercial College for Girls	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)					
Jilin Branch	VP & GM	Yu-Yeh Lin	Female	R.O.C	1050901	226	0%	0	0%	0	0%	Economics, National Chengchi University	None	None	None	None
Changan E. Road Branch	VP & GM, Chang An East Road Branch	Kang Yang	Male	R.O.C	1051201	13,839	0%	0	0%	0	0%	International Trade Department, Fu-Jen Catholic University	None	None	None	None
Dongmen Branch	VP & GM	Yi-Hwang Tseng	Male	R.O.C	1050201	94,842	0%	0	0%	0	0%	Accounting & Statistics, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Zhongzheng Branch	VP & GM	Ming-Hua Huang	Male	R.O.C	1050401	55	0%	20,931	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business.	None	None	None	None
Guting Branch	VP & GM	Chiu-Tung Huang	Male	R.O.C	1050401	1,174	0%	0	0%	0	0%	Department of Shipping and Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None
Zhongxiao road Branch	VP & GM	Hwa-Shan Chiou	Male	R.O.C	1060201	79,037	0%	2,163	0%	0	0%	Department of Business Administration, Soochow University	None	None	None	None
Yongchun Branch	VP & GM	Mei-Fen Hsieh	Female	R.O.C	1050901	833	0%	184	0%	0	0%	IEMBA, National Taipei University	None	None	None	None
Wufenpu Branch	VP & GM	Su-Man Hsueh	Female	R.O.C	1060313	12,563	0%	0	0%	0	0%	Department of Business, National Taichung University of Science and Technology	None	None	None	None
Daan Branch	VP & GM	Chung-Long Tsai	Male	R.O.C	1050901	12,561	0%	0	0%	0	0%	Business Administration department, Chinese Culture College	None	None	None	None
Xinyi Branch	VP & GM	Chien-Mei Yu	Female	R.O.C	1050201	14,973	0%	0	0%	0	0%	EMBA in International Business, Tamkang University	None	None	None	None
Renhe Branch	VP & GM	Szu-Yen Lin	Female	R.O.C	1040506	94,124	0%	1,828	0%	0	0%	Department of Accounting, Takming University of Science and Technology	None	None	None	None
Taipei world trade center Branch	VP & GM	Hui-Jen Wu	Female	R.O.C	1040501	51,906	0%	0	0%	0	0%	International Trade, Soochow University	None	None	None	None
Guanglong Branch	VP & GM	Ying-Hui Hung	Female	R.O.C	1050401	55,338	0%	0	0%	0	0%	International Trade, TamKang University	None	None	None	None
Chengdong Branch	VP & GM	Kuei-Mei Hsu	Female	R.O.C	1040316	13,997	0%	0	0%	0	0%	Accounting, Fu Jen Catholic University	None	None	None	None
Zhonglun Branch	VP & GM	Hui -Ling Lee	Female	R.O.C	1040316	0	0%	392	0%	0	0%	Master of Business Administration, Tamkang University	None	None	None	None
Fuxing Branch	VP & GM	Yu-Shu Chen	Male	R.O.C	1051121	114,255	0%	0	0%	0	0%	Department of Economics, Soochow University	None	None	None	None
Songjiang Branch	VP & GM	Fang-Yuan Wu	Female	R.O.C	1060313	39,150	0%	0	0%	0	0%	Cooperative Economics, Tamkang University	None	None	None	None
Chende Branch	VP & GM	Chun-Feng Lee	Female	R.O.C	1050401	0	0%	0	0%	0	0%	Department of Finance, Jinwen University of Science and Technology	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)					
Shihlin Branch	VP & GM	Shuenn-Chuang	Male	R.O.C	1010201	61,578	0%	88,185	0%	0	0%	Department of Law, Chinese Culture University	None	None	None	None
Beitou Branch	VP & GM	Hung Wang	Male	R.O.C	1050815	19,461	0%	0	0%	0	0%	Accounting, National Chung Hsing University	None	None	None	None
Tianmu Branch	VP & GM	Chiu-Ling Chen	Female	R.O.C	1050401	0	0%	0	0%	0	0%	Banking & Finance, Tamkang University	None	None	None	None
Songshan Branch	VP & GM	Chin-Hsuan Lee	Male	R.O.C	1060313	3,698	0%	0	0%	0	0%	MS in Banking & Finance, Ming Chuan University	None	None	None	None
Xisung Branch	VP & GM	Li-Hsien Huang	Female	R.O.C	1060103	5,337	0%	0	0%	0	0%	Msc in International Banking and Finance, London Guildhall University	None	None	None	None
Dong-Taipei Branch	VP & GM	Kuei-Fen Chen	Female	R.O.C	1050401	6,514	0%	0	0%	0	0%	Banking & Insurance, Ming Chuan College	None	None	None	None
Dongsing Branch	VP & GM	Hueih-Rur Shy	Female	R.O.C	1060313	24	0%	0	0%	0	0%	Economics, Chinese Culture University	None	None	None	None
Hsi-Neihu Branch	VP & GM	Li-Feng Shen	Female	R.O.C	1050901	21,653	0%	0	0%	0	0%	Department of Shipping & Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None
Dazhi Branch	VP & GM	Cheng-Chi Chuang	Male	R.O.C	1051121	643	0%	0	0%	0	0%	Institute of Economics, Feng Chia University	None	None	None	None
Neihu Branch	VP & GM	Chien-Fa Chen	Male	R.O.C	1050901	34	0%	0	0%	0	0%	Economics, Chinese Culture University	None	None	None	None
Tunghu Branch	VP & GM	Shu-Fen Liu	Female	R.O.C	1050901	11,547	0%	0	0%	0	0%	College of Management, National Taipei University of Business Department of Business Administration	None	None	None	None
Xinhu Branch	VP & GM	Kuen-Shan Wang	Male	R.O.C	1050711	3,017	0%	0	0%	0	0%	International Trade, Tunghai University	None	None	None	None
Nankang Branch	VP & GM	Shu-Hua Tsai	Female	R.O.C	1051201	44,757	0%	0	0%	0	0%	Public Finance & Taxation, Feng Chia University	Director of Chen Chung & Chen Ye Ruei Culture and Education Foundation	None	None	None
Muzha Branch	VP & GM	Wen-Cheng Lin	Male	R.O.C	1050523	72,184	0%	0	0%	0	0%	Department of Statistics, Chung Hsing University	None	None	None	None
Nankang software park Branch	VP & GM	Huei-Chin Lin	Female	R.O.C	1060313	0	0%	0	0%	0	0%	International Trade, National Taipei College of Business	None	None	None	None
Hoping Branch	VP & GM	Ai-Ling Wang	Female	R.O.C	1050523	25,554	0%	0	0%	0	0%	Department of International Trade, National Taipei University of Business	None	None	None	None
Sijhih Branch	VP & GM	Jui-Hui Hsu	Female	R.O.C	1050901	11,481	0%	6,778	0%	0	0%	Public Finance, China University of Technology	None	None	None	None
Xike Branch	VP & GM	Ching-Yueh Chien	Female	R.O.C	1050401	7,492	0%	0	0%	0	0%	Cooperative Economics, Tamkang University	None	None	None	None
Danshui Branch	VP & GM	Hsiu-Hsia Tsai	Female	R.O.C	1051011	12,856	0%	1,715	0%	0	0%	Finance Association Research Institute, Tamkang University	None	None	None	None
Ruifang Branch	VP & GM	Kao-Jung Hsu	Male	R.O.C	1021101	9,268	0%	886	0%	0	0%	Institute of Law, Chinese Culture University	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)					
Sanchungpu Branch	VP & GM	Pao-Hua Hsu	Female	R.O.C	1050711	191	0%	57,020	0%	0	0%	Business ,National Taiwan University	None	None	None	None
Bai-San-chongpu Branch	VP & GM	Ming-Shung Lin	Male	R.O.C	1051121	12,951	0%	0	0%	0	0%	Department of Cooperative Economy,Chung Hsing University	None	None	None	None
Dong-San-chongpu Branch	VP & GM	Ching-Fu Lin	Male	R.O.C	1050901	0	0%	0	0%	0	0%	Administration, Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Hsi-San-chung Branch	VP & GM	Tzy-Yun Chen	Female	R.O.C	1050401	386	0%	0	0%	0	0%	Department Of Banking,Tankang University	None	None	None	None
Nan-San-chongpu Branch	VP & GM	Mei-Hwa Huang	Female	R.O.C	1060313	14,435	0%	0	0%	0	0%	Associate of Business Administration, Open Business College Affiliated with Cheng Kung University	None	None	None	None
Sanhe Road Branch	VP & GM	Chi -Hsiang Chen	Male	R.O.C	1040608	951	0%	770	0%	0	0%	Manegement & Sciences,Aletheica University	None	None	None	None
Luchou Branch	VP & GM	Li-Min Cheng	Female	R.O.C	1050901	3,258	0%	0	0%	0	0%	Master of Finance, Ming Chuan University	None	None	None	None
Xindian Branch	VP & GM	Jenn-Shing Sun	Male	R.O.C	1050912	0	0%	0	0%	0	0%	Accounting, Chinese Culture University	None	None	None	None
Baixin Branch	VP & GM	Lan-Zu Lin	Female	R.O.C	1040316	13,288	0%	0	0%	0	0%	Banking & Insurance, Taiwan Provincial Taichung Institute Commerce	None	None	None	None
Jicheng Branch	VP & GM	Ai-Hsiu Lai	Female	R.O.C	1050501	2,905	0%	0	0%	0	0%	Department of Shipping & Transportation Management, National Taiwan Ocean College	None	None	None	None
Yonghe Branch	VP & GM	Hsiao-Hsia Lu	Female	R.O.C	1021101	89,157	0%	0	0%	0	0%	Public Finance & Taxation,National Chung-Hsin University	None	None	None	None
Fuhe Branch	VP & GM	Su-Chen Cheng	Female	R.O.C	1051201	337	0%	0	0%	0	0%	Banking & Insurance,National Taichung Institute of Commerce	None	None	None	None
Zhonghe Branch	VP & GM	Chun-Jen Tsai	Male	R.O.C	1060113	14,488	0%	0	0%	0	0%	International Trade,Soochow University	None	None	None	None
Shuangho Branch	VP & GM	Wei-Shuo Luo	Male	R.O.C	1050401	21,802	0%	0	0%	0	0%	Department of International Trade,Chung Yuan Christian University	None	None	None	None
Leede Branch	VP & GM	Li-Chiao Lee	Female	R.O.C	1050501	64,110	0%	0	0%	0	0%	IMBA,Tamkang University	None	None	None	None
Xinzhuang Branch	VP & GM	I-Hsin Weng	Male	R.O.C	1050101	444	0%	0	0%	0	0%	Department of Republic Administration, National Chung Hsing University	None	None	None	None
Xinshu Branch	VP & GM	Ruey-Hong Weng	Male	R.O.C	1051011	0	0%	0	0%	0	0%	Department of Finance,Chaoyang University of Technology	None	None	None	None
Wugu Industrial Park Branch	VP & GM	Chang-Cheng Chu	Male	R.O.C	1050901	89,766	0%	0	0%	0	0%	The Department of International Trade ,Chinese Culture University	None	None	None	None
Nan-Hsinchuang Branch	VP & GM	Sheng-Tung Chen	Male	R.O.C	1050401	827	0%	12,685	0%	0	0%	International Trade, Tamsui Institute of Business	None	VP & GM	Yu Hui Lin	Spouse

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						Shares	(%)	Shares	(%)	Shares	(%)					
Siyuan Branch	VP & GM	Chyi-Ying Yeh	Female	R.O.C	1030701	27,007	0%	0	0%	0	0%	Economics, Fu Jen Catholic University	None	None	None	None
Taishan Branch	VP & GM	Feng-Fuh Chang	Male	R.O.C	1040701	855	0%	0	0%	0	0%	Department of Electronic Data Processing, National Taichung College of Business	None	None	None	None
Linkou Branch	VP & GM	Jiin-Chour Liu	Male	R.O.C	1050901	27,766	0%	0	0%	0	0%	Business Administration, Fu Jen Catholic University	None	None	None	None
New Linkou Branch	VP & GM	Hsiu-O Hsieh	Female	R.O.C	1060313	500	0%	10,000	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Shulin Branch	VP & GM	Shu-Ju Tsai	Female	R.O.C	1050401	37,077	0%	0	0%	0	0%	Business Management, Yuan Ze University	None	None	None	None
Banqiao Branch	VP & GM	Kui-Fang Tsai	Male	R.O.C	1050901	8,502	0%	11,547	0%	0	0%	Business Administration, Chung Yuan Christian University	None	None	None	None
Kuang-Fu Branch	VP & GM	Kuei-Mei Wu	Female	R.O.C	1060313 (Note 3)	28,489	0%	0	0%	0	0%	Public Finance & Taxation, Feng Chia University	None	None	None	None
Jiangcui Branch	VP & GM	Shu-Chung Chen	Female	R.O.C	1050401	10,594	0%	0	0%	0	0%	International Trading Dept, Fu Jen Catholic University	None	None	None	None
Tucheng Branch	VP & GM	Yeong-Shyang Shyu	Male	R.O.C	1060313	1,132	0%	0	0%	0	0%	International Trade, Chih Lee Commercial Junior College	None	None	None	None
Sanxia Branch	VP & GM	Yu-Ling Tang	Female	R.O.C	1060313	620	0%	0	0%	0	0%	International Trade, Tunghai University	None	None	None	None
Taoyuan Branch	VP & GM	Jia-Jen Hou	Male	R.O.C	1050307	47,224	0%	0	0%	0	0%	The Department of Finance, China University of Science and Technology	None	None	None	None
Bai-Taoyuan Branch	VP & GM	Yueh-Chiu Lai	Female	R.O.C	1050401	37,134	0%	0	0%	0	0%	Accounting Department, Tunghai University	None	None	None	None
Bade Branch	VP & GM	Chin-Li Lin	Female	R.O.C	1050401	0	0%	0	0%	0	0%	Financial Management, Ming Chuan University	None	None	None	None
Longtan Branch	VP & GM	Tzu-Chiung Huang	Female	R.O.C	1050101	117,095	0%	0	0%	0	0%	Business Administration, National Cheng Kung University	None	None	None	None
Nankan Branch	VP & GM	Hui-Chuan Hsieh	Female	R.O.C	1060313 (Note 3)	818	0%	0	0%	0	0%	Department of Accountancy, National Taipei University	None	None	None	None
Dong-Linkou Branch	VP & GM	Pei-Fen Hsieh	Female	R.O.C	1040608	153,267	0%	408	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Zhongli Branch	VP & GM	Chin-Huang Chuang	Male	R.O.C	1050307	93,602	0%	2,885	0%	0	0%	Accounting & Statistics, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Bai-Zhongli Branch	VP & GM	Ting-Feng Cho	Female	R.O.C	1040316	20,567	0%	0	0%	0	0%	Department of International Trade, Chihlee Institute of Technology	None	None	None	None
Xinming Branch	VP & GM	Cheng-Yi Hsieh	Male	R.O.C	1041001	0	0%	53	0%	0	0%	Department of Insurance, National Chengchi University	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)					
Yangmei Branch	VP & GM	Li-Ling Lan	Female	R.O.C	1050201	36,641	0%	0	0%	0	0%	Department of Statistics, Tamkang University	None	None	None	None
Pushin Branch	VP & GM	Kuang-Hua Cho	Male	R.O.C	1021201	13,892	0%	2,319	0%	0	0%	Bank & Insurance Department, National Taipei University of Business	None	None	None	None
Xinzhu Branch	VP & GM	Chun-Hong Yeh	Male	R.O.C	1050901	462	0%	0	0%	0	0%	Banking & Insurance, Feng Chia University	None	None	None	None
Bai-Xinzhu Branch	VP & GM	Ming-Thur Cheng	Male	R.O.C	1050307	25,626	0%	14,972	0%	0	0%	Master's Program in Department of Business Administration, Lunghwa University of Science and Technology	None	None	None	None
Hsinshu Science Park Branch	VP & GM	Yu -Chin Fan	Female	R.O.C	1041001	8,516	0%	0	0%	0	0%	Graduate Institute of Management, National Taiwan University of Science and Technology	None	None	None	None
Zhubai Branch	GM	Su-Ming Cheng	Female	R.O.C	1041001	16,283	0%	0	0%	0	0%	Finance, Chang Gung University	None	None	None	None
Zhudong Branch	Manager	Jui-Yueh Wu	Male	R.O.C	1060313	0	0%	0	0%	0	0%	Department of Construction Management, Chung Hua University	None	None	None	None
Jhunan Branch	VP & GM	Shey-Lin Chang	Female	R.O.C	1050201	181	0%	0	0%	0	0%	International Trading, National Taichung College of Business	None	None	None	None
Miaoli Branch	VP & GM	Shao-Mao Wang	Male	R.O.C	1051121	85,439	0%	50,405	0%	0	0%	EMBA Business Management Group, National Chung Hsing University	None	None	None	None
Yuanli Branch	VP & GM	Shu-Lin Liu	Female	R.O.C	1050101	39,424	0%	0	0%	0	0%	Education Executive Master of Business Administration, National Changhua University of Education	None	None	None	None
Dachia Branch	VP & GM	Hsiu-Ching Hsu	Female	R.O.C	1040901	0	0%	408,742	0%	0	0%	Master of Science In Business Administration, Chung Hua University	None	None	None	None
Shimizu Branch	VP & GM	Ji-Ming Huang	Male	R.O.C	1031101	1,259	0%	0	0%	0	0%	Department of Business, National Open University	None	None	None	None
Shalu Branch	VP & GM	You-Chen Lee	Male	R.O.C	1040901	18,839	0%	0	0%	0	0%	IMBA, National Changhua University of Education	None	None	None	None
Tatu Branch	VP & GM	Chih-Hao Lo	Male	R.O.C	1050523	856	0%	1,321	0%	0	0%	School of Management Development, Feng Chia University	None	None	None	None
Taiping Branch	VP & GM	Lifen-Tseng	Female	R.O.C	1050401	0	0%	0	0%	0	0%	Republic of Finance, National of Chung Hsing University	None	None	None	None
Fengyuan Branch	VP & GM	Jin-Yu Yeh	Female	R.O.C	1051121	102,820	0%	0	0%	0	0%	EMBA, Feng Chia University	None	None	None	None
Daya Branch	VP & GM	Feng-Chiou Lai	Male	R.O.C	1031101	97,530	0%	0	0%	0	0%	Department of Insurance, Tamkang University	None	None	None	None
Tanzi Branch	VP & GM	Chiung-Hsiao Hung	Female	R.O.C	1050401	64,079	0%	0	0%	0	0%	International Trade, National Taichung Institute of Commerce	None	None	None	None
Dongshi Branch	VP & GM	Huoo-Chung Hsiao	Male	R.O.C	1040316	100,819	0%	0	0%	0	0%	Banking & Insurance, Tamkang University	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)					
Wufeng Branch	VP & GM	Feng-Hsien Tseng	Male	R.O.C	1030210	921	0%	0	0%	0	0%	International Trade, Open Junior College of Commerce Affiliated with National Taichung Institute of Commerce	None	None	None	None
Dali Branch	VP & GM	Rong-Hong Way	Male	R.O.C	1050501	12,118	0%	0	0%	0	0%	Institute of Business and Management, Asia University	None	None	None	None
Caotun Branch	VP & GM	Tsai-Fu Lin	Male	R.O.C	1050401	13,790	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Nantou Branch	VP & GM	Li-Hwa Lee	Female	R.O.C	1050201	94,960	0%	0	0%	0	0%	Education Executive Master of Business Administration, National Changhua University	None	None	None	None
Puli Branch	VP & GM	Ching-Yuan Wu	Male	R.O.C	1050201	20,535	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Shuilikeng Branch	VP & GM	Tain-Maw Chang	Male	R.O.C	1030210	5,300	0%	0	0%	0	0%	Business Administration, Open Junior College Affiliated with National Taichung Institute of Technology	None	None	None	None
Changhua Branch	VP & GM	Shun-Feng Lo	Male	R.O.C	1050401	12,654	0%	24,819	0%	0	0%	MS in Logistics, National Defense University	None	None	None	None
Lukang Branch	VP & GM	Su-Min Hsin	Female	R.O.C	1051121	11,039	0%	16,440	0%	0	0%	Executive Master of Business Administration Program, Tunghai University	None	None	None	None
Homei Branch	VP & GM	Mei-Ling Chiu	Female	R.O.C	1040901	10,844	0%	0	0%	0	0%	Executive Master's Program of Business Administration School of Management Development, Feng Chia University	None	None	None	None
Yuanlin Branch	VP & GM	A-R Liu	Female	R.O.C	1040401	48,094	0%	1,180	0%	0	0%	Executive Master of Business Administration, National Changhua University of Education	None	None	None	None
Hsihu Branch	VP & GM	Ber-Lin Yeh	Male	R.O.C	1020701	97,791	0%	0	0%	0	0%	Chien Kuo Library Complex, International Business Management	None	None	None	None
Beidou Branch	VP & GM	Chin-Ping Lai	Female	R.O.C	1050901	65,641	0%	0	0%	0	0%	IMBA, National Changhua University of Education	None	None	None	None
Erlin Branch	VP & GM	Shinn-Huei Leu	Male	R.O.C	1050401	11,272	0%	0	0%	0	0%	Finance, National Hu-wei University of Science and Technology	None	None	None	None
Hsiluo Branch	VP & GM	Zhen-Dong Jian	Male	R.O.C	1041101	675	0%	72	0%	0	0%	Accounting, Tamkang University	None	None	None	None
Douliou Branch	VP & GM	Mao-Sheng Yen	Male	R.O.C	1020701	30,012	0%	7,936	0%	0	0%	International Trade, Open Junior College of Commerce Affiliated with National Cheng Kung University	None	None	None	None
Dounan Branch	VP & GM	Wen-Ko Ho	Male	R.O.C	1030310	0	0%	0	0%	0	0%	Cooperative Economics, National Chung University	None	None	None	None
Huwei Branch	VP & GM	Wen-Ling Tasi	Male	R.O.C	1050401	1,779	0%	1,594	0%	0	0%	Department of Business Management, Chinese Culture University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
Tuku Branch	VP & GM	Chen-Ying Wu	Female	R.O.C	1050901	3,330	0%	0	0%	0	0%	Executive Master of Business Administration, Southern Taiwan University of Science and Technology	None	None	None	None
Beigang Branch	VP & GM	Weng-Chung Chen	Male	R.O.C	1040316	44,579	0%	0	0%	0	0%	Seminar on Finance, National Chung Hsing University	None	None	None	None
Dalin Branch	VP & GM	Wen-Ching Chen	Male	R.O.C	1030901	35,958	0%	0	0%	0	0%	Department of Finance, National Yunlin University of Science & Technology	None	None	None	None
Chiayi Branch	VP & GM	Yuen-Ying Lai	Female	R.O.C	1041201	0	0%	0	0%	0	0%	Lif Sciences Department, National Open University	None	None	None	None
Dong-Chiayi Branch	VP & GM	Yen-Yu Liu	Female	R.O.C	1041001	546	0%	0	0%	0	0%	EMBA, National Chiayi University	None	None	None	None
Bai-Chiayi Branch	VP & GM	Chiang-An Chang	Male	R.O.C	1041201	83,734	0%	0	0%	0	0%	Institute of Technology, Business & Applied Commerce Open Junior College of Continuing Education Affiliated National Taichung	None	None	None	None
Xinying Branch	VP & GM	Chun-Hung Tung	Male	R.O.C	0950701	60,373	0%	9,861	0%	0	0%	EMBA, National Cheng Kung University	None	VP & GM	Mei Hui Wu	Spouse
STSP Tree Valley Branch	VP & GM	Shan-Shin Shen	Male	R.O.C	1010402	50,330	0%	130,660	0%	0	0%	Finance & Banking, Chihlee Institute of Technology	None	None	None	None
Yongkang Branch	VP & GM	Shiou-Yann Lin	Female	R.O.C	1021001	1,349	0%	279	0%	0	0%	MS in Banking & Finance, National Kaohsiung First University of Science and Technology	None	None	None	None
Zhonghua Rd. Branch	VP & GM	Yung-Sheng Chen	Male	R.O.C	1040316	1,081	0%	0	0%	0	0%	Business Administration, Tamkang University	None	None	None	None
Tainan Branch	VP & GM	Kuo-Hsiang Lin	Male	R.O.C	1041101	0	0%	0	0%	0	0%	Statistics, National Cheng Kong University	None	None	None	None
Yinping Branch	Yenping Branch VP & GM	Cheng-Chi Chen	Male	R.O.C	1050401	153,443	0%	171,235	0%	0	0%	Graduate Institute of Finance & Insurance, Shu-Te University of Science & Technology	None	None	None	None
Hsi-Tainan Branch	VP & GM	Chih-Ming Kuo	Male	R.O.C	1050401	34,172	0%	0	0%	0	0%	Cooperative Economics, Tamkang College of Arts and Sciences	None	None	None	None
Dong-Tainan Branch	VP & GM	Chung-Shing Her	Male	R.O.C	1041101	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	None	None	None	None
Nan-Tainan Branch	VP & GM	Wang-Ming Lee	Male	R.O.C	1050401	1,440	0%	0	0%	0	0%	Business Administration, Tamkang University	None	None	None	None
Bai-Tainan Branch	VP & GM	Mei-Hui Wu	Female	R.O.C	1050401	9,861	0%	60,373	0%	0	0%	EMBA, National Chiayi University	None	VP & GM	Chun Hung Tung	Spouse
Kueijen Branch	VP & GM	Chien-Tai Ping	Male	R.O.C	1050706	0	0%	0	0%	0	0%	Statistics, Tamkang University	None	None	None	None
Annan Branch	VP & GM	Fen-Lan Lu	Female	R.O.C	1030210	32,852	0%	14,435	0%	0	0%	Department of Business Administration, National Cheng Kung University	None	None	None	None
Chishan Branch	VP & GM	Chi-Ching Hung	Male	R.O.C	1050307	0	0%	0	0%	0	0%	Department of Arts in Commerce, National Open University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
Kangshan Branch	VP & GM	Feng-Yuan Shia	Male	R.O.C	1050523	103,929	0%	0	0%	0	0%	International Trade, Feng Chia University	None	None	None	None
Fengshan Branch	VP & GM	Chih-Chou Huang	Male	R.O.C	1050501	8,746	0%	60,938	0%	0	0%	Department of International Trade, Business Administration Open Junior College of Commerce Affiliated with National Cheng Kung University	None	None	None	None
Lujhu Branch	VP&GM	Shu-Li Chang	Female	R.O.C	1060101	12,990	0%	46,356	0%	0	0%	Application of Business Studies, Business&Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology	None	None	None	None
Dafa Branch	VP&GM	Cheng-Lin Cheng	Male	R.O.C	1050501	259	0%	0	0%	0	0%	Shipping & Transportation Management, National Taiwan Ocean University	None	None	None	None
Kaohsiung Branch	VP & GM	Wen-Tzung Huang	Male	R.O.C	1050523	399	0%	0	0%	0	0%	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung	None	None	None	None
Chihsien Branch	VP & GM	Su-Chuan Wang	Female	R.O.C	1040316	67,132	0%	0	0%	0	0%	Department of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None
Yancheng Branch	MANAGER	Wan-Ling Chen	Female	R.O.C	1020201	32,348	0%	0	0%	0	0%	Economics, Feng Chia University	None	None	None	None
Dong-Kaohsiung Branch	VP & GM	Shwu-Ruu Lee	Female	R.O.C	1050307	50,528	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology	None	None	None	None
Nan-Kaohsiung Branch	VP & GM	Su-Wei Liang	Female	R.O.C	1040316	21,538	0%	0	0%	0	0%	Department of Banking and Insurance, Feng Chia University	None	None	None	None
Bai-Kaohsiung Branch	VP & GM	Tai-An Lu	Male	R.O.C	1050307	8,659	0%	0	0%	0	0%	Enterprise Management Division, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology.	None	None	None	None
Shanming Branch	VP & GM	Show-Chin Chen	Female	R.O.C	1060101	39	0%	0	0%	0	0%	Institute of Technology, Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung	None	None	None	None
Xinsin Branch	VP & GM	Shiow-Jy Lee	Female	R.O.C	1050307	99,237	0%	53	0%	0	0%	Businee&Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
Cianjhen Branch	VP & GM	Sui-Kuang Chiang	Male	R.O.C	1011101	163,689	0%	3,978	0%	0	0%	Business&Applied Commerce,Open Junior College, Continuing Education Affiliated with National Taichung Institute of Technology	None	None	None	None
Jiuru Rd. Branch	VP & GM	Pao-Yu Yeh	Female	R.O.C	1020701	29,752	0%	0	0%	0	0%	MS in Banking & Finance, Ming Chuan University	None	None	None	None
Jianxing Branch	VP & GM	Tzeng-Hhurng Lee	Female	R.O.C	1050101	37,375	0%	0	0%	0	0%	Department of Finance and Institute of Finance and Information,National Kaohsiung University of Applied Sciences	None	None	None	None
Boai Branch	VP & GM	Wan-Hwa Chien	Female	R.O.C	1050101	7,785	0%	0	0%	0	0%	Institute of Technology,Business & Applied Commerce Open Junior College of Continuing Education Affiliated National Taichung	None	None	None	None
Lingya Branch	VP & GM	Teng-Ching Chen	Male	R.O.C	1060101	36,753	0%	0	0%	0	0%	Department of Education,Taiwan Provincial Tainan Junior Teachers College	None	None	None	None
Dashun Branch	VP & GM	Li-Chu Shu	Female	R.O.C	1050523	0	0%	0	0%	0	0%	Business Administration, Fu Jen Catholic University	None	None	None	None
Zuoying Branch	VP & GM	Ruey-Sen Yang	Male	R.O.C	1020812	103,930	0%	7,216	0%	0	0%	Public Finance& Taxation,National Chung Hsing University	None	None	None	None
Pingtung Branch	VP & GM	Shih-Tao Tseng	Male	R.O.C	1050307	25,495	0%	451	0%	0	0%	Department of Economics,Soochow University	None	None	None	None
Chaochou Branch	VP & GM	Hui-Ju Lee	Female	R.O.C	1050307	42,740	0%	0	0%	0	0%	Department of International Trade ,National Taichung College of Business	None	None	None	None
Tungkang Branch	VP & GM	Lun-Jan Lan	Male	R.O.C	1060313	10,826	0%	4,327	0%	0	0%	Industrial Management Section,Southern Taiwan University of Science and Technology	None	None	None	None
Hengchuen Branch	VP & GM	Shu-Hei Chang	Female	R.O.C	1051121	45,305	0%	0	0%	0	0%	International Trade,Providence College of Arts and Sciences for Women	None	None	None	None
Hualien Branch	VP & GM	Hsueh-Wen Wang	Male	R.O.C	1030701	1,281	0%	0	0%	0	0%	Department of Financial & Economic Law,Chung Yuan Christian University	None	None	None	None
Taitung Branch	VP & GM	Ching-Chung Chen	Male	R.O.C	1050401	857	0%	0	0%	0	0%	Institute of Human Rseource Management, National Sun Yat-sen University	None	None	None	None
New Work Branch	VP & GM	Shu-Chen Yang	Female	R.O.C	1030801	0	0%	0	0%	0	0%	MBA,Adelphi University	None	None	None	None
Los Angeles Branch	VP & GM	Wan-Chin Chang	Female	R.O.C	1051201	152,457	0%	0	0%	0	0%	MBA in Banking and Finance,Tamkang University	None	None	None	None
Tokyo Branch	VP & GM	Shyh-Chau Lin	Male	R.O.C	1051226	52,079	0%	0	0%	0	0%	IMBA,Tamkang University	None	None	None	None
London Branch	VP & GM	Kwang-Wu Liu	Male	R.O.C	1020614	0	0%	0	0%	0	0%	Department of Information Management, Tamkang University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date(yy/mm/dd) Shares	Shareholding		Shareholding by Spouse & Minor Children		Shareholding Under Others>Title		Prime Experience & Education	Services Concurrently with the Other Company	Title	Name	Relationship
						Shares	(%)	Shares	(%)	Shares	(%)					
HongKong Branch	VP & GM	Hsiu-Chuan Teng	Female	R.O.C	1050415	619	0%	0	0%	0	0%	EMBA,National Chengchi University	None	None	None	None
Singapore Branch	VP & GM	Chin-Lung Pan	Male	R.O.C	1060113	5,412	0%	0	0%	0	0%	Graduate Institute of Finance,National Taiwan University of Science and Technology	None	None	None	None
Kunshan Branch	VP & GM	Huan-Yu Chiu	Male	R.O.C	1050101	21,200	0%	0	0%	0	0%	Executive Master of Business,National Changhua University of Education	None	None	None	None
Kunshan Huachiau Subbranch	VP & GM	Alec Hsiang-Ta Lin	Male	R.O.C	1021012	113,420	0%	6,620	0%	0	0%	International Trade Department,Feng Chia College of Engineering & Business	None	None	None	None
Dongguan Branch	VP & GM	Chiung-Wen Chang	Female	R.O.C	1050815	165	0%	0	0%	0	0%	EMBA College of Management, National Chiayi University (Taiwan)	None	None	None	None
Fuzhou Branch	VP & GM	Hsiu-Chu Tseng	Female	R.O.C	1050706	0	0%	0	0%	0	0%	Accounting & Statistics, Ming Chuan College	None	None	None	None

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

Note 2: Before the newly-appointed Director assumed his position on February 1, 2015, the Deputy Director was appointed as the Acting Director.

Note 3: Personnel change was effective on March 13, 2017 with date of employment on April 5, 2017.

C. Compensation

a. Compensation for Directors (including Independent directors)

Title	Name	Compensation								
		Rewards(A)		Pension and Superannuation (B)		Earning Distribution(C) (Note)		Business Affair Expense(D)		
		CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	
Chairman	Ming-Daw Chang (Delegate of Ministry of Finance(MOF))	14,354,929	14,354,929	0	0	59,606,067	59,606,067	0	0	
Managing Director (Independent Director)	Kuo-Yuan Liang									
Director (Independent Director)	Shang-Chen Chen									
Director	Hwai-Hsin Liang (Delegate of MOF) 2016/1/1~2016/5/13									
Director	Ching-Hwa Juan (Delegate of MOF)									
Director	Ing-Wei Peng (Delegate of MOF)									
Director	Chih-Hsien Lin (Delegate of MOF) 2016/8/31~									
Managing Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd.(TSFHC))									
Director	Cheng Ching Wu (Delegate of TSFHC)									
Director (Independent Director)	Jung-Chun Pan									
	Ministry of Finance									
	TSFHC									

Note: The scheme of non-salaried director remunerations for independent directors was approved by the 3rd session of the 24th Board of Directors meeting of CHB held on January 28, 2015.

January 1, 2016~December 31, 2016 Unit: NTD;%

	Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
			Salary, Bonus and Special Disbursement(E)		Pension and Superannuation (F)		Employee Bonus Distribution(G)						
	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB		All the companies in the finance statement		CHB	All the companies in the finance statement	
							Cash dividends	Stock dividends	Cash dividends	Stock dividends			
	0.61%	0.61%	0	0	0	0	0	0	0	0	0.61%	0.61%	142,400

Classification of Compensation for Directors	Name of Directors			
	Amount of total remuneration (A+B+C+D)		Amount of total remuneration (A+B+C+D+E+F+G)	
	CHB	All the companies in the finance statement	CHB	All investee companies
~NT\$2,000,000	Kuo-Yuan Liang Shang-Chen Chen Hwai-Hsin Liang Ching-Hwa Juan Ing-Wei Peng Chih-Hsien Lin Julius Chen Cheng Ching Wu Jung-Chun Pan	Kuo-Yuan Liang Shang-Chen Chen Hwai-Hsin Liang Ching-Hwa Juan Ing-Wei Peng Chih-Hsien Lin Julius Chen Cheng Ching Wu Jung-Chun Pan	Kuo-Yuan Liang Shang-Chen Chen Hwai-Hsin Liang Ching-Hwa Juan Ing-Wei Peng Chih-Hsien Lin Julius Chen Cheng Ching Wu Jung-Chun Pan	Kuo-Yuan Liang Shang-Chen Chen Hwai-Hsin Liang Ching-Hwa Juan Ing-Wei Peng Chih-Hsien Lin Julius Chen Cheng Ching Wu Jung-Chun Pan
NT\$2,000,000~NT\$5,000,000				
NT\$5,000,000~NT\$10,000,000	Ming-Daw Chang	Ming-Daw Chang	Ming-Daw Chang	Ming-Daw Chang
NT\$10,000,000~NT\$15,000,000				
NT\$15,000,000~NT\$30,000,000	TSFHC	TSFHC	TSFHC	TSFHC
NT\$30,000,000~NT\$50,000,000	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance
NT\$50,000,000~NT\$100,000,000				
NT\$100,000,000~				

b.Compensation for President and Executive Vice Presidents

January 1, 2016~December 31, 2016 Unit: NTD;%

Title	Name	Salary(A)		Pension and Superannuation(B)		Bonus and Special Disbursement(C)		Employee Bonus of Earning Distribution(D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB		All the companies in the finance statement		CHB	All the companies in the finance statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	James Shih	20,214,509	20,214,509	1,938,866	1,938,866	13,568,206	13,721,206	2,991,379	0	2,991,379	0	0.32%	0.32%	730,000
EVP & Chief Auditor	Diao-Li Lin (Mandatory retirement effective on 2016/6/1)													
	Ya-Ling Lin (Promoted on 2016/7/26)													
Executive Vice President	Carol Lai (Mandatory retirement effective on 2016/2/1)													
	Chin-Ying(Anita) Chen													
	Horng-Yao Tu													
	Hom-Gang Wang													
	Carol Sun (Promoted on 2016/2/1)													
EVP & Chief Compliance Officer	Jih-Cheng Yang													

Note 1: Appropriated amount of pension expense in 2016 (10% under the old system and 6% contribution under the new rules): NT\$1,938,866.

Note 2: The remuneration for drivers of senior officers: The Bank paid the 8 drivers in total of NT\$7,056,330 a year. They are not assigned to senior officers only; The Bank can assign them for other business needs.

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

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

December 31, 2016 Unit: NTD;%

Title	Name				Stock dividends	Cash dividends Amount	Total	Total / after-tax Profit (%)
President	James Shih							
EVP & Chief Auditor	Diao-Li Lin, and Ya-Ling Lin							
Executive Vice President	Carol Lai, Chin-Ying(Anita) Chen, Horng-Yao Tu, Hom-Gang Wang and Carol Sun							
EVP & Chief Compliance Officer	Jih-Cheng Yang							
Division Heads and General Managers	Chang-Hua Cheng	Ruei-Jan Chen	Hsiao-Hsia Lu	Wen-Ko Ho	0	62,750,966	62,750,966	0.52%
	Shiou-Yu Chang	Pi-Chin Shao	Su-Chen Cheng	Wen-Ling Tasi				
	Shyi-Neng Chen	Jung-Nien Chi	Wei-Shuo Luo	Chen-Ying Wu				
	Chiou-Yueh Chen	Eric Y.S. Tsai	Li-Chiao Li	Weng-Chung Chen				
	Chih-Chen Hsu	Jung-Chien Hu	I-Hsin Weng	Wen-Ching Chen				
	Rueih-Hwa Cheng	Yi-jung Chan	Ruey-Horng Woung	Yuen-Ying Lai				
	Leo Chen	Lih-Lan Yang	Chang-Cheng Chu	Yen-Yu Liu				
	Hsiu-Luan Hsieh	Hsiao-Hua Yin	Sheng-Tung Chen	Chiang- An Chang				
	Chen-Yu Chen	Yu-Yeh Lin	Chyi-Ying Yeh	Chun-Hung Tung				
	Chin-Long Pan	Kang Yang	Feng-Fuh Jang	Shan-Shin Shen				
	Fangming Tzeng	Yi-Hwang Tzeng	Jiin-Chour Liu	Shiou-Yann Lin				
	Bin Chen	Chi-Chung Chu	Shu-Ju Tsai	Yung-Sheng Chen				
	Shwu-Fang Wang	Ming-Hua Huang	Kui-Fang Tsai	Kuo-Hsiang Lin				
	Nell H. Tseng	Chiu-Tung Huang	Hsiu-O Hsieh	Cheng-Chi Chen				
	Tsaifeng Lin	Judy Pong	Shu-Chung Chen	Chih-Ming Kuo				
	Yaw-Nan Huang	Mei-Fen Hsieh	Jin-Kuei Chen	Chung-Shing Her				
	Wei-Tsair Chang	Bau-Slu Tsai	Chin-Hsuan Lee	Wang-Ming Lee				
	Che-Hsiung Chen	Chung-Long Tsai	Jia-Jen Hou	Mei-Hui Wu				
	Chen-Yi Chen	Chien-Mei Yu	Yueh-Chiu Lai	Han-Her Shiou				
	Hsiang-Chun Wu	Szu-Yen Lin	Chin-Li Lin	Chien-Tai Ping				
	Hui-Yu Chen	Hui-Jen Wu	Tzu-Chiung Huang	Fen-Lan Lu				
	Yu-Shan Chen	Ying-Hui Hung	Mei-Hwa Hwang	Chi-Ching Hung				
	Chaur-Chyan Lin	Kuei-Mei Hsu	Pei-Fen Hsieh	Feng-Yuan Shia				
	Shuen-Chang Yeh	Hui-Ling Lee	Chen-Chung Lin	Chun-Chang Huang				
	Jen-Shyang Ke	Chiung-Yin Liu	Chin-Huang Chuang	Chih -Chou Huang				
	Pao-Sen Yu	Yu-Shu Chen	Ting-Feng Cho	Teng-Ching Chen				
	Jui-Chun Wu	Wen-Yung Kuo	Cheng-Yi Hsieh	Cheng-Lin Cheng				
	Shuei-Fu Fang	Chun-Feng Lee	Li-Ling Lan	Wen-Tzung Huang				
	Ko-Chung Wang	Shuenn Chuang	Kuang-Hua Cho	Su-Chuan Wang				
	Lien-Ching Chen	Hung Wang	Chun-Hong Yeh	Wan-Ling Chen				
	Jui-Ching Chen	Chiu-Ling Chen	Ming-Thur Cheng	Ai-Jan Lin				
	Tse-Tsang Tso	Hwa-Shan Chiou	Yu -Chin Fan	Shwu-Ruu Lee				
	Chen-Hui Yeh	Kuei-Fen Chen	Su-Ming Cheng	Su-Wei Liang				
	Shun-Hung Huang	Jia-Cheng Li	Tsong-Chi Lin	Tai-An Lu				
	Bao-Yuan Jeng	Li-Feng Shen	Shey-Lin Chang	Shu-Li Chang				
	Hui-Ying Huang	Cheng-Chi Chuang	Shao-Mao Wang	Shiow-Jy Lee				
	Shuo-Hung Huang	Wu-Rang Chiang	Shu-Lin Liu	Sui-Kuang Chiang				
	Fu-Rong Chiu	Chien-Fa Chen	Hsiu-Ching Hsu	Pao-Yu Yeh				
	Tsang-Chin Huang	Shu-Fen Liu	Ji-Ming Huang	Tzeng-Hung Lee				
	Yen-Chun Chen	Kuen-Shan Wang	You-Chen Lee	Wan-Hwa Chien				
Chi-Tsung Shih	Hsing-Shou Chien	Chih-Hao Lo	Ching-Te Hsieh					
Cheng-Fu Yang	Shu-Hua Tsai	Lifen Tzeng	Li-Chu Shu					
Yuan-Fen Chen	Wen-Cheng Lin	Jin-Yu Yeh	Ruey-Sen Yang					
Pei-Chung Yang	Yeong-Shyang Shyu	Feng-Chiou Lai	Shih-Tao Tseng					
Ti-Tien Liao	Ai-Ling Wang	Chiung-Hsiao Hung	Hui-Ju Lee					
Shiu-Hwa Chang	Jui-Hui Hsu	Huoo-Chung Hsiao	Chin-Cheng Chang					
Lin-Ling Chen	Ching-Yueh Chien	Feng-Hsien Tseng	Shu-Hei Chang					
Der-Ho Chen	Cheng-Yih Chu	Rong-Horng Way	Hsueh-Wen Wang					
Yueh-Ming Yu	Hsiu-Hsia Tsai	Tsai-Fu Lin	Ching-Chung Chen					
Don-Y.T. Wang	Kao-Jung Hsu	Li-Hwa Lee	Shu-Chen Yang					
Jenn-Gwo Lee	Pao-Hua Hsu	Ching-Yuan Wu	Wan-Chin Chang					
Hsi-lung Wu	Ming-Shung Lin	Tain-Maw Chang	Li-Hsien Huang					
Tsuan-Sheng Tseng	Ching-Fu Lin	Shun-Feng Lo	Shyh-Chau Lin					
Mei-Li Chiu	Tzy-Yun Chen	Su-Min Hsin	Kwang-Wu Liu					
Yu-Hui Lin	Yu-Ling Tang	Mei-Ling Chiu	Hsiu-Chuan Teng					
Shyr-Chiou Chen	Chi-Hsiang Chen	A- R Liu	Chun-Jen Tsai					
Meei-Tzww Lin	Li-Min Cheng	Ber-Lin Yeh	Huan-Yu Chiu					
Fu-Jinn Chiou	Jenn-Shing Suen	Chin-Ping Lai	Alec Hsiang-Ta Lin					
Feng-Tsung Chang	Lan-Zu Lin	Shinn-Huei Leu	Chiung-Wen Chang					
Sheng-Fa Chen	Bao-Yi Chien	Zhen-Dong Jian	Hsiu-Chu Tseng					
Mei-Hsing Lin	Ai-Hsiu Lai	Mao-Sheng Yen						

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

1. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial reports for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the company, to the net income:

Unit: NT\$1,000;%

Items	2016		2015		Increase (Decrease) Amount	%
	Amount	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)		
Compensation for Directors	73,961	0.61	72,557	0.62	1,404	1.94
Compensation for President and Executive Vice President	38,713	0.32	49,177	0.42	(10,464)	-21.28
Total	112,674	0.93	121,734	1.04	(9,060)	-7.44
Net Income	12,085,972	-	11,643,337	-	442,635	3.80

2. Correlation between remuneration policy, standards, portfolio, establishment procedures, and business performance and future risk exposure:

(1) Remunerations for directors:

- ① In accordance with Article 20, Item 13 of our Articles of Incorporation, remunerations for directors (including independent directors) have been set up by the Board of Directors in line with those of financial institutions of the Bank size in the scope.
- ② To respond to the 24th election of directors (including independent directors) on 2014/12/08, the Bank set up the monthly remunerations for the board Chairman and directors (including independent directors) after proposals for approval by the 2nd session of the 3rd Remuneration Committee on 2015/01/20 and adoption by resolution of the 3rd session of the 24th Board of Directors on 2015/01/28.

- (2) The remuneration for the president has been decided by the Board of Directors according to Article 20, Item 14 of our Articles of Incorporation. To respond to the appointment of the new president by the 2nd session of the 24th Board of Directors on 2014/12/30, the Bank set up the monthly remuneration for the president after proposals for approval by the 2nd session of the 3rd Remuneration Committee on 2015/01/20 and adoption by resolution of the 3rd session of the 24th Board of Directors on 2015/01/28.

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

- (3) Correlation to business performance and future risk exposure

① Remunerations for directors:

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

② Remunerations for the president and vice presidents:

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

③ Performance bonus for the president and vice presidents:

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

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

D. Operations of Corporate Governance

a. Operations of the Board of Directors

The 24th Board of Directors convened 11 meetings in 2016, and the records of attendance by directors and independent directors are shown as follows :

The 24 th Board of Directors Operations (Jan.1, 2016~Dec.31, 2016)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Note
Chairman	Ming-Daw Chang (Delegate of MOF)	11	0	100	
Managing Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	11	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	11	0	100	
Director	Hwai-Hsin Liang (Delegate of MOF)	2	3	40	2016.5.13 Resigned
Director	Ching-Hwa Juan (Delegate of MOF)	11	0	100	
Director	Ing-Wei Peng (Delegate of MOF)	10	1	90.91	
Director	Chih-Hsien Lin (Delegate of MOF)	3	0	100	2016.8.31 Appointed
Director	Cheng Ching Wu (Delegate of TSFHC)	8	3	72.73	
Director (Independent Director)	Jung-Chun Pan	11	0	100	
Director (Independent Director)	Shang-Chen Chen	11	0	100	

Note: Actual attendance rate was counted by the Board meeting by the director during the period of his or her incumbency and attendance in person.

【Other matters required to be recorded.】

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

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

I. The 15th session of the 24th Board of Directors on Jan. 15 2016:

- Adopted regular assessment on monthly remunerations for managing directors (excluding independent managing directors) and directors (excluding independent directors).
- Adopted regular assessment on monthly remuneration for independent directors.
- Adopted regular assessment on monthly remuneration for the board Chairman, proposal of benefits and the related matters.

II. The 16th session of the 24th Board of Directors on Feb. 25 2016:

- Adopted our “Internal Control System Statement” for fiscal year 2015.
- Adopted business report and financial report (including consolidated financial statements covering both parent company and its subsidiaries) for fiscal year 2015.

- iii. Adopted our bank's short-term merger of subsidiaries of CHB Life Insurance Agency Co., Ltd. and CHB Insurance Brokerage Co., Ltd.
 - iv. Adopted amendment to our bank's "Internal Control System for the Operation of Futures Introducing Broker Business by Securities Brokers".
 - III. The 17th session of the 24th Board of Directors on Mar. 17 2016:
Adopted proposal to the Shareholders Meeting for discussion on a new share issue through capitalization of earnings.
 - IV. The 18th session of the 24th Board of Directors on Apr. 22 2016:
 - i. Adopted proposal to the Shareholders Meeting for recognition of the disposition of net profit for fiscal year 2015.
 - ii. Adopted proposal to the Shareholders Meeting for discussion on a new share issue through capitalization of earnings.
 - V. The 19th session of the 24th Board of Directors on May 13 2016:
Adopted retirement of our bank's chief auditor Lin Diao-Li.
 - VI. The 20th session of the 24th Board of Directors on Jun. 30 2016:
 - i. Adopted amendment to our bank's "Internal Control System for the Operation of Futures Introducing Broker Business by Securities Brokers".
 - ii. Adopted appointment of Ms. Lin Ya-Ling as our bank's chief auditor of the 15th grade.
 - iii. Adopted amendment to our bank's "Internal Control System for Securities Firms".
 - VII. The 22nd session of the 24th Board of Directors on Aug. 26 2016:
Adopted our bank's financial report for the 1st half of fiscal year 2016.
 【Independent director Pan Jung-Chun】 suggested that Attachment 7 "Financial Summary and Major Business Plans Implementation for the 1st Half of Fiscal year 2016" of the report to the Audit Committee be attached to this case of the Directors Board meeting for reference of all directors.
 【Our bank】 did as independent director Pan had suggested.
 - VIII. The 23rd session of the 24th Board of Directors on Sep. 30 2016:
Adopted establishment of Chang Hwa Commercial Bank (Cambodia) Co., Ltd. in Phnom Penh, Cambodia to be specialized in credit extension business.
 - IX. The 25th session of the 24th Board of Directors on Dec. 23 2016:
 - i. Adopted amendment to our bank's "Internal Control System for Securities Firms".
 - ii. Adopted our bank's budget draft for fiscal year 2017.
 - iii. Adopted our bank's auditing plan for fiscal year 2017.
- (2) In addition to the foregoing, there were other matters to be resolved by director's board meetings about which an independent director expressed objections or reservations that were included in records or stated in writing:
Independent director Pan Jung-Chun expressed an objection to Case 13 (partial amendments to our bank's Articles of Incorporation) under discussion of the 17th session of the 24th Board of Directors on Mar. 17 2016.
- I. Opposing views of independent director Pang Jung-Chun are as follows:
 【Objection to the increase of the authorized capital from NT\$90 billion to NT\$110 billion】
 - i. As the litigation dispute between Taishin Financial Holdings and the Ministry of Finance on the management rights of Chang Hwa Bank has not yet been settled, the current amendment to our bank's Articles of Incorporation by increasing the authorized capital, and further conducting capital increase to change the shareholding structure of the shareholders--it will possibly affect the results of the litigation and damage the integrity between both parties, causing a greater dispute. At present, the Ministry of Finance, our bank's competent authority and government-owned shareholder, is under the status of a caretaker cabinet. I hope that our bank will take a precaution not to propose such a major change in policy during the transition of the Government, which may cause greater damage to both parties.
 - ii. Our profit per share after tax was about NT\$1.38 for fiscal 2015, and the estimated dividend per share was about NT\$0.95. The current authorized capital should be sufficient to

deal with allocation of stock dividends up to NT\$0.6/share in this year (2016). Also Case 4 under discussion of this directors board meeting agenda refers to our bank's various indicators of capital adequacy ratio are still in line with the regulations in this year (2016); thus, apparently, there is no urgency in this case.

- iii. If increasing of the authorized capital is meant to develop market in mainland China, we should be careful again in planning and assessing because the economic situation is still unknown there, should not be impatient, and should be stable in steps. As soon as the litigation dispute on the management rights is settled, we may at any time amend our Articles of Incorporation according to the procedures to increase our authorized capital and conduct capital increase if we need further funding.
- iv. Please indicate clearly my views of objection to this case in the meeting minutes and publish them as provided by law.

【Our bank's explanation】

- i. The competent authority provides that the capital adequacy ratio from 2019 onward should reach 8.5% for Tier 1 capital and that banks which intend to set up foreign bases should increase by 2% year-on-year. For the time being, such ratio required by law is 6.625% for Tier 1 capital in 2016 and should become 8.625% if 2% is added due to our bank's overseas layout needs (such as the case adopted by our Board of Directors to apply for the subsidiary branch in mainland China). Thus, our Tier 1 capital may fall short of the statutory standard.
 - ii. The Bank currently only has TWD 5 billion+ left between its paid-up capital and the authorized capital. After retained earnings are converted into capital increase this (2016) year, we will reach the ceiling of the authorized capital. If there are changes in the market going forward, we will need to convene an extraordinary shareholders' meeting in order to amend the corporate charter, which may be difficult to make timely response and put the Bank in an unfavorable position for the development of operations.
 - iii. This motion is based purely on considerations for the development of a bank's operations, and has nothing to do with the litigation between the Taishin Financial Holding and the Ministry of Finance. In case the Bank plans to increase its capital in the future, it still needs to be administered in accordance with legal procedures, with no impact on the shareholder structure and shareholders' equity.
 - iv. Entrusted by shareholders, the Board of Directors shall abide by regulations such as the Company Act, Article of Incorporation and the Board's procedural rules, in addition to enforcing various resolutions passed at shareholders' meetings. It shall keep the interests of the Company and all its shareholders as its top consideration. This motion is also administered based on this principle.
 - v. Regulatory supervisors around the world all have certain guidelines for capital adequacy ratios. The amount of capital has a great impact on the development of business operations and shareholders' equity. Capital restraints will directly or indirectly restrict bank's business. Entrusted by shareholders, the Bank shall strive to develop its operations to increase earnings, while bringing its capital adequacy ratio in line with the requirements by the governing body. Compared with the competition on the market, the Bank's capital adequacy ratio is relatively low. Therefore, this motion has been approved after voting.
- II. Independent Director Pan, Jung-Chun disagreed with the procedure for the discussion and submission of motion No. 13:
- Per the regulations in the Company Act, any change in a company's corporate charter shall be subject to a special resolution at a shareholders' meeting. It shall not be submitted as an extempore motion, which underlines the fact that any change in Article of Incorporation is a matter of material significance and should be handled very carefully; furthermore, according to article 13 of the "Rules Governing the Management and Disposal of State-Owned Shares," the amendment of corporate charter is also listed as the top matter of material significance that must be submitted to the regulatory authority in charge of the equity of state-owned

shares. In view of that, I think it will be more appropriate that we submit it to the audit committee first for auditing, in accordance with subparagraph 11, paragraph 1, article 6 of the Bank's organic regulations for the audit committee. About this, I have also submitted an extempore motion in the 16th meeting of the 24th audit committee. Even though the Legal & Regulatory Compliance Division inquired some peers about their practice and provided feedback to audit committee members for review after the meeting, I would like to state my opinion again.

【Measures taken in response】

The management has explained to independent Director Pan in detail that the procedure for submitting this motion is completely consistent with related regulations.

【Explanation by the Bank】

- i. After reviewing the authorities stipulated in paragraph 1, article 6 of the organizational charter for the Bank's audit committee. It is in full compliance with paragraph 1, article 14-5 of the Securities and Exchange Act. Among them, "material matters stipulated by other companies or the governing body" in subparagraph 11 is a general rule. In other words, in case there is anything in subparagraph 11 that is inconsistent with the aforementioned subparagraph 1 to 10 but has been stipulated as "material matters" by the Company (i.e. the Bank) internally or the governing body, and, therefore, should be submitted to the Board for deliberation after deliberation and approval by the audit committee, it should be submitted to the audit committee for deliberation first in accordance with article 14-5 of the Securities and Exchange Act. However, after inspection, it has been found that neither the Bank nor the governing body has stipulated that amendments to charters need to be submitted to the audit committee for deliberation. Therefore, the regulations in the subparagraph 11, paragraph 1, article 14-5 in the Securities and Exchange Act do not apply to the motion pertaining to the amendments to charters. The so-called "material matters" are not subject to subjective perception. Rather, only those specifically stipulated by the governing body or the Bank are appropriate.
- ii. Furthermore, after the Bank inquired the peers which have set up an audit committee and have administered amendments to charters because of an increase in authorized capital, we learned from their replies that amendments to charters are not specifically stipulated by their companies as material matters that need to be submitted to the audit committee. Therefore, they are not deliberated by the audit committee.
- iii. After inspection, impending issues in need of resolution for this motion involve "amendments to charter contents" rather than "procedures of amendments to charters". Everything has been sufficiently clarified in terms of procedures and, with no concern about regulatory compliance; furthermore, independent Director Pan also took part in the voting of this motion, which should be enough to prove that the submission procedure of this motion is not inappropriate. The Bank has promulgated the full text of independent Director Pan's "disagreement" to the "resolution" on March 18, 2016. After examination, it was consistent with regulations and neither violation nor mistake was found.
- iv. The submission procedure for the motion of amendments to charters involves related laws and regulations such as the Securities and Exchange Act. The Bank will also write an official letter to consult the governing body for interpretation. Out of respect for the duties and authorities of independent Directors, it has therefore been promulgated.

According to the resolution of the Bank's 17th meeting of the 24th Board of Directors: "all Directors agreed to pass the motion as proposed, except for managing Director Chen, Julius, independent Director Pan, Jung-Chun and Director Wu, Cheng Ching."

2. Updates in avoiding motions involving conflict of interest on the part of members of the 24th Board of Directors

Updates in avoiding motions involving conflict of interest on the part of members of the 24 th Board of Directors (Jan.1, 2016 ~ Dec.31, 2016)			
Issues	Name	Reasons for Avoidance	Vote Results
The motion for the regular review of the monthly compensation of managing Directors (excluding independent managing Directors) and Directors (excluding ordinary independent Directors).	Julius Chen Ching-Hwa Juan Ing-Wei Peng Cheng Ching Wu Director Liang, Hwai-Hsin appointed Chairman Chang, Ming-Daw to attend the meeting as proxy. However, Chairman Chang, Ming-Daw did not exercise the voting right on behalf of Director Liang, Hwai-Hsin.	In the event the content of a motion involves the personal interest of any Director, article 178 of the Company Act shall apply for avoidance, in accordance with article 206 of the Company Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.
The motion for the regular review of the monthly compensation of independent Directors.	Kuo-Yuan Liang Shang-Chen Chen Jung-Chun Pan		
The motion for the regular review of the compensation and benefit packages of the Chairman.	Ming-Daw Chang		

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

- (1) There is a dedicated section for "Corporate Governance" in the Bank's official website: <https://www.bankchb.com> (the same shall apply hereafter), which includes the Board of Directors, the Board's important resolutions, the internal audit and control system as well as regulations relating to corporate governance, etc. Shareholders can understand the operation of the Bank's Board of Directors via this section.
- (2) To establish a sound corporate governance and independent Director system, the Bank has installed independent Directors, who, as professionals in economics, finance and banking, provide independent and professional views to the Bank in terms of the supervision and management of business operations.
- (3) The formulation of the Bank's "Rule governing the scope of duties of independent Directors" was passed in the second meeting of the 22nd Board of Directors on March 20, 2009, and related amendments were passed in the 15th meeting of the 22nd Board of Directors for future compliance.
- (4) On December 10 2014, the Bank established the audit committee in place of Supervisors in order to assist the Board of Directors in policy-making, in addition to deliberating the Bank's material resolutions in accordance with the Securities and Exchange Act, which is conducive to improving the Bank's corporate governance.
- (5) The Bank's "Implementation directions for the advanced study plans of Directors" were agreed in a memo in the 37th meeting of the 24th Executive Board on September 11 2015. Based on the aforementioned implementation directions, the Bank's Directors from time to time can take courses relating to corporate governance such as finance, risk management, business operations, commerce, taxation, fiduciary trust, legal affairs, accounting and corporate social responsibility, etc; or the Directors can take part in advanced studies or seminars for internal control and courses relating to the responsibility of financial reports, so that they can be more knowledgeable about professional know-how to enhance the duties of the Board of Directors.
- (6) The Bank passed the "Codes of practice for corporate governance of Chang Hwa Commercial Bank, Ltd." in the 14th meeting of the 24th Board of Directors on December 25, 2015. Regulations pertaining to the enhancement of the duties of the Board of Director have been specifically stipulated in chapter 4, including the organization & duties of the Board of Directors (article 29 to article 37), functional committees under the Board of Directors (article 38 to article 43), procedural rules and policy-making procedure of the Board of Directors (article 44 to article 48), and faithful

attentiveness to responsibilities & duties on the part of Directors (article 49 to article 53), as the guiding foundation for enhancing the duties of the Bank's Board of Directors.

- (7) The Bank passed the "Rules governing the performance assessment on the Board of Directors at Chang Hwa Commercial Bank" in the 14th meeting of the 24th Board of Directors on December 25 2015, in an effort to improve the functionality of the Bank's Board of Directors and establish performance objectives in order to enhance the operating efficiency of the Board. Five major criteria for the performance assessment on the Bank's Board of Directors include the "level of involvement in the Bank's operations", "improving the quality of policies by the Board of Directors", "composition and structure of the Board of Directors", "appointment of Directors & their sustained and advanced studies" and "internal control", which can be further broken down into 40 self-assessment indicators for a total score of 100. According to the performance self-assessment results on the Board of Directors for 2016, the Board scored full marks in the four angles of the "level of involvement in the Bank's operations", "improving the quality of policies by the Board of Directors", "composition and structure of the Board of Directors" and "appointment of Directors & their sustained advanced studies" for an aggregate score of 96.25.

b. Operations of the Audit Committee

The 1st Audit Committee convened 10 meetings in 2016, and the records of attendance by Independent Directors are shown as follows:

Operations of 1 st Audit Committee (Jan.1 2016 ~ Dec.31 2016)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Kuo-Yuan Liang	10	0	100	
Independent Director	Jung-Chun Pan	10	0	100	
Independent Director	Shang-Chen Chen	10	0	100	

【Other matters required to be recorded.】

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

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

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

- I. The 15th meeting of the 1st Audit Committee on Feb. 15 2016 (filing report for review by the 16th session of the 24th Board of Directors on Feb. 25 2016):
 - i. Adopted our "Internal Controls System Statement" for fiscal year 2015.
 - ii. Adopted business report and financial report (including consolidated financial statements covering both parent company and its subsidiaries) for fiscal year 2015.
 - iii. Adopted our bank's short-term merger of subsidiaries of CHB Life Insurance Agency Co., Ltd. and CHB Insurance Brokerage Co., Ltd.
 - iv. Adopted amendment to our bank's "Internal Control System for the Operation of Futures Introducing Broker Business by Securities Brokers".
- II. The 16th meeting of the 1st Audit Committee on Mar. 11 2016 (filing report for review by the 17th session of the 24th Board of Directors on Mar. 17 2016):

Adopted the appointment and remuneration of the certified public accountant for financial and tax attestation service for fiscal year 2016.
- III. The 17th meeting of the 1st Audit Committee on Apr. 13 2016 (filing report for review by the 18th session of the 24th Board of Directors on Apr. 22 2016):
 - i. Adopted proposal to the Shareholders Meeting for recognition of the disposition of net profit for fiscal year 2015.
 - ii. Adopted proposal to the Shareholders Meeting for discussion on a new share issue through capitalization of earnings.

- IV. The 18th meeting of the 1st Audit Committee on May 3 2016 (filing report for review by the 19th session of the 24th Board of Directors on May 13 2016):
Adopted retirement of our bank's chief auditor Lin Diao-li.
- V. The 19th meeting of the 1st Audit Committee on Jun. 14 2016 (filing report for review by the 20th session of the 24th Board of Directors on Jun. 30 2016):
 - i. Adopted amendment to our bank's "Internal Control System for the Operation of Futures Introducing Broker Business by Securities Brokers".
 - ii. Adopted appointment of new chief auditor.
 - iii. Adopted amendment to our bank's "Internal Control System for Securities Firms".
- VI. The 20th meeting of the 1st Audit Committee on Aug. 10 2016 (filing report for review by the 22nd session of the 24th Board of Directors on Aug. 26 2016):
Adopted our bank's financial report for the 1st half of fiscal year 2016.
- VII. The 21st meeting of the 1st Audit Committee on Sep. 20 2016 (filing report for review by the 23rd session of the 24th Board of Directors on Sep. 30 2016):
Adopted establishment of Chang Hwa Commercial Bank (Cambodia) Co., Ltd. in Phnom Penh, Cambodia to be specialized in credit extension business.
- VIII. The 23rd meeting of the 1st Audit Committee on Dec. 14 2016 (filing report for review by the 25th session of the 24th Board of Directors on Dec. 23 2016):
 - i. Adopted amendment to our bank's "Internal Control System for Securities Firms".
 - ii. Adopted our bank's budget draft for fiscal year 2017.
 - iii. Adopted our bank's auditing plan for fiscal year 2017.

【Our bank's handling of the opinions of the Audit Committee】 We did as suggested .

- (2) In addition to the foregoing, are there any matters which have not been adopted by the Audit Committee yet have received agreement by resolution of two-thirds at least of the all director members: None.
2. Are there any cases in which any of the independent directors has abstained himself on the ground of conflict of interest, with his name, content of motion, reasons for abstention and participation in voting clearly recorded: None.
3. Communications between the independent directors, internal auditing head, and certified public accountant (which should include the material matters in our bank's finance and business, the ways and the results):
 - (1) Between the independent directors and the internal auditing head:
 - I. Our internal audit and inspection report after perusal and approval by the Board Chairman shall be delivered to the Audit Committee and independent directors for their perusal as provided by regulations. If the internal auditors have found any significant deficiencies or abnormal items, we must file a report to the one-stop window of the Financial Examination Bureau of Financial Supervisory Commission in accordance with the format and content stipulated by the competent authority
 - II. The improvements of the external auditing examination opinions have been delivered to the independent directors in the director's board meeting for their perusal. And improvements to be done as indicated in such examination report have been actively supervised and followed by the independent directors.
 - III. The chief auditor reports the implementation of audit affairs to the Board of Director and the Audit Committee respectively on a quarterly basis.
 - IV. The independent directors have maintained close contact and good communications with chief auditor and the internal auditing division head.
 - V. With respect to the deficiencies in our internal control system, our directors including independent directors have regularly held meetings with the internal auditors and have the two-way discussion recorded for report to the Board of Directors.
 - VI. Summary of communications between our independent directors and the internal auditing head in 2016:

Date	Communication matters	Results
Feb.15, 2016	Our "Internal Controls Statement" for fiscal year 2015.	Done as suggested.
Mar. 11, 2016	The audit working report for the 4 th quarter of fiscal year 2015.	
Apr. 13, 2016	The internal control system examination report for fiscal year 2015 by Deloitte Taiwan that is appointed by our bank.	
May 3, 2016	The audit working report for the 1 st quarter of fiscal year 2016.	
Sep. 20, 2016	The audit working report for the 2 nd quarter of fiscal year 2016.	
Oct. 27, 2016	The audit working report for the 3 rd quarter of fiscal year 2016.	
Dec. 14, 2016	Our bank's auditing plan for fiscal year 2017.	
Dec. 23, 2016	Review of our bank's internal control system.	

(2) Between our independent directors and the CPA:

- I. Our independent directors have meetings with the CPA at least twice a year to discuss the examinations of our financial statements; other issues such as business conditions and internal controls are discussed on an irregular basis.
- II. Summary of communications between our independent directors and the CPA in 2016:

Date	Communication matters	Results
Feb. 15, 2016	1. Explanation by the CPA on their examination of our financial report for fiscal year 2015. 2. Reports on important issues such as amendment of the Company Act to apply to IFRS 9 and the differences.	The annual financial report reviewed by the Audit Committee and reported to the Board of Directors for approval, and finally published and reported to the competent authority within the time limit as stipulated.
Aug. 10, 2016	1. Explanation by the CPA on the examination of our financial report for the 2 nd quarter of fiscal year 2016. 2. Reports on important issues such as application and introduction of IFRS 9 and new format of audit report.	The financial report for the 2 nd quarter of fiscal year 2016 reviewed by the Audit Committee and reported to the Board of Directors for approval, and finally published and reported to the competent authority within the time limit as stipulated.
Dec.14, 2016	Explanation and communications on the key audit matters in the audit report of our bank for fiscal year 2016.	Well noted by the independent directors.

- c. Matters disclosed as provided by the Corporate Governance Best-Practice Principles for Banking Firms.
For reference, please visit Corporate Governance under About CHB in our official website.
- d. The differences between our corporate governance and the Corporate Governance Best-Practice Principles for Banking Firms and the reasons.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
1. Structure of a bank's shareholders and equities				
1.1 Does the bank implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		1.1 To serve our shareholders, there is a message box and a complaint hotline under the Customer Service Center in our bank's official website. Our bank has also designated staff to specially handle shareholders' suggestions, inquiries and even disputes. In the event of litigation, it will be dealt with by the unit in charge according to our bank's hierarchy. In addition, our bank has engaged a share administration agency to handle all share-related affairs; therefore, all shareholders' suggestions, doubts, or disputes shall be referred to the agency. For our subsequent actions, the agency will immediately notify us of such suggestions, doubts or disputes as deemed relevant to our bank's operations.	1.1 Indifference.
1.2 Does the bank keep track of the major controlling shareholders as well as their ownership structures?	✓		1.2 Based on our shareholder's register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, we have collected our list of major shareholders and disclosed it in the Market Observation Post System (MOPS), our annual report and official website.	1.2 Indifference
1.3 Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with a bank's related companies?	✓		1.3 Our affiliated enterprises of CHB Life Insurance Agency Co., Ltd. and CHB Insurance Brokerage Co., Ltd. have been merged into the bank since April 1, 2016.	1.3 N/A
2. Board of directors and its responsibilities				
2.1 Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?	✓		2.1 At present, the bank has only lawfully instituted the Remuneration Committee and Audit Committee.	2.1 In the future, the Bank will institute various other functional committees in accordance with its actual operations.
2.2 Does the bank regularly evaluate the independence of CPAs?	✓		2.2 When the bank appoints the CPA for attestation on our financial statements, we have made sure that none of their audit team members has commercial relationships with our bank with significant financial benefits, which will probably affect their independence. During the appointment period, we also, on a regular basis (at least once a year), carefully assess the CPA's independence by the following criteria and submit an assessment report to the Audit Committee and the Board of Directors for their deliberation: a. The certified public accountant does not have in his/her possession the Bank's shares or have any relation with the Bank in terms of monetary loans, joint investment or shared interests. b. The certified public accountant does not assume the post as the Bank's responsible person, Director, manager or employee. c. The certified public accountant's behavior does not violate the "Professional Ethical Guidelines Communique No. 10: Integrity; Fairness; Objectivity and Independence " of the Taiwan CPA Association, ROC.	2.2 Indifference.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
3. In the event the bank is a publicly listed or OTC-listed company, has the bank instituted a dedicated (or concurrent) corporate governance unit or personnel to be in charge of affairs relating to corporate governance (including but not limited to the provision of necessary data for Directors and Supervisors to execute their duties, administering matters relating to the Board of Directors' meetings and shareholders' meetings in accordance with law, administering company incorporation and change in incorporation, and producing minute books for the Board of Directors' meetings and shareholders' meetings)?	✓		The Bank's CorporateStrategy Section under the Secretariat serves as the concurrent unit for handling corporate governance. The task allocation of matters relating to corporate governance is as follows: 1. Secretariat Divison a. In charge of administering incorporation and changes in incorporation; b. Administering matters relating to shareholders' meetings in accordance with law; c. Producing minute books for shareholders' meetings; d. Matters relating to investor relations; e. Other matters and items laid out in the charter. 2. Legal Affairs and Compliance Division In accordance with the Bank's "Procedural Rules for the Board of Directors", the Compliance Section of the unit in charge of meeting affairs for the Board of Directors shall administer matters relating to the Board of Directors' meetings per regulations, in addition to providing adequate data for these meetings as well as producing minute books.	Indifference.
4. Does the bank establish a channel to communicate with shareholders (including but not limited to shareholders, employees and customers, etc)?	✓		1. The Bank seeks to proactively communicate with stakeholders of all levels. In addition to setting aside the "Stakeholders' Dedicated Section" (including the general public, shareholders and employees, etc), the "Investor Relations Contracts", the "Dedicated Section for the After-sales Grievance of Non-performing Loans" and the "Customer Service Center" under the Bank's official website to serve as communication channels with related stakeholders, the Bank also addresses material issues that stakeholders are concerned about by way of compiling and producing annual CSR reports. 2. When extending credit to stakeholders stipulated in the Banking Act, the Bank administers it in full compliance with the Banking Act and related regulations by the governing body. Furthermore, the Bank has formulated specific operating guidelines for transactions with stakeholders beyond credit extension so that all units within the Bank can abide by.	Indifference.
5. Information disclosure				
5.1 Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		5.1 The Bank has implemented the "Legal Disclaimers and Announcements" webpage, disclosing financial reports, information as well as important financial and business operations such as complete annual reports and quarterly reports. The Bank's shareholders or investors can also hyperlink to the TWSE's MOPS via the dedicated section of "Investor Relations" on the Bank's official website, in order to promptly and conveniently grasp the aforementioned financial information disclosed by the Bank, as well as other important information that should be disclosed in accordance with regulations.	5.1 Indifference.
5.2 does a bank have Does the bank take any other methods to disclose its information ? (e.g. English website, a special group engaged on gathering and compiling the bank's information? The information is announced through the bank's spokesman, regularly held press conferences or the meetings with institutional investors and the process of meeting placing on the bank's website)..	✓		5.2 The Bank has installed an English version on its official webpage to disclose the Bank's related business operating information. The general public and investors can inquire and browse online at all times. The Bank has established a spokesperson system to make external announcements about information relating to the Bank's business operations in a timely fashion. Regarding material information, the Bank also designates dedicated personnel to be responsible for collecting information, while making simultaneous disclosure in both Chinese and English on the MOPS website as required by regulations. Related information about the Bank's institutional investors' conferences is disclosed on MOPS as well as the Bank's official website.	5.2 Indifference.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring of employees, investors relationship, shareholder rights, on-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, the practices of directors and supervisors for not getting involved with any projects related to their interests, liabilities insurance policies purchased by the bank for directors and supervisors, make donations to political parties, interested parties, or charity organizations)?	✓		6.1 Related charters about corporate governance a. The Bank has formulated the "Corporate Governance Practical Guidelines of the CHB" as the basis for pushing forward with matters relating to corporate governance. b. With regard to the Bank's Article of Incorporation, organizational regulations, the accountability allocation chart for business operation items and operating guidelines for various operations, the Bank has specifically set forth the authorities and accountability of managers at all levels, so that accountability can be established across various levels within the scope of authorities and accountability of the managers. 6.2 Matters and items relating to the Board of Directors a. After consulting and referencing the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" promulgated by the Taiwan Stock Exchange Corporation, the Bank has formulated the "Directions for the Enforcement of the Plan for Continuing Education for Directors", as plans are enforced in accordance with the Directions. Situation about the continuing education for the Directors is uploaded to the declaration system on MOPS in accordance with regulations. b. The situation with respect to the attendance of the Bank's Directors (including Independent Directors) in Board of Directors' meetings and attendance of Independent Directors in Audit Committee meetings has been uploaded to the declaration system on MOPS in accordance with regulations. c. The Bank's Directors proactively avoid Board of Directors' meeting agenda items involving his or her personal stake or the stake of the institution he or she represents, as well as refrain from taking part in related discussions and voting. d. To further consummate the Bank's corporate governance and to reduce the risks assumed by the Bank, its Directors and managers associated with governance liability, the Bank has purchased the "Insurance Policy Against Liability for Directors, and Managers" for its Directors and managers. 6.3 Risk management policy & its implementation a. In order to build up a professional and complete risk management function, the Bank has instituted three risk management divisions in the Credit Management Division, Risk Management Division and Loan Asset Management Division: (1) Credit Management Division is in charge of the auditing and review of credit extension cases, as well as managing and maintaining the e-Loan automated credit system (including the three subsystems in the management system for credit checking, the system for corporate credit rating and the credit review management system), in order to rigidify the procedures for credit checking and extension; (2) Risk Management Division is in charge of formulating policies against sovereign risks, credit risks (including corporate banking, personal banking and competitors in the banking industry, etc), market risks and operating risks, as well as their management; (3) With regard to the control and management of non-performing loans, non-accrual loans and bad debts as well as the management of the collecting operation for non-performing loans (including the e-Loan creditor's rights management subsystem), the Loan Asset Management Division can faithfully enforce them in accordance with regulations.	Indifference.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
			b. In order to integrate the review, supervision and coordinated operations associated with risk management, as well as to improve the quality of risk management, the Bank has instituted the Risk Management Committee, whose major duties include the assessment and supervision of the Bank's risk-bearing capacity and the current situation of assumed risks, deciding on the responding strategy to risks and compliance with risk management procedures, as well as submitting quarterly risk management reports to the Board of Directors. The Bank's risk management policy is subject to review and discussion by the Risk Management Committee, and shall be enforced after approval by the Board of Directors. 6.4 Measures for consumer protection a. The Bank has established a customer call center providing consumers 24/7 consulting service. In addition, a channel for the filing of grievances has also been established to handle various inquiries and demands from consumers to protect their rights. Furthermore, the Bank's securities brokers comply with the "Securities and Futures Investors Protection Center Procedures for Group Litigation and Arbitration" and provide related transaction information such as detailed historic statements of a single stock listing for multiple investors to help investors file their claims with the Securities and Futures Investors Protection Center. b. In accordance with the "Regulations Governing the Explanation of Important Contract Content & Risk Exposure Before the Provision of Financial Instruments or Services by the Financial Service Industry" as well as the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises", the Bank demands its case handling personnel to properly explain important content in financial instruments and services as well as disclose their risks, in line with the "Important Content Explanation Matters & Items" for various operations before the signing of contracts with effect from January 2 2012, in order to safeguard the rights of customers. Since the enforcement of the "Regulations Governing the Explanation of Important Contract Content & Risk Exposure Before the Provision of Financial Instruments or Services by the Financial Service Industry" and the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises", the Bank has revisited the content and clauses of the applications or contracts for various operations, while highlighting important content items that need to be explained or disclosed in conspicuous bold red or bold black fonts. After the revision, the amended applications and contracts are placed on the corporate intranet for download and usage by business units. c. To protect financial consumers, the Bank has established the "CHB Distribution and Publication Policy for Trust-related Advertisements" in accordance with the "Regulation Governing Advertisements, Business Solicitation and Marketing Campaigns of Financial Service Providers" and the "Regulation Governing Advertisements, Business Solicitation and Marketing Campaigns of Trust Businesses" for compliance by related operational personnel to prevent misrepresentation, inappropriate or misleading statement in its advertising materials that may result in damages to the rights of customers. d. To make sure that the bank's financial products and services are suitable to the consumers, the bank has established its "KYC Principles for CHB's Investment Trust Products Business" and "Product Suitability Procedures for CHB to Conduct Trust Business for Non-institutional Investors" in accordance with the "Regulations Governing Financial Product and Service Suitability Assessments by Financial Service Providers", "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises" and "Rules Governing the Establishment of Product Suitability Policies for Non-institutional Investors by Trust Enterprises". e. To protect investors' interests, the bank has required the financial advisors in all business units to remind customers of the risks associated with high-yield bond funds. And such advisors have also been reminded to pay more attention to customers' portfolios and aptly diversify the risks involved. f. To protect consumers' interests and promote our bank's image as a law-abiding company, on March 26, 2012, the bank signed an agreement drawn up by the Financial Ombudsman Institution (FOI) pursuant to Article 29, paragraph 2 of the Financial Consumers Protection Act. Under this agreement, the bank has consented to follow the procedures set forth in the Financial Consumers Protection Act when resolving consumer disputes, and undertake to compensate financial consumers up to "a certain amount" per transaction or property value without objections if so concluded by the FOI.	

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
			g. In order to protect consumers' interests by treating them fairly and reasonably, and establish a corporate culture that values consumer protection, the bank has formulated and implemented the "Guidelines for Fair Treatment to CHB's Customers", "Policies to Protect CHB's Financial Consumers", and "Guidelines for CHB to Conduct Protection for Financial Consumers" in accordance with the "Principles for Fair Treatment to Customers by Financial Service Providers", "Financial Consumer Protection Act" and its relevant subordinate laws, which have been promulgated by the Financial Supervisory Commission. Our bank has also requested by letter all its personnel to follow and put into practice the above-mentioned guidelines and policies when providing financial products and services to customers, to strengthen the consumers' interests and to benefit our bank's sustainable development. h. the bank has been certified by British Standards Institution (BSI) BS 10012 for Personal Information Management System (PIMS) to safeguard customer personal data security. 6.5 Donations to political parties, stakeholders, and charity organizations a. Donations to political parties: None. b. Donations to stakeholders: None. c. Donations to charity organizations: Please refer to Operations Overview C.b. 6.6 Employees rights and interests, and caring for employees: Please refer to Operations Overview F.a.	Indifference.
7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. 7.1 To strengthen our corporate governance, the bank has conducted an active review and improvements of the failed indicators as shown in the results of the 2nd Corporate Governance Evaluation. The improvements go as follows: a. The bank uploaded the Shareholders' Meeting Agenda Handbook for the 2016 Annual Shareholders Meeting 30 days before the meeting. b. The bank uploaded the Chinese 2016 Annual Report 10 days before the annual shareholders meeting. c. Similarly 30 days before the 2016 annual shareholders meeting, our bank uploaded the meeting notice in English; 21 days before such meeting, our bank uploaded the English-language Shareholders' Meeting Agenda Handbook for the 2016 Annual Shareholders Meeting. d. In fiscal 2016, all our directors completed their Continuing Professional Education (CPE) hours pursuant to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE- and TPEx-listed Companies. e. Before the appointment of a CPA in fiscal 2016, our bank had obtained and evaluated the relevant information on the independence of the CPA. Such information, after approval by the Board of Directors, was disclosed in our bank's annual report. f. In fiscal 2016, our bank declared a total of 37 pieces of material information in both Chinese and English. g. In our 2016 Annual Shareholders Meeting, we amended our dividend policy by the amendment to Article 38-1 of our Articles of Incorporation; the relevant information was disclosed in our 2016 Annual Report. h. Our bank has formulated the "Supplier Corporate Social Responsibility Standard" and "Supplier Corporate Social Responsibility Commitment", which requires suppliers to sign and agree to work with us to implement the social responsibility commitment in order to abide by the standard related to issues of environmental protection, safety or health. Jointly, we are committed to enhancing corporate social responsibility. 7.2 In addition, as to one of the unimproved items: "whether or not a government agency or a single TWSE- or TPEx-listed company with its subsidiaries has accounted for one-third and more of the Board of Directors of the company under evaluation", it is out of our control because the members of the Board of Directors are elected by the shareholders meeting. We have made a proposal by letter to the TWSE that the indicator should need further review but finally our proposal has not been accepted. 7.3 In the future, we will continue to pay attention to the development trend of corporate governance, strengthen corporate governance-related matters, and conduct our business with integrity and stability, so as to upgrade our corporate governance to an excellent level.				

e. Members and Operation status of the Remuneration Committee

1. Members of the Remuneration Committee:

Title	Qualifications Name	Qualifications (Note I)			Independent Status (Note II)								Number of Serve as a Member of other Remuneration Committee of Public Companies	Note
		A	B	C	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Independent Director	Kuo-Yuan Liang	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shang-Chen Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note

I. 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 commerce, law, finance, accounting, or otherwise necessary for the banking business.

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

- (1) Neither employees of Bank nor its affiliates.
- (2) Neither a director or a supervisor of Bank nor its affiliates. (This restriction does not apply to independent director positions in the Bank, its parent company or subsidiary, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

2. The duties of the Remuneration Committee:

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

- (1) To assess and review our bank's overall salary and remuneration policy.
- (2) To formulate and regularly review the performance assessments of our directors, president, vice presidents, chief auditor, chief compliance officer, the division heads of our head bank, and heads of our branch banks; to formulate and regularly review salary and remuneration policies, systems, standards and structure.
- (3) To regularly assess and formulate salary and remuneration for the directors, president, vice presidents, chief auditor, chief compliance officer, the division heads of our head bank, and heads of our branch banks.
- (4) To deliberate the following matters for our bank's subsidiaries:
 - ① Decision on salary and remuneration levels of directors, supervisors, chairmen, presidents, and vice presidents.
 - ② Formulation and revision of rules governing employees salary, bonus and remuneration.

3. Operation Status of the Remuneration Committee

- (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 8 times in 2016, and the records of attendance of members are shown as follows:

The Operation of 3 rd Remuneration Committee (Jan.1, 2016~Dec.31,2016)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Kuo-Yuan Liang	8	0	100%	
Member	Jung-Chun Pan	8	0	100%	
Member	Shang-Chen Chen	8	0	100%	

【Other matters required to be recorded.】

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

f. Performing Social Responsibility

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
1.Exercising Corporate Governance				
1.1 Does the bank declare its corporate social responsibility policy and examine the results of the implementation?	✓		1.1a. The Bank has the "Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles" to assist in the execution of the Bank's corporate social responsibility policy. b. The Bank's corporate social responsibility practices feature the following focuses: (1) Corporate governance; (2) Sustainable environment; (3) Public welfare; and (4) Disclosure of corporate social responsibility information. c. The Bank compiles corporate social responsibility reports every year as a means of disclosing corporate social responsibility practices. The information is available from the Bank's official 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 corporate social responsibility training in first quarter of each year, 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?	✓		1.3a. To manage corporate social responsibility, the President has appointed one of the Vice Presidents to serve as convener for the Bank's corporate social responsibility task force, assign Secretariat Division Corporate Strategy Section as a secretary unit 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. The information is available from the Bank's corporate website. b. Corporate Social Responsibilities Task Force meetings are held on a yearly basis to review and execute CSR plans for the year.	1.3 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?	✓		1.4a. The Bank reviews salary of its employees in accordance with "Remuneration List for Personnel of Chang Hwa Bank"; reasonable and competitive remuneration is given to employees according to the appointment and responsibility so as to ensure that they do not have different remuneration as a result of their gender, age or race. All salaries are in conformity with basic salary standards. Each year the Bank determines the level of its salary-adjustment based on consumer price index and its performance and debt-servicing ability. b. The Bank issues a performance bonus based on various indicators of its "Rules on Employee Performance Review" by combining employees' professional ethical performance with their performance review. c. The Bank has formed the "Personnel Review Committee" in accordance with relevant laws and regulations. It will review employees with respect to incentives and penalties in a fair, objective and detached manner. The results of its review will be disclosed on the Bank's internal corporate website and the appropriate employees shall be notified in writing, to achieve the aim of imposing penalties or delivering incentives.	1.4 None.
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 a. The Bank is actively building a green server room to reduce the power consumption of its IT department. The server virtual environments will continue to be expanded to cope with future demand from mainframes for new business types and replacements of the mainframes currently in use. Additional efforts will be made to reduce the number of physical mainframes, raise the utility rate of physical mainframes, reduce electricity and air conditioning expenses, and improve the efficiency with which the space in the control room is utilized. b. The Bank has placed great emphasis on the use of renewable resources and has therefore adopted the use of environmentally-friendly hand towels in its Taipei office building. Furthermore, to provide more job opportunities for the physically or mentally disabled and the socially disadvantaged, the Bank has commissioned U-Color (an association for the physically and mentally challenged in New Taipei City) to recycle all used toners, ink cartridges, and redundant printers within its Taipei office building since 2011.	2.1 None.

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
2.2 Does the bank establish proper environmental management systems based on the characteristics of their industries?	✓		c. The Bank adopts the use of "green building materials" to renovate its business premises, thereby ensuring a hazard-free office environment for employees to work. d. The Bank's respective operating units purchase all types of heat-sensing paper rolls. Before purchasing, they would require that vendors furnish their product test reports to ensure that such products conform to national standards, thereby protecting customers' interest. 2.2a. To ensure the safety of the relevant equipments, properties, and staff, the Bank has security and access control measures in place to ensure their security. b. All units of the Bank spare no effort in maintaining tidiness and cleanliness of their work environment. c. The Bank's environment management system has passed the ISO14001:2015. The energy management system has passed the ISO50001:2011. The information is available on the Bank's corporate website.	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?	✓		2.3a. Response measures for reduction of greenhouse gas include: (1) Replace old power-consuming air-conditioners to enhance energy-efficiency; (2) Set indoor temperature to more than 26 degrees to reduce the air-conditioning burden; (3) Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting; (4) Manage lighting use to reduce unnecessary power usage for lighting. b. The Bank has, in conjunction with the government's energy-saving and carbon-emission reduction policies, voluntarily undertaken energy-saving measures in its Taipei office building. Its target is to reduce CO₂ emission by more than 50,000KgCO₂e per year. The amount of power used in 2015 was equivalent to CO₂ emissions of 1,754,649.6KgCO₂e; The amount of power used in 2016 was equivalent to CO₂ emissions of 1,686,537.6KgCO₂e, reduced 68,112 KgCO₂e. The information is available from the "Market Observation Post System" section of the website of the Taiwan Stock Exchange. c. In 2016, the Bank has replaced about 435 lamps in its Taipei office building with LED lighting, thus reducing CO₂ emission by about 33,000 kgCO₂e. For 2017-2019, the Bank plans to change into LED lighting for 1-2 floors each year. This amounts to about 300-600 lighting fixtures. It is expected to reduce CO₂ emission by 33,000 kgCO₂e to 60,000 kgCO₂e. d. The Bank has asked all units to follow the policy of Bureau of Energy, Ministry of Economic Affairs to make the air-conditioning to maintain 26-28 degrees. e. All business departments have been advised to maintain the cleanliness of outdoor signs as well as configure automated lighting hours to achieve the most efficient use of energy. The Bank's outdoor signs and office lighting all utilize energy-efficient models and will be gradually replaced by LED lighting. f. The Bank continues to promote electronic trading to not require customers to visit in person to make transactions. In addition, they are encouraged to apply for less paper used, conserved energy, reduced carbon emissions, and increasing employees' efficiency.	2.3 None.
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.

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
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." The information is available on the Bank's official website. An employee grievance system has been established to provide employees the means to raise complaints. An Employee Grievance Line has been created on the Bank's website while "CHB Employee Grievance Announcements" are posted at all office locations of the Bank with strict confidentiality maintained for all relevant information of the complainant. The Bank will carry out understanding and investigation of the complaints. If the respondent is proved to be in breach of laws and regulations, he/she will be referred to the "Personnel Review Committee," whereupon the matter will be reviewed in an objective and 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?	✓		3.3a. In keeping with the law, the Bank regularly carries out medical checkups on its employees at its own 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. To educate 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. d. To comply with occupational safety and health regulations, the Bank renamed its "Security Division" to "Occupational Safety Division" in 2016 to oversee occupational safety and health issues within the Bank. In addition, 1 Occupational Health Manager and 3 nursing staff were hired to assist in the execution of occupational safety and employee health promotion programs.	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 several business sectors within the Bank; resolutions made from board of directors' and managing directors' meetings and the President's instructions are distributed by the heads to all employees within the bank.	3.4 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?	✓		3.6a. To ensure fair and reasonable protection of consumers' interests and develop a consumer-friendly corporate culture, the Bank has established and implemented "CHB Customer Fair Treatment Code of Conduct," "CHB Financial Consumer Protection Policy" and "CHB Financial Consumer Protection Guidelines" in accordance with Financial Supervisory Commission's "Customer Fair Treatment Principles for Financial Service Providers," "Financial Consumer Protection Act" and related sub-laws. b. 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 to protect the consumers' interests.	3.6 None.

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
			c. 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)," for better protection of financial consumers' interests. d. The Bank also reviews 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. e. 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. f. 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' interests: 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. g. Internal work rules and procedures in compliance with the Bank's rules for outsourced automatic teller machines to protect customers' interests: 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 days of receiving the complaint. A Customer Complaint Handling Tracking Form should be generated and administered by assigned staff in the specially-assigned unit. h. 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. i. The Bank is a sales agent of insurance products; the terms of any contracts sold are determined by the partnered insurance companies. Currently, all insurance product-related documents such as promotional materials, advertisements, introductions, product descriptions, trial calculations, application forms etc are prepared and provided by partnered insurance companies. These documents contain relevant information on the complaint channels available to consumers should they have any dispute in regard to the financial products or services offered by the Bank. Furthermore, a "Product Documentation Checklist" is used before product launch to ensure that DMs and application forms are drafted in a manner that complies with laws and protects consumers' interests.	

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
3.7 Does the bank comply with laws and international standards with regards to the marketing and labeling of products and services?	✓		3.7a. 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" etc. When selling products, financial planning staff comply with the regulations mentioned above and recommend suitable products to consumers based on the latter's risk appetite. Furthermore, pursuant to the regulations mentioned above, trust remuneration, the respective charges and collection methods and possible risks involved have been disclosed in trust contracts and transaction application forms. b. The Bank processes personal credit authorization work in compliance with "Explanation of Fair Trade Commission on Rules on Operating Behavior of Financial Enterprises." c. It carries out complementary gift promotional activities relating to deposit business in accordance with Article 34 of the Banking Act. 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.	3.7 None.
3.8 Does the bank evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		3.8 The Bank requires every supplier to sign a "Supplier Social Responsibility Commitment" before commencing business activities. The commitment calls for compliance with several regulations such as occupational safety and health, workers' rights, and environmental protection. The Bank also has "CHB Supplier CSR Policy" in place to evaluate suppliers for adverse environmental and social conducts, and to avoid dealing with those that operate in contradiction to the Bank's corporate social responsibility policies.	3.8 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?	✓		3.9 Contracts signed between the Bank and its suppliers outline the corporate social responsibilities that the two parties are bound to comply. The Bank may terminate its contract at any time if suppliers commit any violation that causes significant impact to the environment or society from which product or service is sourced.	3.9 None.
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 official website and the "Market Observation Post System" section of the website of the Taiwan Stock Exchange. The information about the Bank's CSR part-time unit and operation situation is also available from the Bank's official website.	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.				

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
6. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices:				
6.1 The Bank has accomplished its "2015 Corporate Social Responsibility Report" on Jun. 6, 2016 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 several 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 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 the elderly and disability trust services, the Bank has been offering fee discounts or fee waivers for beneficiaries who are senior citizens or persons with disabilities. Through fee reductions, the Bank hopes to provide dignified and satisfied care plan for those in need.				
6.4 The Bank was appointed by Banking Bureau, Financial Supervisory Commission, as a field instructor of financial knowledge in local campuses and communities in 3 times. 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 several SMEs to undergo financial health diagnosis. In 2016, the Bank helped a total of 12 SMEs on short-term financial health diagnosis to improve management efficiency and raise their overall competitiveness.				
6.6 In support of the implementation of "Courteous Banking Service Guidelines" by the authority, the Bank has been making public announcements over its website about banking courtesy since December 22, 2016. These announcements cover five major aspects including "environment," "communication," "service," "communication channels," and "information." In the future, the Bank will be introducing accessible financial services for people with disabilities, and shall update progress on a timely basis.				
6.7 As a support to the government's "Creative Industry Lending Initiatives," the Bank has set up creative industry lending consultation teams in 30 business offices nationwide to provide consultation for creativity businesses that need funding.				
6.8 In support of the government's industrial automation, environmental protection and energy conservation policies, the Bank has been encouraging businesses to acquire advanced machinery by financing their equipment upgrade, and thereby facilitate industrial transformation.				
6.9 Machinery export loan has been introduced in line with government policies to assist exporters in exploring business opportunities.				
6.10 Photovoltaic equipment financing loan was a new service launched in support of the government's green energy and environmental protection initiatives, which provides small and medium enterprises the capital needed to acquire photovoltaic equipment.				
6.11 In support of the government's green energy policy, the Bank introduced a new consumer loan that finances the purchase of electric bikes by motorcyclists with high environmental awareness.				
6.12 The automobile UBI (usage-based insurance) by Taian Insurance was introduced into the Bank's product portfolio. This insurance allows premiums to be adjusted, without changing the fundamental calculation, based on a number of factors including mileage, driving time, driving behaviors, and relevant data captured by the in-vehicle unit. It encourages car owners to minimize the use of private cars and thereby reduces energy and carbon for the benefit of the environment.				
6.13 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 if 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 2015 corporate social responsibility report has passed (BSI) AA1000.				

g. Implementation of Business Integrity

Assessment Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Y	N	Summary Information	
1. Policies and strategies established to ensure business integrity				
1.1 Has the bank stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		1. To realize the policy of conducting business with integrity, and actively guard against dishonest behavior, our bank has formulated the "Ethical Management Guidelines," stipulating that our bank's personnel (including directors, managerial persons, employees, appointees, etc.) shall stick to principles of fairness, honesty, trustworthiness, and transparency, when conducting business and commercial activities, and shall establish a good corporate governance and risk control mechanism, so as to create a business environment for sustainable development; the Code also requires the Board of Directors and top management to actively realize business doing with integrity as a code of conduct for the internal management and external commercial activities to actually follow.	1.1 All conducts are in compliance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies (ECMBP)."
1.2 Does the bank have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	✓		1.2a. Our bank has formulated the "Ethical Management Guidelines" and the relevant regulations to guard against dishonest behavior, which include the "Rules of Procedure for Board of Directors Meetings," "Employees Code of Conduct," "Work Rules," "Directions for Treasury Division to Conduct Financial Transactions," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension," etc., in order to prevent dishonest behavior. b. Our bank has also adopted the "Regulations for Implementation of CHB Employees Reward and Punishment" as a basis for rewards and punishments; any employee who is found and proved to have committed a dishonest act will be transferred to the Personnel Review Committee for punishment. If the above-mentioned employee refuses to accept the disciplinary disposition, he/she has to file an appeal with the reasons and the relevant evidence to such committee for a new review.	1.2. All conducts are in compliance with the "ECMBP."
1.3 Has the bank taken steps to prevent occurrences listed in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" or business conducts that are prone to integrity risks?	✓		1.3a In response to the various subparagraphs under paragraph 2, article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or business operation activities with higher risks for unethical behavior within the scope other operations, the Bank has formulated related precautionary measures at the supervisory units of various operations, including the Bank's "Ethical Management Guidelines" which stipulate: that the Bank's personnel shall not provide or receive, either directly or indirectly, any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank's guidelines and contract regulations; that they shall comply with the Securities and Exchange Act and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. b. The Bank's "Employee Code of Conduct" stipulates the following related guidelines: (a) Employees need to obtain the Bank's permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-for-profit activities or volunteer activities in the name of the Bank. (b) Employees shall refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity in the performance of their duties. (c) Employees shall protect the Bank's assets as well as other assets under his/her dutiful custody. (d) Employees shall provide premium customer service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities. c. The Bank has formulated the "Rules Governing External Donations from Chang Hwa Commercial Bank," as all external donations and grants shall comply with related laws, regulations and the aforementioned Rules. The Bank does not engage in matters involving the provision of illegal political donations, charitable donations or bribes camouflaged in the form of donation; all donations to political parties, stakeholders and public interest groups shall be publicly disclosed in accordance with regulations. For related donations, please refer to Operations Overview C. corporate responsibility and moral behavior.	1.3. All conducts are in compliance with the "ECMBP."

Assessment Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Y	N	Summary Information	
2. Actions to ensure business integrity				
2.1 Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		2.1 The Banks' "Ethical Management Guidelines" stipulate that prior to the establishment of commercial relations with any third party, the Bank shall review whether the parties have been implicated in prior incidents of unethical behavior in accordance with the Bank's related rules and regulations (for example: Guidelines for Suppliers' Corporate Social Responsibility), and formulate terms with respect to good faith in contracts between them (for example: computer implementation contracts, system maintenance service contracts, agreements with partnered vendors and mileage redemption cooperation plan agreements, etc)	2.1 All conducts are in compliance with the "ECMBP."
2.2 Does the bank have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	✓		2.2 The Bank has instituted a dedicated unit for ethical management (i.e. the Legal Affairs & Compliance Division responsible for handling matters relating to the "Ethical Management Guidelines," as well as supervising the enforcement of the Bank's related guidelines against unethical behavior. The unit shall also assess compliance and report to the Board of Directors on a regular basis annually.	2.2 All conducts are in compliance with the "ECMBP."
2.3 Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		2.3a. The Bank's "Ethical Management Guidelines" specifically stipulate articles for avoiding conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by related regulations such as the Bank's "Procedural Rules for the Board of Directors," "Operating Procedures for Stakeholders Defined in the Banking Act" and "Operating Procedures for Transactions with Stakeholders Beyond Credit Extension," in order to prevent conflict of interest. Board Directors shall also exercise self-discipline and refrain from coming to each other's rescue improperly. b. The Bank's "Procedural Rules for the Board of Directors" specifically stipulate that in the event a director, or a corporate entity represented by a director, is considered a stakeholder to the discussed agenda, the said director must state important facts about his/her stakes involved during the current meeting session and shall disassociate from all discussions and voting if it contradicts the Bank's interests, in which case, the director may not exercise voting rights on behalf of other directors. c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his/her post. d. When extending credit to stakeholders defined in the Banking Act, the Bank fully complies with the Banking Act and related regulations by the governing body.	2.3 All conducts are in compliance with the "ECMBP."
2.4 Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	✓		2.4a. The Bank revises its accounting policies at appropriate times in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith. b. The Bank's "Ethical Management Guidelines" stipulate: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance on a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit shall regularly audit compliance with regard to the accounting system and the internal control system, and report to the Bank's Board of Directors.	2.4 All conducts are in compliance with the "ECMBP."

Assessment Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Y	N	Summary Information	
2.5 Does the bank organize internal or external training on a regular basis to maintain business integrity?	✓		2.5a. The Bank regularly holds educational training relating to ethical management, including "Basic Introduction to the Labor Standard Laws," "Regulatory Compliance & Employee Code of Conducts (including the Bank's Ethical Management Guidelines)," "Bank Employees' Knowledge in Financial Laws," "Money Laundering Control Act & Case Study," "Money Laundering Control Act & Policy of Knowing Your Customers," "Awareness Course against Money Laundering," "Money Laundering Control & the Control Mechanism against Financial Aid to Terrorism" and "Education & Awareness Promotion and Explanation on the Control Procedures against Money Laundering," etc. The Bank conducted training in regulatory compliance, money laundering control, the "Knowing Your Customers" (KYC) policy and the employee code of conducts to new hires, personnel in money management operations and IT personnel in 2016. A total of 330 employees participated; a video for courses pertaining to the "Promotion of Regulatory Compliance in 2016 (first & second halves)" was also shot to raise the awareness among all employees. A total of 5,658 and 5,678 employees took part in these training courses in the first half and second half, respectively. b. The Bank collects material sanction cases among competitors in the banking industry promulgated by the Financial Supervisory Commission, as written notices are sent to notify the supervisory units of related business operations for compliance review of their operations. Through various promotional campaigns, the Bank aims to elevate employees' professional ethical standards, enhance employees' regulatory compliance awareness, while sending them to participate in timely external training courses pertaining to ethical management. c. Educational training is conducted on the responsible persons of business operation units to enhance their ability to guard against corruption. Training courses include the discussion of corruption control highlights, in addition to delving deep into reviewing the reasons behind the occurrence of corruption in financial institutions and explaining the Bank's related internal control operations. Furthermore, the Bank regularly holds courses such as "Training for Self-audit Personnel in Domestic Business Operation Units," in order to effectively enforce self-audit, enhance internal control at business operation units to guard against the occurrence of unethical behavior.	2.5 All conducts are in compliance with the "ECMBP."
3. Implementation of a misconduct reporting system				
3.1 Does the bank provide incentives and means for employees to report malpractices? Does the bank assign dedicated personnel to investigate the reported malpractices?	✓		3.1 The Bank has formulated the "Ethical Management Guidelines" in addition to setting up mailboxes and hotlines for complaints. In the event unethical behavior is identified, the whistle-blower shall report it to the dedicated unit for ethical management (i.e. the Legal Affairs & Compliance Division) and submit a "Complaint Report," which shall be handled by appropriate personnel designated by the dedicated unit.	3.1 All conducts are in compliance with the "ECMBP."
3.2 Has the bank implemented any standard procedures or confidentiality measures for handling reported malpractices?	✓		3.2 The Bank has formulated the "Ethical Management Guidelines," which ensure the confidentiality of the identity of whistle-blowers and the content of complaints. Upon the receipt of complaints, the Bank's dedicated unit shall call upon the Bank's internal audit units to investigate related matters. In the event complaints are confirmed to be true after investigation, the Bank employees held accountable shall be transferred to the Personnel Review Committee for the assessment of proper punishment; in the event laws and regulations are violated, legal liability shall be pursued in accordance with laws.	3.2 All conducts are in compliance with the "ECMBP."
3.3 Does the bank assure employees who report malpractices that they will not face repercussions for making such reports?	✓		3.3 The Bank has formulated the "Ethical Management Guidelines," which ensure the confidentiality of all information with regard to whistle-blowers; the Bank also makes sure that they are not mistreated in any way for the complaints they make.	3.3 All conducts are in compliance with the "ECMBP."
4. Enhanced information disclosure Has the bank disclosed its integrity principles and progress onto its website and MOPS?	✓		The "Ethical Management Guidelines" formulated by the Bank have been disclosed on the Bank's official website as well as the Market Observation Post System website. In addition, the Bank's implementation of ethical management operations is also disclosed in the "Corporate Governance Report" section of the annual report as well as on the Bank's official website. An electronic version of the annual report is also disclosed on the Bank's official website and the Market Observation Post System website.	All conducts are in compliance with the "ECMBP."

Assessment Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Y	N	Summary Information	
5. For banks that have established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe the current practice and any deviations from the Best Practice Principles: The Bank has formulated the "Ethical Management Guidelines" for execution of related Ethical Management affairs. All conducts are in compliance with the "ECMBP."				
6. Other information relevant to understanding the bank's business integrity (e.g.: reviews over the bank's business integrity principles, etc): The Bank shall follow the development of domestic and international credit management related regulations as a basis for review and improvement of the Bank's credit management regulations, and for its implementation, to improve the effectiveness of credit management.				

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

The Bank has made related rules of corporate governance, please visit the corporate governance area in the "about CHB" on the Bank's official website. <http://www.chb.com.tw> or please refer to the website of M.O.P.S. <http://mops.tse.com.tw>.

- i. Other significant information that will provide a better understanding of the state of the Bank's implementation of corporate governance may also be disclosed.
Please refer to d. 6.



j. Execution of Internal Control System

1. INTERNAL CONTROL SYSTEM STATEMENT:

Chang Hwa Commercial Bank, Ltd.
INTERNAL CONTROL SYSTEM STATEMENT

To : Financial Supervisory Commission, R.O.C

On behalf of Chang Hwa Commercial Bank, Ltd. (the "Bank"), we hereby state that from January 1, 2016 to December 31, 2016, the Bank has duly complied with the "Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Bank Enterprises" in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance systems of each department have been in effect during the year, this Statement will be included as the main content of the Bank's annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Act will be involved.

Chairman : 

President : 

Executive Vice President
& Chief Auditor : 

Executive Vice President &
Chief Compliance Officer : 

Mar 23, 2017

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

(Record Date : December 31, 2016)

Items to be improved	Countermeasure	Estimated time of completion
According to "Anti-Money Laundering Law" and the regulation of "Regulations Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions," financial Supervisory Commission punished the Bank with the penalty of NT\$ 1.8 million on Jan. 24 of 2017 in responding to the negligence of following the "Regulations Governing CTR and STR by Financial Institutions"	a. Improve the report method and computer system. b. Strengthen compliance. c. Enhance employees' training.	The review and improvement had been done indeed.
On Feb. 9 of 2017, FSC requested the Bank to make an improvement to the negligence of Ding Shing Group's credit investigation, in accordance with the Item 1 of Article 61-1 in the Bank Act.	a. Emphasize on KYC implementation, and carefully pay attention on the operation of the customers. b. List similar cases into the major items of internal auditing, and pay more attention on its' check-up.	The review and improvement had been done indeed.

2. Insurance Agent Service Internal Control System Statement

Chang Hwa Commercial Bank, Ltd

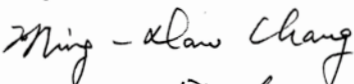
Insurance Agent Service Internal Control System Statement

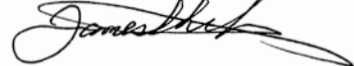
March 23, 2017

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

In regards to the execution of the internal control system from January 1, 2016 to December 31, 2016, and according to the results of self-evaluation, the Bank claims the following:

1. The Bank acknowledges that the establishment, execution, and maintenance of the internal control system are the responsibility of the board and management level, and the Bank has established this system. The purpose is to offer reasonable assurance regarding the achievement of goals including: the integrity of operations, the reliability of reports, and the compliance of relevant rules and regulations, etc.
2. However well designed, there are inherent limitations to internal control systems: even effective internal control systems are limited to offering reasonable assurance for the above three goals; however, the effectiveness of the internal control system may change according to variations in the environment and situation. The Bank has a self-monitoring mechanism established for its internal control system, which allows the Bank to conduct immediate corrective action once the mistake has been confirmed.
3. The Bank determines if the effectiveness of the design and execution of the internal control system according to "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereinafter referred to as "Regulations") established by the Financial Supervisory Commission. According to the judgment criteria for internal control systems stipulated in "Regulations", there shall be at least the following elements: 1. a controlled environment, 2. risk analysis, 3. controlled operations, 4. information and communication, and 5. monitoring operations.
4. The Bank investigates the effectiveness of the design and execution of the internal control system by adopting the internal control system judgment criteria listed above.
5. Based on the results of the investigation described in the previous item, the Bank determined that the design and execution of the internal control system (including: the integrity of operations, the reliability of reports, and the compliance of relevant rules and regulations) between the open duration above is effective, and the goals listed above is reasonably confirmed to have been achieved.
6. This Declaration is a significant portion in the Company's current year annual report and prospectus, which shall be made available to the general public. If the above involves illegality such as contains false or omitted information, etc., then the Company is in violation of Article 20, Article 32, Article 171, Article 174, or any relevant regulations set forth in the ROC Securities and Exchange Act.
7. This Declaration was approved on the Board Meeting on March 23, 2017, by all 9 attending Directors without objection.

Chairman : 

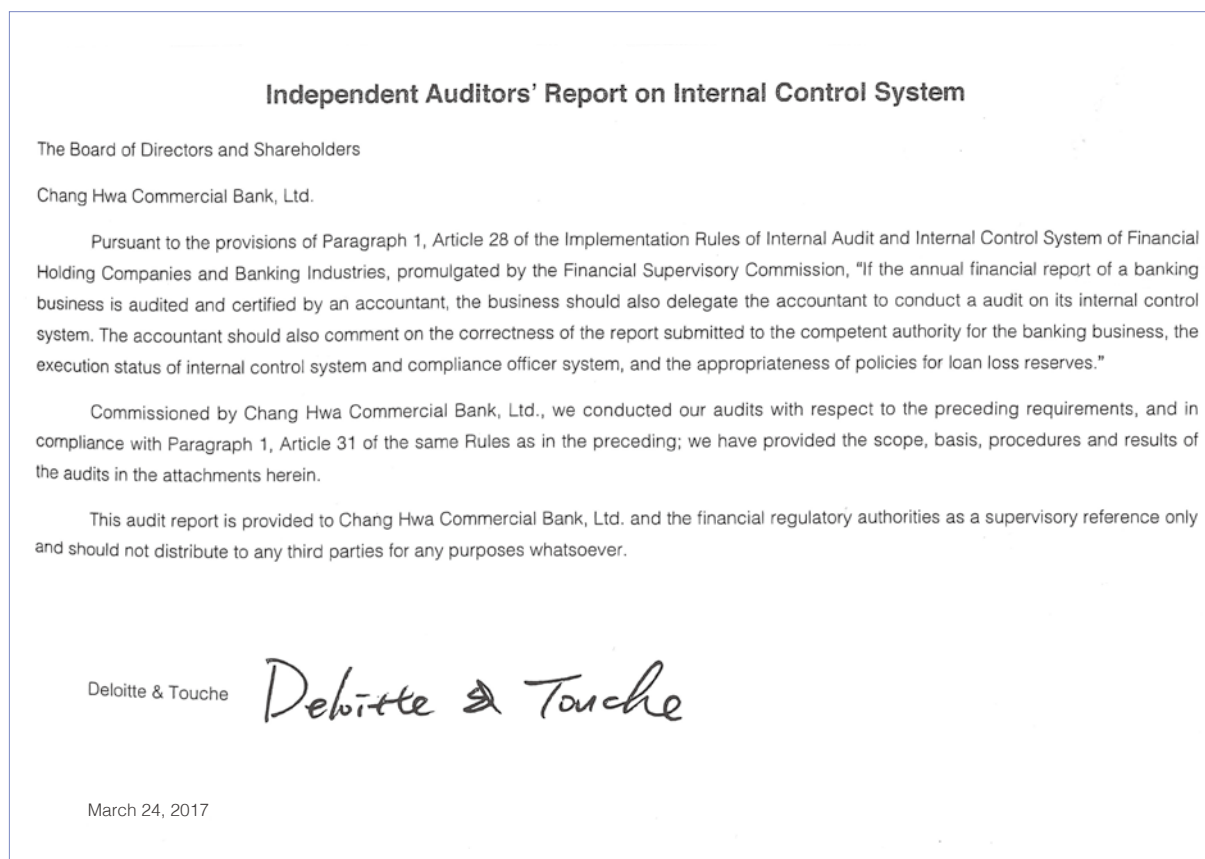
President : 

Executive Vice President
& Chief Auditor 

Executive Vice President
& Chief Compliance Officer : 

Internal Auditor : 

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



- k. Major malfeasance cases and operational improprieties and remedial measures adopted in the past two years.
1. Legal Action Involving Bank Executives or Employees:
None.
 2. Fines imposed by FSC as a punishment for violating laws and regulations:
On January 24, 2017, based on Paragraph 3, Article 7 of the "Regulations Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions," the FSC imposed a fine of NTD 1.8 million dollars on the Bank for failure to report large amount transactions to the Bureau of Investigation of the Ministry of Justice, which is in violation of Paragraph 1, Article 7 of the "Money Laundering Control Act" and Article 4 of the "Regulations Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions"; the Bank has implemented the following corrective actions:
 - (1) Improve training for bankers.
 - (2) Improve legal compliance.
 - (3) Improve report system and computer system.
 3. Any Item Committing Penalty Pursuant to Article 61-1 by Financial Supervision Committee:
 - (1) On the case of vault cash misappropriation by a previous counter director at the Bank's Shuangyu-an Branch (NTD 7 million dollars, which have been retrieved in full), the FSC has sent mail on November 30, 2015 which said that the Bank shall implement corrective actions as according to Paragraph 1, Article 61-1 of "The Banking Act of The Republic of China," and that the counter director is ordered to be dismissed; the Bank has implemented the following corrective actions:

- A. Immediately when the case took place, a full inventory of the vault cash at every domestic business unit was undertaken, and the results were in accordance.
 - B. The vault cash account closing operation procedures were adjusted, and the post-monitoring mechanism for cashier operation control is reinforced.
 - C. Strengthen the employee training and legal compliance concept for various levels of staff.
- (2) The mail from FSC on February 9, 2017 said that according to Paragraph 1, Article 61-1 of "The Banking Act of The Republic of China," the Bank shall implement corrective actions for the shortcomings of the Ting Sing Group credit investigation case; the Bank has implemented the following corrective actions:
- A. Implement KYC in dealings with credit investigation services, and pay careful attention to the operations of borrowers.
 - B. The Bank's shall list the case of "operations involving bill discounts or usage of tickets as credit investigation criteria" as a key annual internal audit item, and improve the auditing for similar cases.
4. Disclosures of financial losses caused by corruptions by employees, major incidental cases or major breaches of security regulations with losses exceeding NT\$50 million in individual and/or combined cases: None.
5. Other Mandatory Disclosures as Instructed by the Financial Supervisory Commission: None.
- I. Major resolutions passed at General Shareholders' Meeting (GSM) & Extraordinary GSM & Board of Meeting in 2016
1. Decisions made at the 2016 GSM:

Date	Agenda	Results	Implementation status
June 8, 2016	Recognition of the Bank's 2015 annual financial statements (including consolidated financial statements).	Voted and acknowledged as proposed.	Compliant with the Company Act and Securities Exchange Act, related documents have been submitted to regulators for record-keeping and proclamation.
	Approved the 2015 earnings appropriation proposal.	Voted and acknowledged as proposed.	The annual shareholders' meeting decided to issue 2,960,063,119 dollars (0.35 dollars per share) of common stock cash dividends and 5,074,393,910 dollars (0.6 dollars per share) of common stock dividends, after the board has decided the baseline date for the cash dividend, stock dividend, and surplus conversion is August 16, 2016; the dividends have been allocated on September 7, 2016.
	The issuance of new shares via earned surplus-turned capital increase.	Voted and acknowledged as proposed.	The annual shareholders' meeting has decided to issues new stock and list new stock on the market for sale after the report to the FSC is effective on July 5, 2016, and the approval for the registration change by the MOEA on August 24, 2016.
	Articles of Incorporation amendment case	Voted and acknowledged as proposed.	The revised rules and procedures are in effect after the registration change is approved by the MOEA on July 7, 2016.

2. Important resolutions of the 2016 board of directors meeting:
 - (1) 15th meeting of the 24th board dated January 15, 2016:
 - A. Appoint Ms. Sun Hui-Lan as VP of the Bank.
 - B. Approved the regular evaluation of the monthly salary of the executive directors (excluding independent executive directors), and directors (excluding regular independent directors).
 - C. Approved the regular evaluation the monthly salaries for independent directors.
 - D. Approved the regular evaluation of salary, benefits, etc. of the Chairman of the Board.
 - (2) 16th meeting of the 24th board dated February 25, 2016:
 - A. Approved the Bank's 2015 "Internal Control System Declaration" case.
 - B. Approved the proposal to acknowledge the 2015 annual business report and annual report (including the consolidated statements of the subsidiaries).
 - C. Approved the short form merger case of CHB Life Insurance Agency Co. Ltd. and CHB Insurance Broker Co. Ltd.

- D. Approved the Bank's "Internal control system for securities transactions assistance services of securities broker" case.
- (3) 17th meeting of the 24th board dated March 17, 2016:
 - A. Approved the commissioning and fees for the Bank's 2016 annual finances and tax auditing accountant.
 - B. Approved the case of the "2016 Chang Hwa Bank Risk Appetite Declaration."
 - C. Establish the Bank's "Anti-money laundering and counter-terrorism policies."
 - D. Approved to hold the Bank's 2016 annual general shareholders' meeting.
 - E. Approved partial amendments to the Bank's Articles of Incorporation.
- (4) 18th meeting of the 24th board dated April 22, 2016:
 - A. Approved the proposal to recognize the Bank's 2015 surplus allocation case.
 - B. Passed to propose earnings capitalization for discussion during the shareholders' meeting.
 - C. Approved the case to establish the Bank's "Guidelines for Fair Treatment to CHB's Customers."
- (5) 19th meeting of the 24th board dated May 13, 2016:
 - Approved the retirement case of the Bank's Auditor General Diao-Li Lin.
- (6) 20th meeting of the 24th board dated June 30, 2016:
 - A. Approved the establishment of the branch in Manila, Philippines.
 - B. Approved the revision to the Bank's "Chang Hwa Bank Remuneration Committee Foundation Rules."
 - C. Approved the appointment of Ms. Lin Ya-Lin as the Bank's Auditor General.
 - D. Approved the Bank's "Internal control system for securities transactions assistance services of securities broker" case.
 - E. Approved the revision to the Bank's "Securities broker internal control system."
- (7) 21st meeting of the 24th board dated July 22, 2016:
 - A. Approved the baseline date and the distribution date for the Bank's 2015 cash and stock dividends, and surplus conversion.
 - B. Approved the request to authorities for the issuance of NTD 20 billion dollars (or foreign currency of equal value) of unsecured subordinated debt.
- (8) 22th meeting of the 24th board dated August 26, 2016:
 - A. Approved the Bank's 2016 previous 6 months interim annual report.
 - B. Approved the 2015 board of directors' salary allocation.
- (9) 23rd meeting of the 24th board dated September 30, 2016:
 - A. Approved the reporting of the Bank's 2016 "Business Plan," "Capital Adequacy Assessment," and "Risk Indicator Self-Evaluation."
 - B. Approved the founding of the Chang Hwa Bank (Cambodia) Co. Ltd. in Phnom Penh, Cambodia.
 - C. Approved the revision to the "Corporate Social Responsibility Best Practice Principles."
- (10) 24th meeting of the 24th board dated November 8, 2016:
 - Approved the revision to the "Guidelines to Chang Hwa Bank investments in financial products."
- (11) 25th meeting of the 24th board dated December 23, 2016:
 - A. Approved the Bank's 2017 budget.
 - B. Approved the Bank's 2017 audit plan.
 - C. Approved the revision to the Bank's "Securities broker internal control system."
- 3. Important Resolutions of Board of Directors (From Jan.1 2017 to the publish date of annual report):
 - For details please visit the Bank's website <http://www.chb.com.tw>.
- m. In recent year and up to the date of annual report publication, if there is disagreement which is already recorded or announced by statement among board directors or supervisors concerning the material decision approved by the board meeting and the major content of that disagreement
 - 1. On the 17th meeting of the 24th board dated March 17, 2016, regarding case No. 13 on partial amendment to the Bank's Articles of Incorporation:

[Opinions from managing director Julius Chen]

My opinions on the amendment to the Bank's Articles of Incorporation are as follows: First, I second the reasons and opinions of Independent director Jung-Chun Pan to oppose the increase in the Bank's authorized capital from 90 billion dollars to 110 billion dollars; I oppose this action. Second, the Bank should comply with relevant procedures for all proposals submitted to the board of directors meeting; otherwise the resolution may be flawed. I am referring to the amendment to the Company Act last year (2015), which stipulated that in principle, directors and employees shall not be involved in surplus allocations; however the law states that if the company is profitable, it shall issue salaries to employees, and if the directors are involved in the distribution, then it shall be clearly stipulated in the company's Articles of Incorporation. This is in reference to the clearly defined regulations of the Company Act from last year (2015) and the order issued by MOEA, which is why the salary distribution to employees and directors shall be based on the Articles of Incorporation. However, the Bank's financial statements last year has already planned the amount of salary to be allocated to employees and directors, which were submitted to the board meeting and the audit committee for review in February, and the salary committee also conducted revisions according to the new Articles of Incorporation (the revised Articles of Incorporation) in mid-March. The Bank also delayed until today (March 17, 2016) to submit the Articles of Incorporation to the board meeting for revisions. Any amendment to Articles of Incorporation is a very important case, and relevant submissions should have been prioritized, otherwise it exposes major flaws in the company governance, and poses an impact to the company operations and image.

[Opinions from director Cheng Ching Wu]

I shall divide my opinions into three points: First, the Bank gave an outstanding performance last year under the changing leadership of Chairman, and the EPS was about 1.38 dollars, of which about 0.95 dollars were issued dividends. Therefore, the Bank definitely has the ability to issue dividends without contributions from shareholders; capital increase demands contributions from shareholders to be re-issued to shareholders. Second, the Bank will make a decision on future plans depending on subsequent conditions. Future development is still unforeseeable at the moment. Third, litigation regarding the Bank's management rights are still on-going. I consider it inappropriate to change the shareholder structure at this time, to avoid additional complications. I strongly oppose this proposal.

2. On the 26th meeting of the 24th board dated January 23, 2017, case No. 9 regarding the approval to terminate the stock affairs agent contract with Yuanta Securities Co., Ltd. (hereinafter referred to as Yuanta Securities) from April 6, 2017, and to replace the stock affairs agent with Mega Securities Co., Ltd. (hereinafter referred to as Mega Securities):

[Opinions from managing director Julius Chen]

I think this proposal is not possible for the following reasons: First, this case involves procedural issues; the board meeting has yet to approve the contract termination with the original stock agency, but the new appointment is proposed in parallel, which will deprive directors their rights to express opinions respectively on the separate proposals. The following is my opinion regarding the termination of Yuanta Securities as the Bank's stock agent. Second, Yuanta Securities sent mail to the Bank to negotiate the contract termination, to which the Bank has the right to evaluate whether or not to accept. Yuanta Securities does not have the right to solely determine the termination of this contract, while the Bank has the right to request for compensation in regards to their request for termination. As new reports indicated that the resignation submitted Yuanta Securities is due to their position as the Bank's solicitor this year (the proxy solicitation), which is a serious conflict of interest and issue for corporate governance. If the Bank agrees to the termination, then the Bank will not have the rights to request for compensation; on the other hand, if there is a loss for Bank's shareholders, they will have the right to request the Bank for compensation. Third, any action by the Bank should take into consideration the interest and image of the company and all the shareholders. Yuanta Se-

curities held the position of the Bank's stock agent for over 2 years, and holds the list of the Bank's shareholders; their resignation is tied to the election, which is a serious conflict of interest, and at the same time, it evades the legal requirement for the neutrality of stock affairs. If the Bank cooperates with Yuanta Securities in the contract termination and evades the law, then it would be unreasonable and violates the corporate governance. Fourth, the Ministry of Finance publicly stated that the Bank's board of directors' re-election this year shall remain administrative neutrality; any action to stray from administrative neutrality is inappropriate. This case is a clear violation of the neutrality policy, and a violation to corporate governance. Fifth, I request the Ministry of Finance to avoid a conflict of interests from this case. If Yuanta Securities is resigning from the Bank's stock agent position to assist in government stock proxy solicitations on behalf of the Ministry of Finance, then the case to terminate the stock affairs agency contract with Yuanta Securities is linked to the government shares interests of the Ministry of Finance, which according to the Company Act, requires the 4 attending representatives of the Ministry of Finance to withdraw from the vote and avoid a conflict of interests. In conclusion from the opinions mentioned, I state my opposition to the case of Yuanta Securities resignation as the stock agent, and oppose the termination of the stock affairs agency contract.

n. Disclosures the resignation or dismissal of managerial officer

February 28, 2017

Title	Name	Date of Appointed	Date of dismissed	Reasons for resignation or dismissal
EVP & Chief Auditor	Diao-Li Lin	February 22, 2010	June 1, 2016	Mandatory Retirement

E. Information of Accountant's Fee

Unit: NT\$1,000

Accounting Firm	Name of Accountant		Auditing Fee	Non-Auditing Fee					Period of Inspection by Accountant Covering a complete fiscal year			Remark
				System Design	Corporate Registration	Human Resources	Other	Subtotal	Yes	No	Inspection Period	
Deloitte & Touche	Jerry Gung	Walter Liu	4,520						v			2016 Annual Financial Statement(AFS)
Deloitte & Touche	Jerry Gung		1,000						v			2016 Annual Taxation Statement
Deloitte & Touche	Jerry Gung		2,350						v			Inspect the OBU & Overseas Branch
Deloitte & Touche	Jerry Gung		370						v			Provide AFS of Kunshan, Dongguan & Fuzhou Branch for Investment Commission
Deloitte & Touche	Jerry Gung		1,000						v			Internal Control Inspection
Deloitte & Touche	Jerry Gung						95	95	v			Inspect the bad debts exceeding NTD 50 million
Deloitte & Touche	Jerry Gung						50	50	v			Review on the issuance of earned surplus-turned increase
Deloitte & Touche	Jerry Gung						30	30	v			Disclose review and evaluation opinions on the application for subordinated debt credit
Deloitte & Touche	Jerry Gung						530	530	v			Application for managing insurance agent affairs project services
Deloitte & Touche	Jerry Gung						1,230	1,230	v			Anti-money laundering and counter-terrorism risk evaluation project
Deloitte & Touche	Jerry Gung						450	450	v			Review and approval for the application for international electronic payment and agency collection and payment services
Deloitte & Touche	Jerry Gung						900	900	v			Electronic payment information system security control investigation
Deloitte & Touche	Denny Kuo						2,749	2,749	v			Social engineering drill and weakness scanning project
Deloitte & Touche	Denny Kuo						1,450	1,450	v			Computer system information security evaluation project
PWC	Shumei-Ji						430	430	v			Cleaning project service
PWC	Shumei-Ji						450	450	v			Manila Branch Money Laundering Control Act compliance review and verification
PWC	Shumei-Ji						860	860	v			Improve careful monitoring of regulations project

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

b. Change of accounting firm and the audit fee of the changing year is less than previous year, the amount of audit fee respectively and the reason of change shall be disclosed

None.

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

None.

F. Changes of Accountants

None.

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

None.

H. The Changes in Shareholding

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

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman (Delegate of MOF)	Ming-Daw Chang	109,000	0	0	0
Managing Director (Delegate of TSFHC)	Julius Chen	8,171	0	0	0
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0	0	0
Director (Delegate of MOF)	Ing-Wei Peng	0	0	0	0
Director (Delegate of MOF)	Chih-Hsien Lin	0	0	0	0
Director (Delegate of MOF)	Ching-Hwa Juan	0	0	0	0
Director (Delegate of TSFHC)	Cheng Ching Wu	0	0	0	0
Director (Independent Director)	Shang-Chen Chen	0	0	0	0
Director (Independent Director)	Jung-Chun Pan	0	0	0	0
President	Chien-An Shih	4,921	0	0	0
EVP& Chief Auditor	Ya-Ling Lin	72	0	0	0
Executive Vice President	Horng-Yao Tu	4,495	0	0	0
	Hom-Gang Wang	18,560	0	0	0
	Hui-Lan Sun	10,000	0	0	0
	Bin Chen	8,000	0	0	0
EVP & Chief Compliance Officer	Jih-Cheng Yang	801	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
SVP & Division Head	Chang-Hua Cheng	5,283	0	0	0
	Shiou-Yu Chang	2,503	0	0	0
	Shyi-Neng Chen	1,779	0	0	0
	Chiou-Yueh Chen	1,155	0	0	0
	Chih-Chen Hsu	0	0	0	0
	Rueih-Hwa Cheng (New appointment accepted on Nov. 21, 2016)	0	0	0	0
	Hsiu-Luan Hsieh	691	0	0	0
	Chen-Yu Chen	7,702	0	0	0
	Shwu-Fang Wang	9,078	0	0	0
	Nell H. Tseng	0	0	0	0
	Tsaifeng Lin	1,389	0	0	0
	Yaw-Nan Huang (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Wei-Tsair Chang	4,338	0	0	0
	Hsiang-Chun Wu	0	0	0	0
	Hui-Yu Chen	0	0	0	0
	Chaur-Chyan Lin	3,845	0	0	0
	Shuen-Chang Yeh	0	0	0	0
	Pao-Sen Yu	0	0	0	0
	Jui-Chun Wu	3,256	0	0	0
	Ko-Chung Wang	3,738	0		
	Lien-Ching Chen	0	0	0	0
VP & GM	Shun-Hung Huang	5,758	0	0	0
	Shuo-Hung Huang	2,195	0	0	0
	Fu-Rong Chiu	255	0	0	0
	Yu-Shan Chen	2,689	0	0	0
	Tse-Tsang Tso	5,671	0	0	0
	Chen-Hui Yeh	8,709	0	0	0
	Yen-Chun Chen	1,395	0	0	0
	Chi-Tsung Shih	7,000	0	0	0
	Cheng-Fu Yang	749	0	0	0
	Yuan-Fen Chen	685	0	0	0
	Pei-Chung Yang	7,359	0	0	0
	Ti-Tien Liao	113	0	0	0
	Shiu-Hwa Chang	735	0	0	0
	Chen-Lin Ling (New appointment accepted on Nov. 21, 2016)	0	0	0	0
	Der-Ho Chen	72	0	0	0
	Yueh-Ming Yu	0	0	0	0
	Don-Y.T. Wang	17	0	0	0
	Jenn-Gwo Lee	28	0	0	0
	Hsi-lung Wu	22	0	0	0
	Tsuan-Sheng Tseng	3	0	0	0
	Mel-Li Chiu	335	0	0	0
	Yu-Hui Lin	718	0	0	0
	Shyr-Chiou Chen	1,513	0	0	0
	Meei-Tz Wu Lin	408	0	0	0
	Fu-Jinn Chiou	23	0	0	0
	Feng-Tsung Chang	69	0	0	0
	Jin-Kuei Chen	1,238	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Mei-Hsing Lin	829	0	0	0
	Ruei-Jan Chen	12,274	0	0	0
	Pi-Chin Shao	163	0	0	0
	Jung-Chien Hu	94	0	0	0
	Yi-jung Chan	10	0	0	0
	Lih-Lan Yang (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Hsiao-Hua Yin (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Yu-Yeh Lin	12	0	0	0
	Kang Yang	783	0	0	0
	Yi-Hwang Tzeng	5,368	0	0	0
	Ming-Hua Huang	3	0	0	0
	Chiu-Tung Huang	66	0	0	0
	Hwa-Shan Chiou	4,473	0	0	0
	Mei-Fen Shieh	47	0	0	0
	Su-Man Hsueh (New appointment accepted on Mar. 13, 2017)	-	-	0	0
	Chung-Long Tsai	711	0	0	0
	Chien-mei Yu	847	0	0	0
	Szu-Yen Lin	5,327	0	0	0
	Hui-Jen Wu	2,938	0	0	0
	Ying-Hui Hung	3,132	0	0	0
	Kuei-Mei Hsu	792	0	0	0
	Hui-Ling Lee	0	0	0	0
	Yu-Shu Chen (New appointment accepted on Nov. 21, 2016)	0	0	0	0
	Fang-Yuan Wu (New appointment accepted on Mar. 13, 2017)	-	-	0	0
	Chun-Feng Lee	0	0	0	0
	Shuenn Chuang	3,485	0	0	0
	Hung Wang	1,101	0	0	0
	Chiu-Ling Chen	0	0	0	0
	Chin-Hsuan Lee	209	0	0	0
	Li-Hsien Huang	302	0	0	0
	Kuei-Fen Chen	368	0	0	0
	Shy-Hueih Rur (New appointment accepted on Mar. 13, 2017)	-	-	0	0
	Li-Feng Shen	1,225	0	0	0
	Cheng-Chi Chuang	36	0	0	0
	Chien-Fa Chen	1	0	0	0
	Shu-Fen Liu (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Kuen-Shan Wang	170	0	0	0
	Shu-Hua Tsai	2,533	0	0	0
	Wen-Cheng Lin	4,085	0	0	0
	Huei-Jin Lin (New appointment accepted on Mar. 13, 2017)	-	-	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Ai-Ling Wang	1,446	0	0	0
	Jui-Hui Hsu	649	0	0	0
	Ching-Yueh Chien	424	0	0	0
	Hsiu-Hsia Tsai	727	0	0	0
	Kao-Jung Hsu	524	0	0	0
	Pao-Hua Hsu	10	0	0	0
	Ming-Shung Lin (New appointment accepted on Nov. 21, 2016)	0	0	0	0
	Ching-Fu Lin	0	0	0	0
	Tzy-Yun Chen	(11,299)	0	0	0
	Mei-Hwa Hwang	817	0	0	0
	Chi-Hsiang Chen	53	0	0	0
	Li-Min Cheng	184	0	0	0
	Jenn-Shing Sun (New appointment accepted on Sep. 12, 2016)	0	0	0	0
	Lan-Zu Lin	752	0	0	0
	Ai-Hsiu Lai	164	0	0	0
	Hsiao-Hsia Lu	5,046	0	0	0
	Su-Chen Cheng (New appointment accepted on Dec. 1, 2016)	0	0	0	0
	Chun-Jen Tsai	820	0	0	0
	Wei-Shuo Luo	16,328	0	0	0
	Li-Chiao Li	3,628	0	0	0
	I-Hsin Weng	25	0	0	0
	Ruey-Horng Woung (New appointment accepted on Oct. 11, 2016)	0	0	0	0
	Chang-Cheng Chu (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Sheng-Tung Chen	46	0	0	0
	Chyi-Ying Yeh	1,528	0	0	0
	Feng-Fuh Jang	48	0	0	0
	Jiin-Chour Liu	1,571	0	0	0
	Hsiu-O Hsieh	28	0	0	0
	Shu-Ju Tsai	2,098	0	0	0
	Kui-Fang Tsai	481	0	0	0
	Kuei-Mei Wu (New appointment accepted on Mar. 13, 2017)	-	-	0	0
	Shu-Chung Chen	599	0	0	0
	Yeong-Shyang Shyu	64	0	0	0
	Yu-Ling Tang	35	0	0	0
	Jia-Jen Hou	2,673	0	0	0
	Yueh-Chiu Lai	2,101	0	0	0
	Chin-Li Lin	0	0	0	0
	Tzu-Chiung Huang	6,628	0	0	0
	Hui-Chuan Hsieh (New appointment accepted on Mar. 13, 2017)	-	-	0	0
	Pei-Fen Shieh	8,675	0	0	0
	Chin-Hunag Chuang	5,298	0	0	0
	Ting-Feng Cho	1,164	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Cheng-Yi Hsieh	0	0	0	0
	Li-Ling Lan	2,074	0	0	0
	Kuang-Hua Cho	786	0	0	0
	Chun-Hong Yeh	26	0	0	0
	Ming-Thur Cheng	1,450	0	0	0
	Yu-Chin Fan	5,199	0	0	0
	Su-Ming Cheng	15,921	0	0	0
	Jui-Yueh Wu (New appointment accepted on Mar. 13, 2017)	-	-	0	0
	Shey-Lin Chang	10	0	0	0
	Shao-Mao Wang (New appointment accepted on Nov. 21, 2016)	0	0	0	0
	Shu-Lin Liu	2,231	0	0	0
	Hsiu-Ching Hsu	0	0	0	0
	Ji-Ming Huang	71	0	0	0
	You-Chen Lee	18,047	0	0	0
	Chih-Hao Lo	48	0	0	0
	Li-Fen Tzeng	0	0	0	0
	Jin-Yu Yeh	5,820	0	0	0
	Feng-Chiou Lai	5,520	0	0	0
	Chiung-Hsiao Hung	3,627	0	0	0
	Huo-Chung Hsiao	5,706	0	0	0
	Feng-Hsien Tseng	52	0	10,000	0
	Rong-Horng Way	5,685	0	0	0
	Tsai-Fu Lin	780	0	0	0
	Li-Hwa Lee	5,375	0	0	0
	Ching-Yuan Wu	1,162	0	0	0
	Tain-Maw Chang	5,300	0	0	0
	Shun-Feng Lo	(35,284)	0	0	0
	Su-Min Hsin (New appointment accepted on Nov. 21, 2016)	10,000	0	0	0
	Mei-Ling Chiu	7,613	0	0	0
	A R Liu	21,590	0	0	0
	Ber-Lin Yeh	38,252	0	0	0
	Chin-Ping Lai (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Leu-Shinn Huei	7,638	0	0	0
	Zhen-Dong Jian	38	0	0	0
	Mao-Sheng Yen	1,698	0	0	0
	Wen-Ko Ho	0	0	0	0
	Wen-Ling Tasi	100	0	0	0
	Chen-Ying Wu (New appointment accepted on Sep. 1, 2016)	0	0	0	0
	Weng-Chung Chen	2,523	0	0	0
	Wen-Ching Chen	2,035	0	0	0
	Yuen-Ying Lai	(4,744)	0	0	0
	Yen-Yu Liu	30	0	0	0
	Chiang-An Chang	4,739	0	0	0
	Chun-Hung Tung	3,417	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Shan-Shin Shen	2,848	0	0	0
	Shiou-Yann Lin	76	0	0	0
	Yung-Sheng Chen	61	0	0	0
	Kuo-Hsiang Lin	0	0	0	0
	Cheng-Chi Chen	8,685	0	0	0
	Chih-Ming Kuo	6,934	0	0	0
	Chung-Shing Her	0	0	0	0
	Wang-Ming Lee	81	0	0	0
	Mei-Hui Wu	558	0	0	0
	Chien-Tai Ping	0	0	0	0
	Fen-Lan Lu	817	0	0	0
	Chi-Ching Hung	0	0	0	0
	Feng-Yuan Shia	5,882	0	0	0
	Chih-Chou Huang	495	0	0	0
	Shu-Li Chang	735	0	0	0
	Cheng-Lin Cheng	14	0	0	0
	Wen-Tzung Huang	22	0	0	0
	Su-Chuan Wang	3,799	0	0	0
	Wan-Ling Chen	1,831	0	0	0
	Shwu-Ruu Lee	2,860	0	0	0
	Su-Wei Liang	1,219	0	0	0
	Tai-An Lu	490	0	0	0
	Show-Ching Chen (New appointment accepted on Jan 1, 2017)	-	-	0	0
	Shiow-Jy Lee	5,617	0	0	0
	Sui-Kuang Chiang	9,265	0	0	0
	Pao-Yu Yeh	1,684	0	0	0
	Tzeng-Hurng Lee	2,115	0	0	0
	Wan-Hwa Chien	440	0	0	0
	Teng-Ching Chen	2,080	0	0	0
	Li-Chu Shu	0	0	0	0
	Ruey-Sen Yang	5,882	0	0	0
	Shih-Tao Tseng	1,443	0	0	0
	Hui-Ju Lee	2,419	0	0	0
	Lun-Jan Lan (New appointment accepted on Mar 13, 2017)	-	-	10,000	0
	Shu-Hei Chang (New appointment accepted on Nov 21, 2016)	0	0	0	0
	Hsueh-Wen Wang	72	0	0	0
	Ching-Chung Chen	48	0	0	0
	Shu-Chen Yang	0	0	0	0
	Wan-Chin Chang (New appointment accepted on Dec 1, 2016)	0	0	0	0
	Shyh-Chau Lin	2,947	0	0	0
	Kwang-Wu Liu	0	0	0	0
	Teng-Hsiu Chuan	35	0	0	0
	Chin-Lung Pan	306	0	0	0
	Huan-Yu Chiu	1,200	0	0	0
	Alec Hsiang-Ta Lin	6,420	0	0	0
	Chiung-Wen Chang	9	0	0	0
	Hsiu-Chu Tseng	0	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Juridical Shareholder representative by Director (Major Shareholder)	Taishin Financial Holding Co., Ltd	114,408,235	0	0	0
Juridical Shareholder representative by Director (Major Shareholder)	Ministry of Finance	61,872,011	0	0	0
Same person or Same Concerned Party holding 10% or more of the shares (Note1)	Taishin Financial Holding Co., Ltd	114,408,235	0	0	0
	Taishin Financial Holding Co., Ltd (Note2)	1,348,382	0	0	0
Same person or Same Concerned Party holding 10% or more of the shares (Note1)	Ministry of Finance	61,872,011	0	0	0

Note1: Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11.

Note2: Subsidiary of TSFHC.

b. Information of shareholding transfer

None.

c. Information for shareholding pledge

None.

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

April 18, 2017

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taishin Financial Holding Co., Ltd. (Representative Thomas T.L. Wu)	2,021,212,165	22.55	0	0	0	0	None		None
Ministry of Finance (Representative Yu-Che Hsu)	1,093,072,201	12.19	0	0	0	0	Taiwan Business Bank	Ministry of Finance as a Juridical Shareholder representative by Director of Taiwan Business Bank	None
Lungyen Life Service Corporation, Ltd. (Representative Wei-Lung Liu)	351,474,954	3.92	0	0	0	0	Cheng Chang Investment Co., Ltd.	Cheng Chang Investment Co., Ltd. as a Juridical Shareholder representative by Director and one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	None
							Lee Investment Co., Ltd.	Lee Investment Co., Ltd. as one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	
First Commercial Bank (Representative Ching-Nain Tsai)	256,274,275	2.86	0	0	0	0	None		None
National Development Fund, Executive Yuan (Representative Tian-Zhi Chen)	246,494,217	2.75	0	0	0	0	None		None
Cheng Chang Investment Co., Ltd. (Representative Shih-Tsung Lee)	164,968,648	1.84	0	0	0	0	Lee Investment Co., Ltd.	Same person act as chairman.	None
							Lungyen Life Service Corporation, Ltd.	Cheng Chang Investment Co., Ltd. as a Juridical Shareholder representative by Director and one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chunghwa Post Co., Ltd. (Representative Wen-Qi Weng)	160,061,776	1.79	0	0	0	0	None		None
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	95,834,111	1.07	0	0	0	0	None		None
Taiwan Business Bank (Representative Robert Rueen-Fong Chu)	88,782,273	0.99	0	0	0	0	Ministry of Finance	Ministry of Finance as a Juridical Shareholder representative by Director of Taiwan Business Bank	None
Lee Investment Co., Ltd. (Representative Shih-Tsung Lee)	88,402,140	0.99	0	0	0	0	Cheng Chang Investment Co., Ltd.	Same person act as chairman.	None
							Lungyen Life Service Corporation, Ltd.	Lee Investment Co., Ltd. as one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	None

J. Omnibus Shareholding Ratio

December 31, 2016 Unit : Shares : %

Invested Venture	The Bank's Investment		The investment subsidiaries directly or indirectly controlled and managed by directors, general managers, executive vice president, the chief of each division or branch and the Bank		Omnibus Investment	
	Shares	(%)	Shares	%	Shares	(%)
Asia Pacific Telcom	15,000,000	0.35	0	0	15,000,000	0.35
MasterLink Securities Corporation	64,152,806	3.95	0	0	64,152,806	3.95
Taiwan Stock Exchange Corp.	20,310,706	3.00	0	0	20,310,706	3.00
Taiwan Sugar Corporation	23,246,159	0.41	0	0	23,246,159	0.41
Taiwan Power Company	235,726,532	0.71	0	0	235,726,532	0.71
Chi Yi Construction Management Company	556,965	1.47	0	0	556,965	1.47
Taipei Forex Inc	700,000	3.53	0	0	700,000	3.53
Lien-An Service Corp.	125,000	5.00	0	0	125,000	5.00
CDIB & Partners Investment Holding Corp.	54,000,000	4.95	0	0	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	1,413,725	4.09	0	0	1,413,725	4.09
Financial Information Service Co.	6,047,370	1.16	0	0	6,047,370	1.16
Taiwan Futures Exchange	3,060,002	1.00	0	0	3,060,002	1.00
Taiwan Asset Management Corporation	150,000,000	11.35	0	0	150,000,000	11.35
Taiwan Financial Assets Service Co.	5,000,000	2.94	0	0	5,000,000	2.94
Financial ESolution Co., Ltd.	905,475	4.12	0	0	905,475	4.12
Taiyu Products Corp.	5,748,382	4.77	0	0	5,748,382	4.77
Debt Instruments Depository and Clearing Co. Taiwan	292,499	0.08	0	0	292,499	0.08
Sun Asset Management Corporation	41,768	0.70	0	0	41,768	0.70
Taiwan Mobile Payment Corporation	1,800,000	3.00	0	0	1,800,000	3.00
Taiwan High Speed Rail Corporation	44,500,000	0.79	0	0	44,500,000	0.79

Note : Pursuant to Article 74 of the banking Act.

IV Fund-Raising Status

- 94 ● A. Shares and Dividends
- 97 ● B. Issuance Status of Financial Bonds
- 99 ● C. Issuance of Preferred Shares
- 99 ● D. The Issuance of Global Depositary Receipt
- 99 ● E. The Status of Employees' Stock Warrant
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IV | Fund-Raising Status

A. Shares and Dividends

a. Capital Sources

Year/ Month	Issuing Price	Authorized Capital (Note)		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
Dec. 2016	NT\$ 10	9,000,000,000	90,000,000,000	8,964,762,589	89,647,625,890	Capital Increased by Capital Surplus was NT\$ 7,322,073,289	Letter No. 0910135530 issued by MOF registration effective on Jun.28, 2002.
						Issuance of Common Stock for Cash was NT\$ 17,197,857,875	Letter No. 0920144278 issued by MOF registration effective on Sep. 18, 2003.
						Issuance of Common Stock for Cash(private placement) was NT\$14,000,000,000	Letter No. 0942000915 issued by FSC registration effective on Sep. 29, 2005.
						Capital Increased by Earning was NT\$ 51,127,694,726	Effective date of FSC registration was on July 5, 2016

Note: The Bank's total authorized capital amount has been increased to NT\$110 billion based on 11 billion shares issued upon deliberation of the Annual General Shareholder Meeting held on June 8, 2016.

Category of Shares	Authorized Capital			Note
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	6,943,550,424	Common Shares	9,000,000,000	Listed Stocks
	2,021,212,165			Unlisted Stocks

b. Structure of Shareholders

April 18, 2017

Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholder	Personal Shareholder	Foreign Institutions and Personal Shareholder	Total
Quantity						
Number of Holders	10	56	415	189,020	548	190,049
Shareholding Amount	1,426,105,439	2,851,517,123	1,030,848,843	2,072,331,586	1,583,959,598	8,964,762,589
Shareholding Ratio(%)	15.90	31.81	11.50	23.12	17.67	100

c. Distribution of Shareholding

April 18, 2017; Par Value NT\$ 10

Classification of Shareholding	Number of Shareholders	Shareholding Amount	Shareholding Ratio(%)
1 ~ 999	63,795	17,955,629	0.20
1,000 ~ 5,000	66,135	158,399,290	1.77
5,001 ~ 10,000	23,956	169,075,523	1.89
10,001 ~ 15,000	12,584	159,605,356	1.78
15,001 ~ 20,000	4,776	82,568,629	0.92
20,001 ~ 30,000	6,450	159,785,036	1.78
30,001 ~ 50,000	4,803	185,489,246	2.07
50,001 ~ 100,000	3,982	274,378,022	3.06
100,001 ~ 200,000	2,062	282,401,440	3.15
200,001 ~ 400,000	763	208,621,743	2.33
400,001 ~ 600,000	207	100,821,074	1.12
600,001 ~ 800,000	116	80,055,030	0.89
800,001 ~ 1,000,000	76	67,952,629	0.76
1,000,001 ~	344	7,017,653,942	78.28
Total	190,049	8,964,762,589	100.00

d. Major Shareholders

April 18, 2017

Major Shareholders	Shares	Shareholding Amount	Shareholding Ratio(%)
Taishin Financial Holding Co., Ltd.		2,021,212,165	22.55
Ministry of Finance		1,093,072,201	12.19
Lungyen Life Service Corporation, Ltd.		351,474,954	3.92
First Commercial Bank		256,274,275	2.86
National Development Fund , Executive Yuan		246,494,217	2.75
Cheng Chang Investment Co., Ltd.		164,968,648	1.84
Chunghwa Post Co., Ltd.		160,061,776	1.79
Dedicated Account of Vanguard Emerging Markets Stock Index Fund in custody of Standard Chartered Bank		95,834,111	1.07

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

The Top Ten Shareholders and Their Shareholding Amount and Ratio

April 18, 2017

Ranking	Shareholder's Name	Shareholding Amount	Shareholding Ratio(%)
1	Taishin Financial Holding Co., Ltd.	2,021,212,165	22.55
2	Ministry of Finance	1,093,072,201	12.19
3	Lungyen Life Service Corporation, Ltd.	351,474,954	3.92
4	First Commercial Bank	256,274,275	2.86
5	National Development Fund , Executive Yuan	246,494,217	2.75
6	Cheng Chang Investment Co., Ltd.	164,968,648	1.84
7	Chunghwa Post Co., Ltd.	160,061,776	1.79
8	Dedicated Account of Vanguard Emerging Markets Stock Index Fund in custody of Standard Chartered Bank	95,834,111	1.07
9	Taiwan Business Bank	88,782,273	0.99
10	Lee Investment Co., Ltd.	88,402,140	0.99

e. Market Price Per Share, Net Assets Per Share, EPS, Dividends and Other Relevant Information in Most Recent Two Fiscal Year

Unit : NT\$

Items		Fiscal Year	2016	2015
Market Price Per Share	Highest		17.45	19.30
	Lowest		14.90	13.50
	Average		16.41	17.25
Net Assets Per Share	Before Distribution		15.34	15.31
	After Distribution		14.21	14.11
Earning Per Shares	Average Outstanding Stock(thousand shares)		8,964,762	8,457,323
	EPS	Before Adjustments	1.34	1.37
		After Adjustments	1.28	1.29
Dividends	Cash Dividend (Note 1)		0.42	0.35
	Stock Grant	Allotment by Earning	0.5	0.6
		Allotment by Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Analysis for Return on Investment	Price to Earnings Ratio (Note 2)		12.25	12.59
	Price to Dividends Ratio (Note 3)		39.07	49.29
	Cash Dividends Yield (%) (Note 4)		2.56	2.03

Note 1 : The earning distribution for year 2016 hasn't been approved by the 2017 General Shareholders' Meeting.

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

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

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

f. The Policy and Implementation of Dividends

1. Dividend Policy:

According to Article 38-1 of Articles of Incorporation of the Bank, the dividend policies are as follows: After the final closing of accounts, surplus, if any, shall be used to make up for the prior year's loss and payment of tax before setting aside 30% of the net profit as statutory reserve in accordance to Banking Act and provision or reverse of special reserves under other relevant law. The rest of surplus at the said year and other undistributed surplus of previous years as distributed shareholder's dividends and bonuses can be allocated 30% to 100% proposed by the Board of Directors and approved at the Shareholders' General Meeting before actual distribution.

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

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

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

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

2. The dividend distribution proposed by shareholders' meeting:

(A) A cash dividend (NT\$0.42 per share) is distributed among common stockholders: a total of NT\$3,765,200,287.

(B) A stock dividend (NT\$0.5 per share) is distributed among common stockholders: a total of NT\$4,482,381,290.

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

According to "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Criteria for Judging Whether a Listed Company Publishes Complete Financial Forecasts" announced by the Taiwan Stock Exchange, the Bank did not publish its 2017 financial forecasts. The Bank is unable to disclose the forecasts, affected by distributing stock dividends mentioned above, for operating income, profits, losses, and earnings per share; hence this item is not applicable for the bank.

h. Employees' Bonus and the Compensations for Directors

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

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

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

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

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

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

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

(1) Payment in cash bonus to employees is NT\$745,075,838, stock bonus to employees is NT\$0 and compensation to directors is NT\$59,606,067. The total amount of above payment is different from the estimated amount which was recognized as expense in fiscal year. The difference between two amounts is NT\$13,793,863 caused by the change of accounting estimation and recognized as the profit in 2017.

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

4. Actual earnings distribution to employees' bonus & remunerations to directors for the previous year :
In the previous year (2015), the Bank distributed an employee cash bonus of NT\$723,255,417, the Director remuneration totaled NT\$5,786,433, the same as what had been approved at the GSM.

i. Repurchase of the Bank's Shares

None.

B. Issuance Status of Financial Bonds

unit: thousand

Types of Financial Bonds	1 st Perpetual Non-cumulative Subordinate Financial Debentures Issue in 2010	1 st Subordinate Financial Debentures Issue in 2011	2 nd Subordinate Financial Debentures Issue in 2011
Date and serial No. approved by authority	April 20, 2010 Letter No.(FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No.(FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No.(FSC) Gin-Guan-Ying Guo 09900131270
Issuing Date	June 29, 2010	March 11, 2011	April 18, 2011
Face Value	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City
Currency	NTD	NTD	NTD
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	5,000,000	A:2,200,000 B:1,100,000	6,700,000
Coupon Rate	The coupon rate for the first ten years from issuing date is 3.15%. If the bond is not recalled at the end of the tenth year, its coupon rate will be changed to 4.15%.	A:1.65% B:1.72%	The annual rate is a floating rate of the index rate plus 0.20%.
Maturity	Perpetual	A:7-year term, maturity date: March 11, 2018 B:10-year term, maturity date: March 11, 2021	10-year term, maturity date: April 18, 2021
Rank	Given a priority next to holders of the Bank's Tier II capital- subordinated bonds, all other depositors, and other ordinary creditors.	Second-Lien	Second-Lien
Guarantor	---	---	---
Trustee	---	---	---
Underwriter	---	---	---
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing
Verification Accountant	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai
Verification Financial Institution	---	---	---
Payment	Ten years after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority at the time the bond was issued and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 35 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Bullet	Bullet
Outstanding Amount	5,000,000	A:2,200,000 B:1,100,000	6,700,000
Prior year Paid-in capital	62,094,756	62,094,756	62,094,756

Types of Financial Bonds	1 st Perpetual Non-cumulative Subordinate Financial Debentures Issue in 2010	1 st Subordinate Financial Debentures Issue in 2011	2 nd Subordinate Financial Debentures Issue in 2011
Prior year Net Book Value	79,154,442	79,154,442	79,154,442
Payment Status	Normal	Normal	Normal
Redemption or early settlement terms	Ten years after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority at the time the bond was issued and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 35 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	None	None
Conversion and Exchange Terms	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	Fully Financing	Fully Financing	Fully Financing
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	35.82%	39.99%	48.45%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier I	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Rating Date and Rating	Taiwan Rating June 15, 2010 Bond Rating twA	Taiwan Rating December 8, 2011 Bond rating twAA-	Taiwan Rating December 8, 2011 Bond rating twAA-

unit: thousand

Types of Financial Bonds	1 st Subordinate Financial Debentures Issue in 2014	2 nd Unsecured Financial Debentures C in 2014	2 nd Unsecured Financial Debentures B in 2014	1 st Subordinate Financial Debentures Issue in 2016
Date and serial No. approved by authority	June 13, 2013 Letter No.(FSC) Gin-Guan-Ying Guo10200162140	November 5, 2014 Letter No.(FSC) Gin-Guan-Ying Guo10300313330	November 5, 2014 Letter No.(FSC) Gin-Guan-Ying Guo10300313330	August 23, 2016 Letter No.(FSC) Gin-Guan-Ying Guo10500201300
Issuing Date	April 16, 2014	December 17, 2014	December 18, 2014	September 27, 2016
Face Value	10 million	USD 1 million	USD 1 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NTD	USD	USD	NTD
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	A:2,200,000 B:5,300,000 C:2,500,000	USD 260 million	USD 100 million	A:3,000,000 B:3,300,000
Coupon Rate	A:1.7% B:1.85% C:The annual rate is a floating rate of the index rate (Note) plus 0.45%.	0%	0%	A:1.09% B:1.20%
Maturity	A:7-year term, maturity date:April 16, 2021 B:10-year term, maturity date:April 16, 2024 C:10-year term, maturity date:April 16, 2024	20-year term, maturity date:December 17, 2034	20-year term, maturity date:December 18, 2034	A:7-year term, maturity date: September 27, 2023 B:10-year term, maturity date: September 27, 2026
Rank	Second-Lien	Senior Unsecured	Senior Unsecured	Second-Lien
Guarantor	---	---	---	---
Trustee	---	---	---	---
Underwriter	---	---	---	---
Verification Lawyer	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang
Verification Accountant	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung
Verification Financial Institution	---	---	---	---

Types of Financial Bonds	1 st Subordinate Financial Debentures Issue in 2014	2 nd Unsecured Financial Debentures C in 2014	2 nd Unsecured Financial Debentures B in 2014	1 st Subordinate Financial Debentures Issue in 2016
Payment	Bullet	Callable	Callable	Bullet
Outstanding Amount	A:2,200,000 B:5,300,000 C:2,500,000	USD 260 million	USD 100 million	A:3,000,000 B:3,300,000
Prior year Paid-in capital	77,490,592	NTD\$ 77,490,592	NTD\$ 77,490,592	84,573,232
Prior year Net Book Value	103,084,694	NTD\$ 107,753,894	NTD\$ 107,753,894	126,514,896
Payment Status	Normal	Normal	Normal	Normal
Redemption or early settlement terms	None	IRR 4.15%, Non call 5 years, then callable annually	IRR 4.15%, Non call 3 years, then callable annually	None
Conversion and Exchange Terms	None	None	None	None
Restriction Terms	Subordinate bonds	None	None	Subordinate bonds
Use of Proceeds	Fully Financing	Supplement to mid-to-long term USD funding source	Supplement to mid-to-long term USD funding source	Fully Financing
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount)(%)	51.66%	72.94%	72.94%	52.14%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier II	No	No	Yes, Tier II
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings April 7, 2014 Bond Rating tw A	Taiwan Ratings December 5, 2014 Bond Rating tw AA	Taiwan Ratings December 5, 2014 Bond Rating tw AA	Taiwan Ratings November 27, 2015 Bond Rating tw AA

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

C. Issuance of Preferred Shares

The Bank's type B preferred stocks issued on October 3, 2005 have been converted to common stock on October 3, 2008. No preferred stocks were issued as of baseline date December 31, 2016.

D. The Issuance of Global Depositary Receipt

None.

E. The Status of Employees' Stock Warrant

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

None.

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

None.

F. Status of New Employee Restricted Shares

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

None.

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

None.

G. Merger or Stock Transfer for other Financial Institutions

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

The Bank engaged in consolidating CHB Life Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. Since both entities were wholly-owned subsidiaries by the Bank, no exchange stock rate was used.

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

The Bank has assumed assets as well as liability on the book after merger, all rights and obligations as of merger baseline date of CHB Life Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. There were no impacts to the shareholders.

H. Capital Investment and Utilization Plans

Fiscal Year	Plan	Date and serial No. approved by FSC	Purpose	Execution and Quota Usage	Comparison with the Expected Performance
2010	The Bank was approved by FSC on April 20, 2010 to issue the long-term subordinate bonds and the non-cumulative perpetual subordinate bonds. NT\$10 billion for each bond. Valid for one year from the approval date (on April 20, 2011).	April 20, 2010 Letter No.(FSC) Gin-Guan-Ying Guo 09900131270	Increase capital of the Bank, and strengthen capital structure	(A) Execution The Bank has issued NT\$5 billion for the non-cumulative perpetual subordinate bonds on June 29, 2010. All capital obtained from the issuance were used for mid-to-long term credit. (B) Quota Usage A. The remaining quota of the long-term subordinate bonds is NT\$10 billion. B. The remaining quota of non-cumulative perpetual subordinate bonds is NT\$5 billion.	Met expectations to enrich the capital performance. The Bank's consolidated Tier One capital adequacy ratio rose from 7.55% at the end of December 2009 to 8.21% at the end of December 2010.
2011	The Bank was approved by FSC on April 20, 2010 to issue the long-term subordinate bonds and the non-cumulative perpetual subordinate bonds. NT\$10 billion for each bond. Valid for one year from the approval date (on April 20, 2011).	April 20, 2010 Letter No.(FSC) Gin-Guan-Ying Guo 09900131270	Increase capital of the Bank, and strengthen capital structure	(A) Execution The Bank has issued NT\$3.3 billion for the long-term subordinate bonds on March 11, 2011 and NT\$6.7 billion on April 18, 2011. The total amount of long-term subordinate bonds were NT\$10 billion. All capital obtained from the issuance were used for mid-to-long term credit. (B) Quota Usage A. All the remaining quota of the long-term subordinate bonds has been executed. B. The Bank still had NT\$5 billion of quota left to issue non-cumulative perpetual subordinate bonds. Given the terms of this issuance, it no longer satisfied BASEL III's definition on tier-1 capital. Therefore, the outstanding quota was left unused.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose from 10.76% at the end of December 2010 to 11.57% at the end of December 2011.
2012	The Bank was approved by FSC on January 12, 2012 to issue NT\$10 billion long-term subordinate bonds. Valid for one year from the approval date (on January 12, 2013).	January 12, 2012 Letter No.(FSC) Gin-Guan-Ying Guo 10000459370	Increase capital of the Bank, and strengthen capital structure	(A) Execution The Bank hasn't issued long-term subordinate bonds on 2012. (B) Quota Usage The outstanding NT\$10 billion quota of bank debentures was unused because the Bank had sufficient source of capital and maintained sound capital adequacy. No additional debentures had been issued before the quota expiration.	The Bank's consolidated capital adequacy ratio remained at 11.57% at the end of December 2012, which was still in compliance with capital adequacy ratio requirement.
2014	The Bank was approved by FSC on June 13, 2013 to issue NT\$10 billion long-term subordinate bonds. Valid for one year from the approval date (on June 13, 2014).	June 13, 2013 Letter No.(FSC) Gin-Guan-Ying Guo 10200162140	Increase capital of the Bank, and strengthen capital structure	(A) Execution The Bank has issued NT\$10 billion for the long-term subordinate bonds on April 16, 2014. All capital obtained from the issuance bond were used for mid-to-long term credit. (B) Quota Usage Fully executed.	Met expectations to enrich the capital performance, the Bank's consolidated capital adequacy ratio rose from 11.17% at the end of December 2013 to 11.45% at the end of December 2014.

Fiscal Year	Plan	Date and serial No. approved by FSC	Purpose	Execution and Quota Usage	Comparison with the Expected Performance
2014	The Bank was approved by FSC on November 5, 2014, to issue USD \$1 billion long-term unsecured financial debenture. Valid for one year from the approval date (until November 5, 2015).	November 5, 2014 Letter No.(FSC) Gin-Guan-Ying Guo10300313330	Supplement to mid-to-long term USD funding source	(A) Execution The bank has issued of the USD 500 Million. long-term Unsecured Financial Debentures C,B and A on December 17, 18 and 19 of 2014, respectively. All capital obtained from the issuance is used to be the supplement for the mid-to-long term USD funding source of the Bank. (B) Quota Usage Due to the issuing cost rose above the Bank's target, the Bank stopped the remaining quota USD 500 Million execution.	Met expectations of funding utilization.
2015	The Bank was approved by FSC on March 23, 2015 to issue NT\$20 billion for long-term subordinate bonds. Valid for one year from the approval date (on March 23, 2016).	March 23, 2015 Letter No.(FSC) Gin-Guan-Ying Guo 10400056310	Increase capital of the Bank, and strengthen capital structure	(A) Execution The Bank hasn't issued long-term subordinate bonds on 2015. (B) Quota Usage The outstanding NT\$20 billion quota of bank debentures was unused because the Bank had sufficient source of capital and maintained sound capital adequacy. No additional debentures had been issued before the quota expiration.	The Bank's consolidated capital adequacy ratio remained at 11.78% at the end of December 2015, which was still in compliance with capital adequacy ratio requirement.
2016	The Bank was approved by FSC on August 23, 2016 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on August 23, 2017).	August 23, 2016 Letter No.(FSC) Gin-Guan-Ying Guo 10500201300	Increase capital of the Bank, and strengthen capital structure	(A) Execution The Bank has issued NT\$6.3 billion of the subordinate bonds on September 27, 2016. All capital obtained from the issuance bond were used for mid-to-long term credit. (B) Quota Usage Total remaining unused quota was NT\$13.7 billion, including a maximum amount of NT\$10 billion for the non-cumulative perpetual subordinate bonds.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 12% at the end of December 2016.

V Operations Overview

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V | Operations Overview

A. Business Information

a. Business Performance in the past two years

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

1. Deposit:

Unit: NT\$1,000

Items \ FY	2016		2015		Increase(Decrease) Amount	Increase(Decrease) %
	Amount	%	Amount	%		
Demand Deposit	947,103,849	57.30	882,639,153	55.88	64,464,696	7.30
Time Deposit	675,973,927	40.90	663,861,833	42.03	12,112,094	1.82
Interbank Deposit	29,808,098	1.80	32,934,244	2.09	(3,126,146)	-9.49
Total	1,652,885,874	100.00	1,579,435,230	100.00	73,450,644	4.65
Ratio (to liabilities and equity)	2,005,151,504	82.43	1,906,257,219	82.86	98,894,285	5.19

Note: Total amount of liabilities and equity on 2016 and 2015 were 2,005,151,504 thousand and 1,906,257,219 thousand.

2. Loans:

Unit: NT\$1,000

Items \ FY	2016		2015		Increase(Decrease) Amount	Increase(Decrease) %
	Amount	%	Amount	%		
Short-term Loans	366,098,986	26.52	365,546,986	27.38	552,000	0.15
Mid-term Loans	467,363,994	33.86	430,311,253	32.23	37,052,741	8.61
Long-term Loans	546,771,155	39.61	539,373,446	40.40	7,397,709	1.37
Total	1,380,234,135	100.00	1,335,231,685	100.00	45,002,450	3.37
Ratio (to total assets)	2,005,151,504	68.83	1,906,257,219	70.04	98,894,285	5.19

Note: Total assets on 2016 and 2015 were 2,005,151,504 thousand and 1,906,257,219 thousand.

3. Foreign exchange:

Unit: NT\$1,000

Items \ FY	2016		2015		Increase (Decrease)Amount	Increase (Decrease)%
	Amount	%	Amount	%		
Export	3,608,375	2.94	4,090,386	3.12	(482,011)	-11.78
Import	3,979,699	3.25	4,562,618	3.48	(582,919)	-12.78
Remittances	114,998,978	93.81	122,606,203	93.41	(7,607,225)	-6.20
Total	122,587,052	100.00	131,259,207	100.00	(8,672,155)	-6.61

4. Cards:

Unit: Cards/ NT\$1,000

	Items	2016	2015	Increase(Decrease)	Increase(Decrease)%
Card issuance	Credit card in circulation	417,217	441,163	(23,946)	-5.43
	Active cards	207,027	219,270	(12,243)	-5.58
	Credit Card-spending	16,214,326	15,041,211	1,173,115	7.80
	Revolving Credit	374,920	325,657	49,263	15.13
Merchant business	Entity Store, Internet Store and ATM Transaction amount	3,588,345	4,331,184	(742,839)	-17.15

5. E-Banking:

Items \ FY	2016	2015	Increase(Decrease)	Increase(Decrease)%
	Number of transactions	Number of transactions		
Internet Banking	36,425,003	37,058,683	(633,680)	-1.71
Telephone Banking	1,177,105	1,302,896	(312,767)	-24.01
Mobile Banking	6,886,968	4,725,506	2,161,462	45.74

6. Trust :

(1) Trust business volume:

Unit: NT\$ million

Items	FY	2016	2015	Growth Rate%
Non-discretionary money trusts Investing in Foreign Securities		15,827	24,162	-34.50
Non-discretionary money trusts Investing in Domestic Securities		13,793	19,899	-30.68
Balance of Assets under custody at Year-end		130,409	145,791	-10.55
Attestation for the issuance of securities		18,249	20,693	-11.81
Securities Trust at Year-end		3,544	910	289.45
Real Estate Trust at Year-end		13,599	10,359	31.28

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

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

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

(2) Trust Fee Income:

Unit: NT\$ million

Items	FY	2016		2015		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)	
Non-discretionary money trusts Investing in Foreign Securities		386	5.88	593	11.07	-34.91
Non-discretionary money trusts Investing in Domestic Securities		105	1.60	139	2.59	-24.46
Custodian fee		249	3.79	263	4.91	-5.32
Attestation fee for securities issuance		3	0.05	3	0.06	0.00
Other		58	0.88	50	0.93	16.00
Total		801	12.20	1,048	19.56	-23.57

7. Wealth management:

Unit: NT\$ million

Items	FY	2016	2015	Growth Rate%
Fee income from fund subscriptions		196	348	-43.68
Commission revenues from life insurance		2,664	2,331	14.29
Revenues from structured investments		49	15	226.67
Total		2,909	2,694	7.98

8. Investment:

(1) Investment in Securities:

Unit: NT\$ million

Items	FY	2016	2015	Growth Rate%
Government Bonds		31,660	30,735	3.01
Financial Bonds		38,003	32,627	16.48
Corporate Bonds		24,733	27,575	-10.31
Stocks(Short-term Investment)		1,642	1,856	-11.53

(2) Short-term bills underwriting and trading:

Unit: NT\$ million

Items	FY	2016	2015	Growth Rate%
Amount of Outright Purchase		211,178	234,821	-10.07
Amount of Outright Sales		207	541	-61.73
Amount of Repurchase Agreements		30,384	77,466	-60.78

(3) Proprietary Trading in Government Bonds:

Unit: NT\$ million

Items	FY	2016	2015	Growth Rate%
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		145,463	183,717	-20.82
Volume of Proprietary Trading in Government Bonds (With Repo)		19,270	24,684	-21.93
Balance of Proprietary Trading in Government Bonds		9,916	7,430	33.46

9. Security brokerage and underwriting :

Unit: NT\$ million

Items	FY	2016	2015	Growth Rate%
Amount of Security Underwritten		1,511	3,146	-51.97
Volume of Security Brokerage Operations		61,155	71,210	-14.12
Credit Outstanding in the Security Financing Business		269.27	300.76	-10.47

10. Weightings and Changes of Net Income :

Unit: NT\$ million

Items	FY	2016		2015		Increase (Decrease)Amount	Increase (Decrease)%
		Amount	%	Amount	%		
Net Interest Income		21,726,769	70.07	20,915,929	70.53	810,840	3.88
Net Fee Income		5,411,772	17.45	4,905,306	16.54	506,466	10.32
Net Trading Income		2,783,217	8.98	2,334,032	7.87	449,185	19.25
Net Securities Brokerage and Underwriting Income		46,918	0.15	56,584	0.19	(9,666)	-17.08
Other Operation Net Income		1,039,805	3.35	1,445,183	4.87	(405,378)	-28.05
Total		31,008,481	100.00	29,657,034	100.00	1,351,447	4.56

b. 2017 Business plans

Please refer to "Letter to Shareholders B. 2017 Highlights of Business Plans."

c. Market Analysis

1. Main areas of the Bank (CHB):

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

2. Prospective and Growth of Market:

In terms of market supply, Taiwan's market already has an excessive number of banks providing insignificant difference in service. Therefore, the market is not only competitive but also has sufficient funds, resulting in relatively narrow interest spreads. Meanwhile, government has permitted securities and insurance firms into wealth management business, thus the niches for banks which the rapid growth in wealth management business in recent year will bear. In addition, the development of FinTech trends, P2P lending platform, personal wealth management and crowd funding also gradually takes shape. It will weaken the functions of the traditional bank in financial system and make the industries more competitive. In an attempt to raise ROA and ROE across the banking industry, the government has actively promoted mergers and acquisitions of financial institutions, reduced the number of banks and encouraged offshore merger. These measures can help Taiwanese banks to improve operating environment and expand into international markets. Furthermore, the government also allows banks to fully (100%) invest in FinTech industry highly related to its core business to improve operating efficiency and achieve the goal of service differentiation.

In terms of market demand, although the growth in cross-strait trade has been cooled down, Mainland China is still the largest trading partner to Taiwan. Due to the trading of RMB by customers that makes the RMB service has raise for banks. RMB's inclusion in the International Monetary Fund's Special Drawing Rights (SDR) already took effect, which makes it become one of the global clearing of payments and also promotes the RMB demands of financial instruments and wealth management. Therefore, Taiwanese banks have identified RMB services as one of their key development areas in 2017.

Besides, the structural transformation of the China's economy is underway and China's slower economic growth is normal. The banks, complying with government policies and expanding into ASEAN markets, will find new markets, opportunities, and disperse the risk of China's market. In terms of insufficient domestic investment and industrial transformation, the government has planned "five industries", including Asia Silicon Valley Development Agency, Greenenergy Tech, Biotech, AI machinery, and aerospace of national defense, and "two areas", including the new agriculture industry, and circular economy, and "two industries", including "Development(for Stable Infrastructure), Innovation(for Digital Economy), Governance(for Smart Nation), Inclusion(for Civil society), as DIGI" plus and cultural tech, which are the highlights of economic development in 2017. Therefore, the banks will benefit from the promotion of loan business. According to the announcement of the Directorate-General of Budget, Accounting and Statistics in Jan. 2017, Taiwan's GDP growth is at 1.4% in 2016, the estimated GDP growth in 2017 will be slightly higher than that of last year, indicating performance growth of banks will slightly.

3. Competitive niche, Positive, Negative factors, and Response measures:

(1) The Bank's competitive niche:

① Long-standing history reputation and Large customer base:

The Bank has a history of over a century, and our positive, trustworthy enterprise image has been established firmly in the hearts of customer. The Bank owns enormous corporate customers. In order to increase the loyalties of corporate customers, the Bank can base on their needs to provide the suitable or customized financial instrument or service.

② Extensive service network:

The Bank has lots of domestic offices to establish extensive service network and provide all kinds of financial instruments and service. The Bank has a total of 185 domestic offices (as at the end of December 2016);We also have 658 ATM machines (as at the end of December 2016) throughout the country to meet customers' deposit, withdrawal, and transfer needs.

③ Continuously offering the various e-banking services:

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

④ First mover advantage in China :

The bank is the first batch of Taiwan-invested banks, which establish branches and sub-branches in China. In order to expand the scale of business and increase the efficiency of fund management invested in China, the bank has applied to the China Banking Regulatory Commission and Financial Supervisory Commission for reorganizing its China branch into a subsidiary.

(2) Positive factors:

- ① The development of RMB Offshore Policy by China will promote our RMB Cross-border business and help customers to coordinate the capital allocation of RMB.
- ② Recovery of the domestic economy, which may benefit banks in terms of business volume and profitability
- ③ The authority has released limits on bank's investments in FinTech which is highly related to its core business; this enables Taiwanese banks to facilitate the differentiation between the service and instruments to improve efficiency.
- ④ The BANK 3.0, the continuous development of third-party payment services, and the rapid growth of the combination of mobile Internet with e-commerce, will create a new environment for FinTech and unlimited opportunities in future.
- ⑤ The banks can expand their business into industries with policy guidance.
- ⑥ Because of the recovery of domestic economy, Central bank shall not reduce interest rates to stimulate the economy. The shrinkage of interest rate spreads shall not continue and can be gradually improved.

(3) Negative factors:

- ① Due to the overcrowded in the banking sector, high similarity of financial products, and price competition, thus the deposit/loan interest rate spreads are not easy to increase.
- ② The difficulty of operation for local banks has increased, because of the rising fluctuation of financial market, the delay of opening progress on domestic regulations, the impact of Bank 3.0.
- ③ The supervision of banks around the world is becoming increasingly stringent, which increases the cost of regulatory compliance and it will be disadvantage of widely expanding overseas business.
- ④ The following factors will reduce profitability of local banks and be detrimental to expanding Mainland China's market, including the slowdown of Mainland China's economic growth, the increasing default risk of corporate debts, and the addition of loan loss provisions for Taiwanese banks in Mainland China.

(4) Response measures:

- ① Continuous investment in China; broaden services to Taiwanese enterprises operating in China and capitalize on RMB services.
- ② Adjust deposit and loan portfolios for widened spread.
- ③ Manage credit risks of controlled industries and the mortgage portfolio; redirect capital to other potential industries, government incentive for industries, small and medium enterprises, and new businesses.
- ④ Developing new functionalities for e-commerce (including online collection services) and Mobile payment services, thereby to conform to the trend of the Digital Finance.
- ⑤ Comply with government policies, actively broaden South-East Asia's market, diverse the risk of Mainland China's market and improve the international competitiveness.

d. Current Status of R&D on Financial Product

1. Major financial products and new departments established within the two most recent fiscal years and the sizes and profit (loss) status of the new department as of the date of printing of annual report:

(1) Main financial products:

- ① Savings and remittances:
 - I. Increase the service "interbank cash deposit ATMs", since Mar. 29, 2016.
 - II. Increase the service "Fast Fax Online service", since Jun. 27, 2016.
 - III. Increase the services "Cardless withdrawal on ATMs", since Oct. 7, 2016.
 - IV. The First digital bank (Nei-Hu branch) has started to provide online and e-banking service, since Oct. 17, 2016.

② Corporate banking:

- I. Introduce corporate lending solutions “The 4th generation of batch fund guaranteed by SMEG”.
- II. To avoid borrower speculating in the industrial suburb land, the bank revises “Self-regulatory rules on loan against industrial suburb property”.
- III. Following governmental policy of promoting the industry of start-up enterprise, the bank builds the client lists of upstream and downstream of the supply chain for start-up enterprise. The platform of big data visualization can present the info of the target customers and aid the relevant units to promote business.
- IV. Following governmental policies of industrial automation, environmental protection and energy saving, the bank introduces “machinery equipment upgrading loan” to encourage corporate to purchase equipment to upgrade industries.
- V. Following governmental policy of improving the export of machinery equipment, the bank introduces “machinery equipment exporting loan” to help exporters to promote the industrial efficiency.
- VI. Following governmental policies of promoting green energy and environmental protection, the bank introduces “Solar Photovoltaic equipment set-up loan” to help SME acquire funds to purchase photovoltaic equipment.
- VII. Following changes in the government’s financing subsidies; the Bank has revised its lending procedures on “Small Business Owner Loan Program,” “Lending Scheme for Helping SME Take Roots,” “Micro-entrepreneurs Phoenix Loan Program”.
- VIII. Following governmental policy of allowing securities investment trust enterprise to borrow short-term loan by using mutual funds, the Bank introduces “Loan Program for Mutual Fund Account”.

③ Consumer banking :

- I. To increase the consumer banking operations and promote corporate adherence to the Bank, the Bank introduces “Consumption Loan for Employees”.
- II. Following governmental policy of promoting greenenergy industry, the Bank introduces “Consumption Loan for Purchasing Electric Motorcycle”. This program can provide funds for eco-friendly lovers of electric motorcycle to apply for a loan for purchasing electric motor.
- III. To promote the business of mortgage backed loan for wealth management and provide the diversifying financing methods for client, the Bank provides ‘investment-backed loans’, a financing approach using benefit warrant of trust or stock as collateral.
- IV. In order to enhance the quality and transparency of online personnel banking service, adding “online platform of personnel banking – e Loan”, the Bank provided online mortgage backed loan, credit loan and “Consumption Loan for Purchasing Electric Motorcycle”.
- V. In order to expand the business in mortgage backed loan for wealth management, the Bank revised the procedure of ‘Rule for EASY Free Loan’.
- VI. In order to facilitate the process for the consumption loan approval, adding automatic approval function in e-loan system for the major consumption loan products (ex. Salary Loan, Direct Rich Loan, etc.).

VII. In order to fit the requirements of business and regulation of authority, the Bank added and amended the procedure:

To follow the adjustment from Central Bank, the Bank amended the regulation of "Rule for Central Bank of China governing the Residence Purchasing Loan and Mortgage Backed Loan Using Land as Collateral to Banks" for the control of luxury residence loan; to follow the 2016 compensation policy in residence purchasing/renovating loan made by Construction and Planning Agency Ministry of the interior, the Bank revised the bank's procedure of 'residence purchasing/renovating loan under Ministry of the Interior's compensation'; to follow the Authorities' financing and compensation policy (such as pay later, start-up, purchasing/renovating residence loan) for crisis-affected households, the Bank formulated the procedure of 'debt expansion and interest compensation for affect poor households', 'business start-up loan for poor households' and 'residence purchasing loan with compensation for 0206 earthquake affected households'.

④ FX:

- I. In order to promote RMB business, holding 'CNY time deposit and trade financing business' activity with special offer.
- II. In order to seize the potential business, the Bank started the business of 'Non-Recourse factoring' as an A/R buyer. In order to expand the factoring business and control the risk, the Bank started the business of 'A/R connect with credit insurance'; the Bank provided 'domestic/offshore AUD remittance service' and 'FX NCD purchasing service' by using FISC system.
- III. To prevent from using counterfeit banknotes and reduce the transaction risk, the Bank amended the rules of FX currency trading and set a limitation for each transaction.
- IV. In response to the US and EU's repeal of the economic penalty in Iran, the Bank amended 'Procedure of clearing for trading in Iran'.
- V. In respond to the regulation change in China, the Bank revised the procedure of 'direct loan for Taiwan Corporate in China' and added related rules and agreements.
- VI. In order to follow New Southbound Policy from the government, the Bank revised 'the chapter of overseas credit guarantee fund'.

⑤ Card:

- I. Issued CHB VISA Infinite and Master Card World cards.
- II. Add SmartPay credit card machine service and AE machine Services.
- III. Launched HCE mobile credit card service.
- IV. In order to provide the more convenient services for card-holder, the Bank expands the transaction and balance inquiry service from Hokkaido to the entire Japan's OK convenience stores.
- V. To comply with paperless, Energy saving and carbon reducing in transaction activities by the Fiscal Information Agency, Ministry of Finance, the Bank provided the service of using credit card as an electronic invoicing vehicle from Sep. 30, 2016.
- VI. In order to increase the use of credit card holder and the amount of credit card and, the bank launched credit card marketing campaigns including: shopping credit for new card-holders with spending requirement, campaign for launch TOP Card, 40% off movie tickets selected cinemas, Taiwan High Speed Rail business class upgrades and standard class discounts, 5% cashback on Taiwan Railway purchases, discounts at selected restaurants, cashback and installment option for insurance premiums, and installment option for online shopping.) Meanwhile, special activities during each festival including: concessions for shopping at department stores, or travel or spend in overseas.
- VII. The Bank made a marketing campaigns plan for expands credit card machine business.
- VIII. In order to issue the TOP Card, strengthen fraud risk of TOP Card and make it more convenient, the Bank added risk control mechanism, approached differentiated management and provided more honorable services. On the other side, the Bank revised the credit line management and other related risk control methods in order to control the risk of credit card and make it more convenient.

- IX. In order to prevent from credit card fraud, the bank added message reminder service in a certain amount for Easy Card and iPASS as value-added service.
- X. In order to reduce the risk of mobile transaction and fit the requirements of FSC, the Bank developed security mechanism for mobile credit card.
- XI. In order to strengthen the risk control of credit card and debit card, the Bank developed a monitor mechanism that base on the changing nationality risk and path of transaction, so as to reduce the transaction risk of card holder and the fraud loss of the Bank.
- XII. In order to strengthen the risk control of appointed store for credit card, the bank developed functions to classify the higher risk of appointed store, so as to manage and check the procedure for appointed store.
- XIII. In order to strengthen the risk control of credit card business and prevent from the bad debt, the Bank added following method:
Add daily report mechanism of 'credit card alert case', the alert cases include the related parties of altered customers, bad credit customers and suspected traders, since Nov. 24, 2016; the bank added 'automatic lock' function, distinguishing bad credit customers and locking their credit card by the system, since Dec. 27, 2016.

⑥ Trust

In 2015, the Bank introduced foreign bond investment business under the non-discretionary monetary trust business, in order to enrich product lines. In 2016, the Bank introduced off-shore exchange traded funds (ETF) business, providing customer with new choice of financial investments. In the future, the Bank will introduce new type trust products (legal non-approval fund of OBU, private placement fund), gift certificate trust business, collections and payment transfer trust business and other diversifying businesses, in order to reach the requirement of asset allocation and commercial needs from the customers.

⑦ E-Banking:

- I. In order to build up a new image of Fintech, the bank introduced a newly-designed official web site, featuring Responsive Web Design (RWD) technology, adopting to different devices and demonstrating the best browsing effect on them.
- II. In order to enhance the competitiveness of E-finance, the bank introduced domestic E-payment service (CHB ipay), providing value-add function, linked payment function for E-payment account, and securing the right of buyer and seller by third-party custody service; As for foreign electronic payment (CHB Wechat payment), the Bank cooperated with Ten-pay for O2O business model, helping customers to sale their product and service to the market of China by using virtual and physical E-commerce approach.
- III. Implementation of supply chain financing system, which helped SMEs in the supply chain to acquire funding and meet financing demands.
- IV. As for mobile payment service, the bank expended the function of debt card, adding the function on mobile debt card to withdraw cash, making it more convenient.
- V. In coordinate with Bank 3.0 introduced by FSC, twelve new services are available for on-line application.
- VI. In order to enhance e-banking advantages, the Bank continues to introduce the following marketing promotions:
 - i. Internet banking promotion campaign of "2nd Wave of Exclusive Rewards & Privileges," offering favorable exchange rates.
 - ii. Internet banking promotion campaign of text message fees waived for online transactions verifications via mobile text message OTP.
 - iii. Internet banking promotion campaign of e-statement to promote energy saving and carbon reduction.
 - iv. Personal banking promotion campaign of convenient cash currency exchange for traveling overseas.

VII. Customer service center introduced “Identity Verification Code” confirmation mechanism to replace manual verification procedures, shortening the identification time of customers, which improved service efficiency and customer satisfactory.

VIII. Diverse service channels are provided in response to the trend of financial service digitalization, including text message customer service inquiry platform, which catered to the new internet generation’s communication mode, expanded the scopes of services, improved service quality and increased business promotion and marketing opportunities.

IX. Continually refer account inquiries and check credit inquiries to the customer service center in order to reduce manual works and workloads of branch unit staffs.

(2) Department Added:

Please refer to “Letter to Shareholders A. 2016 Results of Operations.”

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

Please refer to this unit “a. Business Performance in the past two years.

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

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

2016 NT\$ 5,145 thousand

2015 NT\$ 6,511 thousand

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

① The Bank continuously research and develop various digital finance products using FinTech, R&D results have obtained seven new type patents from MOEA’s Intellectual Property Office, the implementation of these patents shall be applied to provide customers safe and convenient services, risk management of the bank and new business opportunities.

② With respect to the Bank’s big data promotion and digital finance business, and human resources, financial supervision, risk management and corporate governance, total of 49 research reports were completed in 2015 and 2016, which are archived at the Bank’s library for convenient access by all employees in order to enhance the utilization of professional skills and expertise in day-to-day operations and to effectively foster bank-wide reform, progress and development.

(3) Future R&D projects:

Please refer to “Letter to Shareholders C. Future Development Strategy.”

e. Long-and Short-Term Business Plans

1. Short-term business plans:

Please refer to “Letter to Shareholders C. Future Development Strategy.”

2. Long-term business plans:

Facing an extremely competitive and changeable financial environment, the Bank will adhere to its business principles of stability and sustainability and pursue constant improvement. The Bank will also keep pace with environmental changes, striving for outstanding performance and new business opportunities. The operational strategies for its long-term business development plans are respectively summarized below:

(1) Treasury:

① Client-oriented and balanced development of corporate clients’ various hedging and financial planning demands, provide diversified financial products and professional asset allocation recommendations, enhance business relationship with clients, and steady business growth.

② Flexible adjustment of portfolio composition to achieve the optimal balance between liquidity and revenue, meanwhile, pay close attention to the movement of international capital market and changes in counterparty credit risk ratings; actively develop the broader funding sources to ensure financial versatility. As interest rate hikes in 2017, quantitative easing policies coming to an end, capital operations mainly focus on USD gapping, flexible adjustment of call loans, high-yield oriented asset allocations, interest expense control, and activate overall capital efficiency through SWAP transactions.

- ③ Flexible adjustment of investment portfolio depending on the political and economic environment at home and abroad, while paying attention to trends in various financial products.
 - ④ Actively participate in market maker transactions and create price differences to assist business units in promotion of treasury business, while increase market share and revenue in treasury transactions. Actively participate in domestic RMB currency futures market and become top five market makers to provide market liquidity and hedge.
 - ⑤ Maximize the usage of the Bank's foreign currency positions, through gapping and arbitrage transactions such as exchange and cross currency swaps, and active proprietary trades to increase the Bank's revenue.
- (2) Wealth management:
- ① In response to the challenges of digital finance, guide employees' transformation, improve professional skills and promote FinTech application ability.
 - ② Provide customized personal services to increase customer loyalty, through the implementation of customer segmentation and group management strategies.
 - ③ Develop suitable appraisal and promotion systems.
 - ④ Develop corporate wealth management business, provide corporate customers effective asset allocation, and promote corporate revenue using idle funds.
- (3) Retail / Corporate finance:
- ① Develop supply chain financing: In order to expand corporate finance business and deepen customer retention, the Bank established the "Supply Chain Promotion Team" and implemented the "Supply Chain Fund Data Analysis System", to promote supply chain business, deepen customer retention, strengthen customer KYC, grasp industry status, reduce risks and expand business.
 - ② Cultivate professional credit talents: Enhance front desk officers' professional abilities, analyze customer operating structures, provide optimal financing advices, deepen customer relationships; enhance business sensitivity, adapt to new business models or markets, quick evaluation of credit product feasibilities and advance with time, to cultivate high-quality corporate customers.
 - ③ Endeavor to develop corporate loan business with securities of factory/office buildings and its lands : Because a factory is the core of business operation, and building a factory to increase productivity is encouraged by government promotional policies, the credit facilities for building factories will not be included in the credit facilities limit under Article 72-2 of the banking Act for commercial banks in real estate loans. Therefore, in order to optimize the resources of the Bank, increase the loan business and strengthen the relationship with customers, the Bank will endeavor to develop corporate loan business with securities of factory/office buildings and its lands.
 - ④ Develop foreign exchange business: Provide customized foreign exchange financial services in coordination with customers' business mode and cash flow, enhance front desk officers' professional abilities through hands-on foreign exchange trainings.
- (4) Overseas financial services:
- ① Organization of China branches restructuring to Subsidiary and the establishment of Nanjing Branch.
 - ② Establishment of Yangon Representative Office (Myanmar), Manila Branch (Philippines) and Phnom Penh Specialized Bank (Cambodia), and gathering of ASEAN market information.
 - ③ In coordination with government's new southward policy, the Bank actively search for merger or acquisition objectives in ASEAN countries with potential development in financial market.
- (5) E-Banking:
- In order to maintain service quality, through FinTech trends and new products developments, the Bank's plans are as follows:
- ① To promote mobile banking, the Bank shall implement the CHB Mobile APP; enable users to

operate online banking features through mobile devices. The main page shall integrate all CHB APPs, combining push notification functions, customized message service, corporate online banking APP and message notification function, which enable corporate owners or financial officers to timely monitor fund status.

- ② Participate in the “Cross Border E-payment Service Platform” organized by Financial Information Service Co., Ltd., cooperate with China’s third party payment “Ali Pay” to develop “Offshore Online Escrow Service.”
- ③ Implementation of personal online banking (web version), to build the Bank’s new digital financial services image and deepen user retention, through Responsive Web Design (RWD) and smooth transactions process user interface.
- ④ Customer service system upgrade, implement new generation of multi-media customer service center, integrating social network, voice, text and video recognition, to improve service efficacy and ensure information security.
- ⑤ In response to the digital financial services trend, future e-banking services shall be directed to customer service center, the Bank plans to implement smart customer services to replace personnel and reduce labor costs.
- ⑥ Continuous strengthening the compliance trainings and functionalities of customer service personnel to reduce operation risks and ensure personal information safety.

(6) Loan:

The Bank will continue to track and evaluate the possible impact of IFRSs on the Bank’s credit rating models and financial statement management system, so that proper adjustments to the credit management system can be made in a timely manner.

(7) Trust:

- ① Selection of funds, foreign bonds and offshore ETF in line with market trends and in response to economy and industry changes, and strengthen professional consultancy services.
- ② Actively develop diverse custodian services to increase transactions revenue.
- ③ Introduce new trust products and businesses to provide customers with broader choices.
- ④ Promote real estate property trust, real estate transaction trust, and elderly retirement trust and disability trust businesses.
- ⑤ Funds system upgrades in response to market changes and meet customer demands.

(8) IT:

- ① Promote the implementation of various information systems and development of new type businesses, in line with the business development plan.
- ② Enhance information and network security to improve information operations securities.
- ③ Enhance information infrastructure to improve information operations efficiencies.
- ④ Expansion of overseas branch systems to improve operating efficiencies in overseas branch.

B. Employee

a. Employees' information in two most recent fiscal years and up to the date of annual report publication

Unit: Person

Fiscal Year		2015	2016	As of February 28, 2017
No. of Employees		6,486	6,567	6,575
Average Age		42.41	42.49	42.52
Year of Experience		17.07	16.87	16.85
Education	PhD	3(0.05%)	2(0.03%)	2(0.03%)
	Graduate School	1,025(15.80%)	1,108(16.87%)	1,126(17.13%)
	University / College	4,848(74.75%)	4,875(74.23%)	4,870(74.07%)
	Senior High School	571(8.80%)	546(8.32%)	542(8.24%)
	Others	39(0.60%)	36(0.55%)	35(0.53%)
The list of employees' certificates	CPA & CPA(USA)	6	6	6
	CFA	2	3	3
	FRM	16	13	13
	CFP	5	7	7
	CIA	2	1	1
	CISA	1	1	1
	Senior Securities Specialist	1,098	1,104	1,106
	Securities Specialist	880	884	885
	Futures Specialist	1,184	1,156	1,157
	Individual Insurance Broker	4	7	7
	Individual Insurance Agent	4	10	10
	Individual Life Insurance Representative	5,565	5,676	5,696
	Property Insurance Broker	4	9	9
	Property Insurance Agent	2	8	8
	Property Insurance Representative	5,208	5,267	5,286
	Investment-Orient Insurance Product Representative	4,354	4,524	4,559
	Proficiency Test for Trust Operations	5,155	5,208	5,219
	Basic Proficiency Test on Bank Internal Controls	4,713	4,650	4,653
	Basic Proficiency Test for Bank Lending Personnel	3,133	3,054	3,054
	Advanced Proficiency Test for Bank Lending Personnel	69	63	63
	Basic Proficiency Test for International Banking Personnel	2,500	2,438	2,440
	Proficiency Test for Financial Planning Personnel	2,272	2,230	2,230

b. Career development and training

1. Annual employee training programs are in coordination with annual business development: The Bank provides training through hands-on and digital courses, assisting them to accumulate finance specialty; the Bank provided 342,396.53 hours training in total, with the per capita training hours reaching 56.66 hours based on 6,043 employees (exclude assistants and drivers) on December 31, 2016 and total expense of NT\$ 25,771 thousand.
2. Complete knowledge inheritance, enhancing education and training synergies: Active training of internal lecturers of various professional skills, continuous standardized development of internal teaching system; total of 37 internal lecturers were trained between January 1, 2016 and December 31, 2016.

3. Diversified hands-on and digital training are provided, encouraging employees innovative learning and improving organizational performance: Enrichment of online learning system, completed the addition and renewal of various functions and interfaces, to provide a diverse training environment, continuous encouragement of employees innovative learning; total of 98 hands-on courses, 606 digital courses, 377 expat trainings were given between January 1, 2016 and December 31, 2016.

C. Corporate Responsibility and Moral Behavior

- a. Environmental concern measures
 1. Efforts towards recycling, garbage sorting, improving the hygiene of employees' cafeteria, appearance of the office environment, and sponsorship of sidewalk-planting.
 2. The Bank supported CITYFM's "Under the Moonlight" initiative in 2016 by turning off signboard lights of all business units and branches within the country after 8:00 pm for every evening during the Mid-autumn Festival, which represents one of the Bank's many efforts to promote energy conservation.
- b. Actively participated in charity activities and continuously supporting underprivileged groups
 1. Made donations to the "Tainan City Government Social Assistance Account" organized by Tainan City Government, which assisted post-2016 Southern Taiwan Earthquake reconstruction.
 2. Made donations to the "Taitung County Government Social Assistance Account" organized by Taitung County Government, which assisted the county's post-Nepartak Typhoon reconstruction.
 3. Made donations to the Incentive Prize for Silver and Bronze Medalists in 2016 Rio Olympics organized by the Chinese Taipei Olympics Committee, for encouragement of athletes within the nation.
 4. Made donations to the various athletes training programs organized by Taitung County Athletics Committee, which assisted the development of sports and athletics.
 5. Sponsored the efforts of Huashan Social Welfare Foundation in delivering new year meals, sweeping houses, pasting Spring Festival couplets and mobilizing volunteer services to lone elders.
 6. Established the "CHB Tuition Support Program" organized by Taiwan Fund for Children and Families, which assisted financially disadvantaged elementary school and junior high school students in their studies.
 7. Made donations to the program "Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association.
 8. Sponsored the Accounting Research and Development Foundation in organizing the "2016 Charity Promotion Event," which supported the development of accounting profession.
 9. Sponsored the Commercial Times in organizing the first annual "FinTech Creativity Awards MarCom Competition."
 10. Sponsored the National Sun Yat-sen University College of Management Department of Finance in organizing the "24th Conference on the Theories and practices of Securities and Financial Markets."
 11. Sponsored the Global View-Commonwealth Publishing Group in organizing the "14th Annual Global Views Leaders Forum."
 12. Participated in the 2016 Taiwan Lantern Festival Small Handheld Lantern Event organized by Tourism Bureau, Ministry of Transportation and communications, Republic of China.
 13. Sponsored the Keelung City in organizing the "25th Union Cup Basketball Championship," which promoted citizens' physical and mental health, and carried out the objective of nurturing basketball talents and country-wide exercise.
 14. Made donations to the "Taiwan Small Business Integrated Assistance Foundation," which assisted in counseling SMEs development, enabled SMEs to strengthen its financial structure and operating constitution.
 15. Made donations to the "Small and Medium Enterprise Credit Guarantee Fund," which helped SMEs obtain the funding they needed and contributed to the growth of the nation's economy and the social stability.
 16. Made donations to the "Overseas Credit Guarantee Fund," which helped overseas Chinese and Chinese enterprises obtain funding in ASEAN countries from Chinese financial institutions.
 17. In response to the 2016 Southern Taiwan Earthquake disaster relief activity, no credit card transaction fees were charged by the Bank for all disaster relief charity donations accepted between February 6, 2016 and June 30, 2016.

18. Sponsored the Taipei Foundation of Finance in organizing the “21st Cross-strait Banking Collaboration Conference”.
- c. Internship opportunities offered to financially disadvantaged youths and university students
1. As support to the “2016 Internship Program for the Financially Disadvantaged Youths” organized by Youth Department Administration, Ministry of Education, the Bank had offered 35 internship opportunities for existing students during the summer vacation, and catered for the needs of financially disadvantaged youths by helping them learn, experience, explore, and develop their own competitiveness in future careers, which may potentially reduce wealth inequality within the nation.
 2. During summer break of 2016, the Bank joined China Youth Corps in offering 10 internship opportunities to university students. The internship program was aimed to cultivate independence and banking knowledge early in young adults and increase their experiences.
- d. Community participation
- The Bank provided venue support or presents to regular blood donation event or other activities held by local communities.

D. Number of non-manager position employee and annual benefits expense in two most recent fiscal years

Unit: NT\$ thousand

Salary and Benefits	2016	2015	Growth (%)
Non-manager position employee annual benefits expense	6,078,416	6,302,570	-3.56
Average non-manager position employee annual benefits expense	1,119	1,170	-4.36

Note: 5,388 non-manager position employees in 2015 and 5,434 non-manager position employees in 2016.

E. IT Equipment

- a. The software and hardware configurations and maintenance of our principal information systems
1. Configurations:

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

The Bank has entered into maintenance agreements with vendors, which will provide both on-demand repair services and regular maintenance services to ensure that our IT systems are operating satisfactorily and without interruption.
- b. Future Development and Procurement Plans
- In 2017, the Bank continues the implementation of mobile banking system, digital savings account and cross-border e-payment; and planning for the implementation of big data and information security management systems.

c. Emergency Backup and Security Protection Strategies

1. Emergency Back-Up Center:

The emergency back-up center is activated when the Bank's information center is unable to assume operations due to disasters. The Bank has established standard procedures and drills according to "Information Operations Disaster Recovery Plan", in principle, two drills will be carried out in the off-site back-up center on a yearly basis to ensure the successful implementation of the recovery procedures and to take preventive measures.

2. Security Protection Strategies:

The Bank has installed various information security mechanisms according to operation demands, including independent network segments between internal operations and host computers. In order to provide a secure and stable transaction environment, the Bank adopted multi-factor authentication and new type information security to filter and block abnormal flow of information at various network nodes, monitor the operating status of networks and systems, and carry out regular information security inspections and drills.

F. Labor Relations

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

1. Benefits:

(1) Labor insurance:

The Bank, in compliance with the law, offers labor insurance for employees, with the Bank paying 70% of the premium, the employees paying 20%, and the government paying 10%.

(2) Health insurance:

The Bank, in compliance with the law, offers health insurance for employees and their dependents (parents, spouse and single/disabled children included), with the Bank paying 60% of the premium, the employees paying 30%, and the government paying 10%.

(3) Paid vacations:

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

(4) Recreation:

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

(5) Welfare committee:

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

(6) Library:

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

2. Retirement Scheme and Implementation Status:

(1) Retirement and pension plans put in place by the Bank provide policies on employee retirement, pension (including compensation for job-related accidents) and lay off. Unmentioned regulation under the plans shall be bound by the Labor Standards Act and related labor laws and regulations.

(2) 86 people (including 16 voluntary and 70 compulsory) in total applied for retirement in 2016. For the purpose of improving business performances, accelerating human resources replacements, enhancing efficiencies and attending to early retirement employees, the Bank established "Chang Hwa Bank Employee Preferential Retirement Regulation", and received total of 82 applicants in 2016.

3. Protection of employees' safety:

- (1) Insure all employees with an "Employer's Liability Insurance" so that employees can be protected while carrying out duties. The premium is entirely covered by the Bank.
- (2) All units have been requested to strengthen safety measures and hold security meeting and employee self-defense drills. The Bank is committed to maintain employee vigilance and prevent brigandage, obstruction, and sabotage.
- (3) In order to strengthen the efficiency of security, the Bank requires security service companies, suppliers of alarm system and monitoring cameras to improve relevant equipment base on the need of related units .
- (4) In order to maintain the safety of working environment and premises, the Bank has each of its divisions well-guarded by security professionals from outside firms, who receive job-related training periodically to improve their skills.
- (5) All cash transporting and replenishing operations outside of branches are outsourced to security companies to reduce operational and accidental risks.
- (6) Following the country's fire safety laws, each division of the Bank is responsible for safety check, safety training and planning fire escape routes and maintaining firefighting equipment to prevent injuries during a fire.
- (7) Following the country's labor health and safety regulations, the Bank distributes health and safety guidelines and policies to each division to protect the employees' wellbeing.

4. Employer-employee negotiations:

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

5. Employees' rights and responsibilities:

- (1) The Bank has issued a "rights and responsibilities" handbook to employees; Policies on hiring, work hours, evaluations, wages and benefits shall be bound to the content of the handbook.
- (2) Tainan City Government carried out labor inspection at Yungkang Branch on July 11, 2016, and issued fine of NT\$20,000 in accordance to Subparagraph 1 of Paragraph 1 of Article 79 of Labor Standards Act, for violation for Article 24, where the branch failed to manage employees' attendances and did not pay overtime wages.

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

None.

G. Important Contracts

Contract Title	Contract Firm	Period	Contents	Restriction Terms
Outsourced data processing	Belton Technology Corp.	June 1, 2016 to May 31, 2017	Printing, enveloping and mailing of credit card statements	Terms of Confidentiality
	Yung Hsing Ent. Co., Ltd.	August 28, 2016 to August 27, 2017	Printing and mailing mutual fund notifications and statements	
Contract for troubleshooting ATMs, including replenishing cash	Taiwan Security Co., Ltd. Lien-An Service Co., Ltd.	December 16, 2016 to December 15, 2017	Troubleshooting ATMs off the bank's premises and replenishing cash	
Commissioning of an express delivery company to ship notes	CHUNG HWA Express Corp.	December 10, 2016 to December 9, 2017	Commissioning of an express delivery company to ship notes and documents	
Contract for security transport services	Lee Bao Security Co., Ltd.	January 1, 2016 to December 31, 2016	Outsourcing of cash transporting operations	
Contract for issuing credit card with EasyCard function	EasyCard Corporation	July 1, 2015 to June 30, 2018	Authorizing to issue e-card with EasyCard function	
Contract for issuing credit card with iPASS function	iPASS Corporation	January 23, 2015 to January 22, 2020	Authorizing to issue e-card with iPASS function	
Installment Contract of computer (structured product trading system Phase II)	APEX International Financial Engineering Res. & Tech. Co., Ltd.	May 15, 2015 to May 14, 2016	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency	
Installment Contract of computer (supply chain financing system implementation project)	Universal eXchange Inc., UXB2B	November 18, 2015 to November 17, 2016	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency	
Installment Contract of computer (watch list filtering system implementation project)	Stark Technology, Inc.	March 2, 2016 to December 1, 2016	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency	
Installment Contract of computer (big data platform implementation project)	Systex Software & Service Corporation	November 17, 2016 to July 16, 2017	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency	
Movable property leasing contract (upgrade of telecom system and bank-wide voice network savings implementation project)	Chunghwa Telecom Co., Ltd. Enterprise Business Service Department. Enterprise Business Group	September 1, 2010 to December 31, 2016	Replacement of bank-wide (including call center) switches and telecom system equipment, voice network savings services and bank-wide voice recording systems for wealth management consultants and collection personnel	

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

None.

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VI | Financial Status

VI

Financial Status

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

a. Brief Balance Sheets and Comprehensive Income Statements

1. Brief Balance Sheets:

Unit: NT\$ 1,000

Items	FY	Financial Information of Recent Five Years				
		2016	2015	2014	2013	2012
Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		240,024,553	177,879,891	148,863,891	133,629,095	145,897,256
Financial Assets Measured at FVTPL		34,699,024	43,518,615	37,825,737	60,001,473	35,613,670
Available-For-Sale Financial Assets		76,824,866	67,415,202	46,145,608	37,884,111	63,621,844
Derivative Financial Assets for Hedging		86,265	192,521	27,629	62,494	105,087
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		20,280,261	19,729,443	21,809,314	20,208,734	17,640,349
Income Tax Assets		56,689	55,436	581,958	780,220	527,442
Available for Sale Financial Assets, net		0	0	0	0	0
Loans, net		1,367,259,890	1,321,934,363	1,259,366,749	1,142,867,165	1,129,128,128
Held-To-Maturity Financial Assets		204,864,541	205,777,255	183,637,059	226,989,182	170,696,300
Investments Accounted For Using Equity Method		0	0	0	0	0
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		23,097,828	31,748,420	78,722,662	39,272,679	10,692,940
Real Estate and Equipment, net(Note 1)		20,801,823	22,253,008	23,822,844	23,935,458	24,219,037
Investment in Real Estate, net(Note 1)		13,753,981	12,536,509	11,012,440	10,937,868	10,825,104
Intangible Assets, net		423,465	500,710	473,336	80,006	86,991
Deferred Income Tax Assets, net		2,447,734	2,367,489	3,186,032	3,107,599	4,488,548
Other Assets		530,584	348,357	397,708	299,457	280,836
Total Assets		2,005,151,504	1,906,257,219	1,815,872,967	1,700,055,541	1,613,823,532
Due to Central Bank and Banks		139,162,582	124,025,228	124,155,182	126,829,032	100,530,198
Financing from Central Bank and Banks		0	3,879,840	950,100	0	0
Financial Liabilities Measured at FVTPL		18,093,146	22,732,139	20,858,363	1,715,364	1,912,629
Derivative Financial Liability for Hedging		0	0	0	0	0
Bonds and Securities Sold Under Repurchase Agreements		2,954,981	4,612,047	4,526,694	4,504,591	5,629,554
Payables		33,834,971	23,164,932	29,505,168	25,233,888	33,103,260
Income Tax Liabilities		550,984	146,692	849,381	125,334	181,235
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,624,429,817	1,547,739,711	1,452,969,285	1,372,890,099	1,316,088,990
Bonds Payable		31,375,226	35,176,580	48,463,938	43,322,818	38,451,937
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		2,718,964	1,075,196	624,416	672,028	1,364,673
Reserve for Liabilities		4,524,224	4,371,316	4,034,679	3,673,201	3,786,664
Deferred Income Tax Liabilities		6,672,201	6,644,859	6,738,024	6,461,749	6,189,798
Other Liabilities		3,310,883	3,213,720	2,956,636	2,224,107	1,688,984
Total Liabilities	Before Distribution	1,867,627,979	1,776,782,260	1,696,631,866	1,587,652,211	1,508,927,922
	After Distribution(Note 2)	1,871,393,179	1,779,742,323	1,698,212,674	1,592,301,646	1,509,652,133
Equity Attributable to Owners of The Parent Company		137,523,525	129,474,959	119,241,101	112,403,330	104,895,610
Capital	Before Distribution	89,647,626	84,573,232	79,040,404	77,490,592	72,421,114
	After Distribution(Note 2)	94,130,008	89,647,626	84,573,232	79,040,404	77,490,592
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	47,775,705	43,926,296	39,766,371	35,279,846	32,423,518
	After Distribution(Note 2)	39,528,123	35,891,839	32,652,735	29,080,599	26,629,829
Other Equities		100,194	975,431	434,326	(367,108)	50,978
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	137,523,525	129,474,959	119,241,101	112,403,330	104,895,610
	After Distribution(Note 2)	133,758,325	126,514,896	117,660,293	107,753,895	104,171,399

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

Note 2: The earning distribution for year 2016 hasn't been approved by the 2017 General Shareholders' Meeting.

2. Brief Statements of Comprehensive Income:

Unit: NT\$ 1,000

Items	FY	Financial Information of Recent Five Years				
		2016	2015	2014	2013	2012
Interest Income		32,589,526	32,991,503	31,862,471	27,321,411	26,636,837
Interest Expense		10,862,757	12,075,574	12,524,515	10,240,983	10,238,045
Net Interest Income		21,726,769	20,915,929	19,337,956	17,080,428	16,398,792
Net Income Other Than Interest Income		9,281,712	8,741,105	7,062,838	6,742,781	6,861,807
Net Income		31,008,481	29,657,034	26,400,794	23,823,209	23,260,599
Provisions for Bad Debt Expense & Guarantee Liability		1,138,044	329,372	(884,084)	(637,773)	(987,971)
Operating Expenses		15,787,396	15,581,461	14,860,793	13,713,262	14,004,574
Income Before Income Tax of Continued Operations		14,083,041	13,746,201	12,424,085	10,747,720	10,243,996
Income Tax (Expense) Benefit		(1,997,069)	(2,102,864)	(1,526,905)	(1,929,471)	(1,798,797)
Net Income of Continued Operations		12,085,972	11,643,337	10,897,180	8,818,249	8,445,199
Gain(Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		12,085,972	11,643,337	10,897,180	8,818,249	8,445,199
Other Comprehensive Income		(1,077,343)	171,329	590,026	(586,318)	480,992
Total Comprehensive Income		11,008,629	11,814,666	11,487,206	8,231,931	8,926,191
Net Income Attributed to Owners of The Parent Company.		12,085,972	11,643,337	10,897,180	8,818,249	8,445,199
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of The Parent Company		11,008,629	11,814,666	11,487,206	8,231,931	8,926,191
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS(NT\$) (note)		1.35	1.30	1.22	0.98	0.94
Diluted EPS(NT\$) (note)		1.34	1.29	1.21	0.98	0.94

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

3. Key Performance Indicator:

Items	FY	2016	2015	2014	2013	2012
Return on Asset (ROA) (%)		0.62	0.63	0.62	0.53	0.53
Return on Equity Ratio (ROE) (%)		9.05	9.36	9.41	8.12	8.35
Capital Adequacy Ratio(%)		12.01	11.78	11.45	11.17	-
Non-performing loan Ratio (%)		0.25	0.21	0.22	0.32	0.33

b. Brief Balance Sheets and Income Statements under Accounting Principles Generally Accepted in the Republic of China (ROC GAAP)

1. Brief Balance Sheets:

Unit: NT\$ 1,000

Items	FY	Financial Information of Recent Five Years	
		2016	2015
Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		143,591,518	143,591,518
Financial Instruments at FVTPL		35,613,670	35,613,670
Bonds and Securities Purchased Under Resell Agreements		-	-
Available-For-Sale Financial Assets		63,427,594	63,427,594
Loans		1,129,128,128	1,129,128,128
Receivables		17,986,233	17,986,233
Held-To-Maturity Financial Assets		170,696,300	170,696,300
Investment Accounted For Using Equity Method		-	-
Fixed Assets(Note)		23,932,997	23,932,997
Intangible Assets		86,991	86,991
Other Financial Assets		8,048,820	8,048,820
Other Assets(Note)		17,101,707	17,101,707

Items	FY	Financial Information of Recent Five Years	
		2012	
Total Assets			1,609,613,958
Due to Central Bank and Banks			100,530,198
Deposits and Remittances			1,316,088,990
Financial Liabilities at FVTP, net			1,912,629
Bonds and Securities Sold Under Repurchase Agreements			5,629,554
Financing from Central Bank and Banks, Bank notes			38,451,937
Preferred Liability			-
Accrued Pension Liabilities			767,223
Other Financial Liabilities			1,364,673
Other Liabilities			41,059,849
Total Liabilities	Before Distribution		1,505,805,053
	After Distribution		1,506,529,264
Capital	Before Distribution		72,421,114
	After Distribution		77,490,592
Capital Surplus			-
Retained Earnings	Before Distribution		20,888,598
	After Distribution		15,094,909
Unrealized Gain or Loss on Financial Instruments			(12,937)
Cumulative Translation Adjustments			(60,115)
Other Items in Shareholders' Equity			10,572,245
Total Shareholders' Equity	Before Distribution		103,808,905
	After Distribution		103,084,694

Note : The revaluation surplus on land on February 24, 2012, which revaluation surplus on fixed assets is 742,093,000. The revaluation surplus on leased assets under other assets is 226,034,000.

2. Brief Income Statements:

Unit: NT\$ 1,000

Items	FY	Financial Information of Recent Five Years	
		2012	
Net Interest Income			15,872,318
Net Income Other than Interest			9,281,643
Bad Debt Expense			1,645,871
Operating Expenses			13,233,310
Income Before Income Tax of Continued Operations			10,274,780
Income After Income Tax of Continued Operations			8,470,750
Gain(Loss) from Discontinued Operations			-
Extraordinary Gain or Loss			-
Cumulative Effect of Changes in Accounting Principles			-
Net Income			8,470,750
Basic EPS(NT\$)			1.17
Diluted EPS(NT\$)			1.16

Note: EPS is based on the unit of NT\$1.

3. Key Performance Indicator:

Items	FY	2012
Return on Asset (ROA) (%)		0.53
Return on Equity Ratio (ROE) (%)		8.49
Capital Adequacy Ratio(%)		11.57
Non-performing loan Ratio (%)		0.33

c. CPA-Auditor of the Consolidated Financial Report:

Items	FY	2016	2015	2014	2013	2012
CPA-Auditor		Jerry Gung, Walter Liu				
Independent Auditors' Opinion		Standard unqualified opinions.				

B. Financial Analysis of Recent Five Years

a. Financial Analysis

1. Financial Analysis

Unit: NT\$ 1,000

FY		Financial Analysis of Recent Five Years				
		2016	2015	2014	2013	2012
Items						
Operating Ability	Ratio of Loans to Deposits	86.77	87.82	86.17	85.57	88.82
	Ratio of Non-performing loan	0.25	0.21	0.22	0.32	0.33
	Ratio of Interest expense to Annual Average Deposits	0.59	0.69	0.71	0.63	0.64
	Ratio of Interest Income to Annual Average Lending	1.94	2.03	2.01	1.97	1.97
	Total Assets Turnover ratio (Times)	0.016	0.016	0.015	0.010	0.010
	Average Revenue Per Employee (NT\$1,000) (Note 2)	4,722	4,542	4,058	3,661	3,574
	Average Profit Per Employee (NT\$1,000)	1,840	1,783	1,675	1,355	1,298
Profitability	Return on Tier I Capital	11.79	12.41	12.04	11.03	11.22
	Return on Assets	0.62	0.63	0.62	0.53	0.53
	Return on Equity Ratio	9.05	9.36	9.41	8.12	8.35
	Ratio of Net Income	38.98	39.24	41.28	37.02	36.31
	Basic Earnings Per Share (NT\$)(Note 3)	1.35	1.30	1.22	0.98	0.94
	Diluted Earnings Per Share (NT\$)(Note 3)	1.34	1.29	1.21	0.98	0.94
Financial Structure	Ratio of Liabilities to Assets	93.14	93.21	93.43	93.37	93.49
	Ratio of Real Estate and Equipment to Shareholders' Equity	15.13	17.19	19.98	21.29	23.09
Growth Rate	Ratio of Asset Growth	5.19	4.98	6.81	5.34	1.20
	Ratio of Profit Growth	2.45	10.64	15.60	4.92	-
Cash Flow	Ratio of Cash Flow	26.88	41.53	1.77	-29.56	19.33
	Net Cash Flow Adequacy Ratio	618.85	406.99	-180.10	-615.68	1,347.64
	Cash Flow satisfaction Ratio	-10,706	-8,928	-263	-150,213	-5,495
Ratio of Liquid Reserve		16.14	16.48	16.47	19.55	17.39
Related Party Secured Loan		14,576,761	14,939,802	10,751,436	44,676,447	45,253,016
Ratio of Related Party Secured Loan of Total Loan		1.00	1.06	0.80	3.65	3.74
Operating Scale	Market Share of Assets	4.55	4.44	4.41	4.40	4.50
	Market Share of Net Worth	4.11	4.10	4.13	4.32	4.30
	Market Share of Deposits	4.36	4.40	4.42	4.43	4.54
	Market Share of Lending	5.04	4.97	4.83	4.69	4.99
Reasons for changes of financial ratios for the last two years: The growth rate of profit goes down because the growth of income before income tax in 2016 slowed down compared to 2015. The related ratio of cash flow were in excess of 20% in 2016 because net cash in-flows of financing activities in 2016 increased compared to 2015.						

Note 1 : 1. Operating Ability:

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

2. Profitability:

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

3. Financial Structure:

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

4. Growth Rate:

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

5. Cash Flow:

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

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

7. Operating Scale:

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

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

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

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

2. Adequacy of Capital (Note1) :

Unit: NT\$ 1,000

Items			FY(note1)	Capital Adequacy Ratio of Recent Five Years			
			2016	2015	2014	2013	
Regulatory Capital	Common Equity Tier 1		121,271,653	112,853,258	102,963,876	96,663,815	
	Additional Tier 1 Capital		2,332,643	2,606,267	3,115,460	3,601,246	
	Tier II Capital		43,971,841	38,454,781	38,124,697	26,287,046	
	Regulatory Capital		167,576,137	153,914,306	144,204,033	126,552,107	
Total risk-weighted assets	Credit Risk	Standardized Approach	1,330,834,716	1,249,155,462	1,202,332,050	1,073,451,974	
		Internal Ratings- Based Approach					
		Asset securitization	17,711	22,558	27,727	59,772	
	Operational Risk	Basic Indicator Approach					
		Standardized Approach / Alternative Standardized Approach	50,906,050	46,064,950	41,779,613	39,393,925	
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	13,292,788	11,798,713	14,883,813	20,542,888	
		Internal Models Approach					
	Total Risk-Weighted Assets		1,395,051,265	1,307,041,683	1,259,023,203	1,133,448,559	
Capital Adequacy Ratio (%)			12.01	11.78	11.45	11.17	
Tier I Capital to risk assets Ratio (%)			8.86	8.83	8.43	8.85	
common equity to risk assets Ratio (%)			8.69	8.63	8.18	8.53	
Leverage Ratio (%)			5.76	5.65			
Reasons for changes of capital adequacy ratios for the last two years: None.							

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

Note 2 : Calculation formulas as follows:

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

b. Financial Analysis under ROC GAAP

1. Financial Analysis

Unit: NT\$ 1,000

Items	FY	Financial Analysis of Recent Five Year
		2012
Operating Ability	Ratio of Loans to Deposits	88.82
	Ratio of Non-performing loan	0.33
	Ratio of Interest Costexpense to Annual Average Deposits	0.71
	Ratio of Interest Income to Annual Average Lending	1.97
	Total Assets Turnover ratio (Times)	0.02
	Average Revenue Per Employee (NT\$1,000) (Note 2)	3,865
	Average Profit Per Employee (NT\$1,000)	1,302
Profitability	Return on Tier I Capital	11.25
	Return on Assets	0.53
	Return on Equity Ratio	8.49
	Ratio of Net Income	33.68
	BasicEarnings Per Share (NT\$)(Note 3)	1.16
Financial Structure	Ratio of Liabilities to Assets(Note 4)	93.54
	Ratio of Fixed Assets to net worth	23.05
Growth Rate	Ratio of Asset Growth	1.29
	Ratio of Profit Growth	-3.30
Cash Flow	Ratio of Cash Flow	-0.81
	Net Cash Flow Adequacy Ratio	221.28
	Cash Flow satisfaction Ratio	4.07
Liquidity Reserves Ratio		18.16
Related Party Secured Loan		45,253,016
Ratio of Related Party Secured Loan of Total Loan		3.74
Operating Scale	Market Share of Assets	4.50
	Market Share of Net Worth	4.30
	Market Share of Deposits	4.54
	Market Share of Lending	4.99

Note 1 :1. Operating Ability:

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

2. Profitability:

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

3. Financial Structure:

- (1)Ratio of Liabilities to Assets = Total Liabilities / Total Assets
- (2)Ratio of Fixed Assets to net worth = Fix Assets / Shareholders' Equity

4. Growth Rate:

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

5. Cash Flow:

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

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

7. Operating Scale:

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

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

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

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

Note 4: Total liabilities are net of reserves for losses on guarantees, losses on security trades, losses on breach of contracts, and accidental losses.

2. Adequacy of Capital (Note 1):

Unit: NT\$ 1,000

FY			Financial Analysis of Recent Five Year
			2012
Items			
Self-Owned Capital	Tier I Capital	Common Stocks	72,421,114
		Non-cumulative Perpetual Preferred Stocks	-
		Non-cumulative Subordinated Debts Without Maturity Dates	5,000,000
		Advanced Receipts for Capital Stocks	-
		Capital Surplus (Apart from Fixed Asset Appreciation Surplus)	
		Legal Reserves	11,836,090
		Special Reserve	241,692
		Retained Earnings	8,810,816
		Minority Interests	-
		Others of Equity	(938,789)
		Goodwill	-
		Non-amortization of NPL Disposal Loss	-
		Others	(2,779,989)
		Total Tier I	94,590,934
Self-Owned Capital	Tier II Capital	Perpetual Cumulative Preferred Stocks	-
		Cumulative Subordinated Debts without Maturity Dates	-
		Fixed Asset Appreciation Surplus	11,011,800
		45% of Unrealized Gain of Financial Assets in Available-for-sale	191,782
		Convertible Bonds	-
		Operating Reserve and Loan Loss Provision	-
		Long-term Subordinated Debts	19,340,000
		Non-perpetual Preferred Stocks	-
		The Aggregate of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier 1 Capital.	-
		Others	(2,037,581)
		Total Tier II	28,506,001
	Tier III Capital	Short-term Subordinated Debts	-
		Non-perpetual Preferred Stocks	-
		Total Tier III	
Regulatory Capital		123,096,935	
Total Weighted Risk Asset	Credit Risk	Standardized Approach	1,021,241,872
		Internal Rating Based Approach	
		Securitization	249,337
	Operational Risk	Basic Indicator Approach	
		Standardized Approach / Alternative Standardized Approach	35,279,000
		Advanced Measurement Approach	
	Market Risk	Standardized Approach	7,331,175
		Internal Model Approach	
Total Risk-weighted Assets		1,064,101,384	
Capital Adequacy Ratio			11.57
Ratio of Tier I Capital to Risk Asset			8.89
Tier II Capital to Risk Assets Ratio (%)			2.68
Tier III Capital to Risk Assets Ratio (%)			
Ratio of Common Equity to Total Asset (%)			4.50

Note 1: The definition of Regulatory Capital and Risk Weighted Assets hereby are in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Regulatory Capital and Risk-Weighted Assets of Banks."

Note 2: Calculation formulas as follows:

- (1) Regulatory Capital = Tier I Capital + Tier II Capital + Tier III Capital
- (2) Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
- (3) Capital Adequacy Ratio = Regulatory Capital / Total weighted Risk Asset
- (4) Ratio of Tier I Capital to Risk Asset = Tier I Capital / Total weighted Risk Asset
- (5) Ratio of Tier II Capital to Risk Asset = Tier II Capital / Total weighted Risk Asset
- (6) Ratio of Tier III Capital to Risk Asset = Tier III Capital / Total weighted Risk Asset
- (7) Ratio of Common Equity to Total Asset = Common Equity / Total Asset

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

None.

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

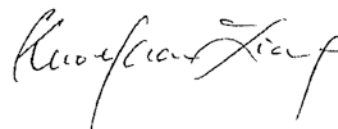
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 24, 2017

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2016 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements have been certified by Jerry Gung, CPA and 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, 2016 and the operation results and cash flows in 2016 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 25, 2017

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2016 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



E. Financial Statements of Recent Years

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the financial statements of the Bank for the year ended December 31, 2016.

Recognition of Loan Interest Revenue

Loan interest revenue is the most important source of revenue for the Bank. For the year ended December 31, 2016, loan interest revenue was \$27,051,838 thousand, accounting for 83% of the Bank's total interest income; thus, it is a very significant account in the financial statements. Refer to Notes 4 and 29 to the Bank's financial statements for related information.

Loan interest revenue greatly depends on an automated calculation performed by the Bank's information system. The input controls of the program and the automated arithmetic logic of the system parameters have a great influence on the correctness of interest revenue. Therefore, our evaluation of the correctness of the loan interest revenue mainly included understanding and testing the internal control procedures for the calculations of revenue from loan and related interest. We selected samples from the loan system and checked the original data of the lender. We tested the design and operating effectiveness of the related controls over the system. We used the loans from 2016 as the sample population and selected all the lenders in November as a sample to check the completeness of the loan cases and to test the accuracy of the loan interest revenue recognized for that month.

Impairment Assessment of Loans and Receivables

Loans and receivables are the most important asset items for the Bank. As of December 31, 2016, the total amount of loans and receivables were \$1,387,540,151 thousand, accounting for 69% of the Bank's total assets. Refer to Notes 4, 5, 8 and 9 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans and receivables depends on management's estimation of future cash flows, and the business cycles of any particular industry may lead to an increase in the operation risk of that particular industry, or it may lead to a higher credit risk due to the decline in the value of collateral. Therefore, we considered the impairment assessment of loans and receivable to be a key audit matter.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tza Li Gung and Shui En Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2017

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 45,199,330	2	\$ 31,225,679	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	194,825,223	10	146,654,212	8
Financial assets at fair value through profit or loss (Notes 4 and 7)	34,699,024	2	43,518,615	2
Derivative financial assets for hedging (Notes 4 and 12)	86,265	-	192,521	-
Receivables, net (Notes 4, 8 and 9)	20,280,261	1	19,729,443	1
Current tax assets	56,689	-	55,436	-
Loans, net (Notes 4, 5, 9, 35 and 36)	1,367,259,890	68	1,321,934,363	69
Available-for-sale financial assets, net (Notes 4, 10 and 37)	76,824,866	4	67,415,202	3
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 37)	204,864,541	10	205,777,255	11
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)	88,555	-	2,051,074	-
Other miscellaneous financial assets (Notes 4, 15 and 37)	<u>18,842,264</u>	<u>1</u>	<u>25,530,337</u>	<u>2</u>
Other financial assets, net	<u>23,097,828</u>	<u>1</u>	<u>31,748,420</u>	<u>2</u>
Property and equipment, net (Notes 4 and 16)	20,801,823	1	22,253,008	1
Investment property, net (Notes 4 and 17)	13,753,981	1	12,536,509	1
Intangible assets, net (Notes 4 and 18)	423,465	-	500,710	-
Deferred tax assets (Notes 4 and 30)	2,447,734	-	2,367,489	-
Other assets (Notes 19, 32 and 37)	<u>530,584</u>	<u>-</u>	<u>348,357</u>	<u>-</u>
TOTAL	<u>\$ 2,005,151,504</u>	<u>100</u>	<u>\$ 1,906,257,219</u>	<u>100</u>
LIABILITIES AND EQUITY				
Due to the Central Bank and banks (Notes 4, 20 and 36)	\$ 139,162,582	7	\$ 124,025,228	7
Finance due to banks	-	-	3,879,840	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 34)	18,093,146	1	22,732,139	1
Securities sold under repurchase agreements (Note 4)	2,954,981	-	4,612,047	-
Payables (Notes 4, 21 and 28)	33,834,971	2	23,164,932	1
Current tax liabilities	550,984	-	146,692	-
Deposits and remittances (Notes 4, 22 and 36)	1,624,429,817	81	1,547,739,711	81
Bank note payables (Notes 4 and 23)	31,375,226	2	35,176,580	2
Other financial liabilities (Notes 4 and 24)	2,718,964	-	1,075,196	-
Reserve for liabilities (Notes 4, 5 and 26)	4,524,224	-	4,371,316	-
Deferred tax liabilities (Notes 4 and 30)	6,672,201	-	6,644,859	1
Other liabilities (Notes 4, 25 and 32)	<u>3,310,883</u>	<u>-</u>	<u>3,213,720</u>	<u>-</u>
Total liabilities	<u>1,867,627,979</u>	<u>93</u>	<u>1,776,782,260</u>	<u>93</u>
EQUITY (Notes 4, 28 and 30)				
Capital stock				
Common stock	89,647,626	5	84,573,232	5
Retained earnings				
Legal reserve	23,784,945	1	20,291,944	1
Special reserve	12,020,521	1	12,020,521	1
Unappropriated earnings	11,970,239	-	11,613,831	-
Other equity				
Exchange differences on translation of foreign financial statements	(8,125)	-	733,874	-
Unrealized gains on available-for-sale financial assets	<u>108,319</u>	<u>-</u>	<u>241,557</u>	<u>-</u>
Total equity	<u>137,523,525</u>	<u>7</u>	<u>129,474,959</u>	<u>7</u>
TOTAL	<u>\$ 2,005,151,504</u>	<u>100</u>	<u>\$ 1,906,257,219</u>	<u>100</u>

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	2016		2015	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29 and 36)	\$ 32,589,526	105	\$ 32,991,503	111
INTEREST EXPENSES (Notes 29 and 36)	<u>(10,862,757)</u>	<u>(35)</u>	<u>(12,075,574)</u>	<u>(40)</u>
NET INTEREST INCOME	<u>21,726,769</u>	<u>70</u>	<u>20,915,929</u>	<u>71</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commissions income (Notes 4 and 29)	5,411,772	17	4,905,306	16
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 29)	2,071,330	7	406,788	1
Realized gain on available-for-sale financial assets (Notes 4 and 29)	432,225	1	280,188	1
Foreign exchange gains (Notes 4 and 34)	279,662	1	1,647,056	6
Other miscellaneous net income (Note 12)	<u>1,086,723</u>	<u>4</u>	<u>1,501,767</u>	<u>5</u>
Net income other than net interest income	<u>9,281,712</u>	<u>30</u>	<u>8,741,105</u>	<u>29</u>
NET REVENUE AND GAINS	<u>31,008,481</u>	<u>100</u>	<u>29,657,034</u>	<u>100</u>
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9)	<u>(1,138,044)</u>	<u>(4)</u>	<u>(329,372)</u>	<u>(1)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 4 and 29)	(10,549,116)	(34)	(10,193,168)	(35)
Depreciation and amortization expenses (Notes 4 and 29)	(717,900)	(2)	(702,268)	(2)
Other general and administrative expenses	<u>(4,520,380)</u>	<u>(15)</u>	<u>(4,686,025)</u>	<u>(16)</u>
Total operating expenses	<u>(15,787,396)</u>	<u>(51)</u>	<u>(15,581,461)</u>	<u>(53)</u>
INCOME BEFORE INCOME TAX	14,083,041	45	13,746,201	46
INCOME TAX EXPENSE (Notes 4 and 30)	<u>(1,997,069)</u>	<u>(6)</u>	<u>(2,102,864)</u>	<u>(7)</u>
NET INCOME	<u>12,085,972</u>	<u>39</u>	<u>11,643,337</u>	<u>39</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

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

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 27)	\$ (243,501)	-	\$ (445,513)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)	41,395	-	75,737	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 4)	(883,139)	(3)	(10,707)	-
Unrealized gain (loss) on available-for-sale financial assets (Note 4)	(127,868)	-	551,907	2
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	<u>135,770</u>	<u>-</u>	<u>(95)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(1,077,343)</u>	<u>(3)</u>	<u>171,329</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,008,629</u>	<u>36</u>	<u>\$ 11,814,666</u>	<u>40</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 1.35</u>		<u>\$ 1.30</u>	
Diluted	<u>\$ 1.34</u>		<u>\$ 1.29</u>	

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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
BALANCE, JANUARY 1, 2015	7,904,040	\$ 79,040,404	\$ 17,022,790	\$ 12,020,521	\$ 10,723,060	\$ 750,956	\$ (316,630)
Appropriation of 2014 earnings	-	-	-	-	-	-	-
Legal reserve	-	-	3,269,154	-	(3,269,154)	-	-
Cash dividends	-	-	-	-	(1,580,808)	-	-
Stock dividends	553,283	5,532,828	-	-	(5,532,828)	-	-
Net income for the year ended December 31, 2015	-	-	-	-	11,643,337	-	-
Other comprehensive income for the year ended December 31, 2015, net of tax	-	-	-	-	(369,776)	(17,082)	558,187
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	11,273,561	(17,082)	558,187
BALANCE, DECEMBER 31, 2015	8,457,323	84,573,232	20,291,944	12,020,521	11,613,831	733,874	241,557
Appropriation of 2015 earnings	-	-	-	-	-	-	-
Legal reserve	-	-	3,493,001	-	(3,493,001)	-	-
Cash dividends	-	-	-	-	(2,960,063)	-	-
Stock dividends	507,439	5,074,394	-	-	(5,074,394)	-	-
Net income for the year ended December 31, 2016	-	-	-	-	12,085,972	-	-
Other comprehensive income for the year ended December 31, 2016, net of tax	-	-	-	-	(202,106)	(741,999)	(133,238)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	11,883,866	(741,999)	(133,238)
BALANCE, DECEMBER 31, 2016	8,964,762	89,647,626	23,784,945	12,020,521	11,970,239	(8,125)	108,319
							\$ 137,523,525

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,083,041	\$ 13,746,201
Non-cash (revenues and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	1,138,044	329,372
Depreciation expenses	557,514	567,004
Amortization expenses	160,386	135,264
Interest income	(32,589,526)	(32,991,503)
Interest expenses	10,862,757	12,075,574
Dividends income	(789,842)	(345,033)
Net (gain) losses on financial assets and liabilities at fair value through profit or loss	(2,378,874)	297,723
Gain on disposal of investments	(288,460)	(181,117)
Unrealized foreign exchange losses (gain)	307,544	(704,511)
Other adjustments	(366,905)	(112,546)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and banks	(12,866,982)	7,455,792
Decrease (increase) in financial assets at fair value through profit or loss	9,520,686	(5,590,573)
(Increase) decrease in receivables	(1,037,630)	1,639,599
Increase in loans	(45,806,771)	(63,078,423)
Increase in available-for-sale financial assets	(7,595,267)	(19,278,268)
Decrease (increase) in held-to-maturity financial assets	912,772	(22,140,196)
Decrease in other financial assets	8,626,729	46,950,053
(Increase) decrease in other assets	(181,428)	71,764
(Decrease) increase in due to the Central Bank and banks	(3,121,308)	11,201,771
Increase in deposits and remittances	76,690,106	94,770,426
Increase (decrease) in payables	10,837,328	(6,081,578)
(Decrease) increase in financial liabilities at fair value through profit or loss	(3,760,030)	1,976,567
Decrease in reserve for liabilities	(177,474)	(98,774)
Increase in other financial liabilities	1,643,768	450,780
Increase in other liabilities	78,779	264,593
Cash generated from operations	24,458,957	41,329,961
Interest received	31,386,075	32,563,180
Dividend received	789,842	345,033
Interest paid	(11,030,981)	(12,356,946)
Income taxes refund	-	529,830
Income taxes paid	(1,468,515)	(2,004,534)
Net cash generated from operating activities	44,135,378	60,406,524

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015****(In Thousands of New Taiwan Dollars)**

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (333,887)	\$ (566,799)
Acquisition of investment property	(1,122)	(998)
Acquisition of intangible assets	(77,281)	(108,820)
Proceeds from disposal of property and equipment	<u>38</u>	<u>32</u>
Net cash used in investing activities	<u>(412,252)</u>	<u>(676,585)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and call loans from banks	14,378,822	(8,401,985)
Proceeds from issuance of bank notes	6,300,000	-
Repayment of bank notes	(9,624,000)	(13,350,000)
Cash dividends distributed	(2,960,063)	(1,580,808)
(Decrease) increase in securities sold under repurchase agreements	<u>(1,657,066)</u>	<u>85,353</u>
Net cash generated from (used in) financing activities	<u>6,437,693</u>	<u>(23,247,440)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(883,139)</u>	<u>(10,707)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,277,680	36,471,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>118,700,025</u>	<u>82,228,233</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 167,977,705</u>	<u>\$ 118,700,025</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 45,199,330	\$ 31,225,679
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>122,778,375</u>	<u>87,474,346</u>
Cash and cash equivalents at end of period	<u>\$ 167,977,705</u>	<u>\$ 118,700,025</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(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 9 overseas branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, 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.

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

The assets and the liabilities in account and any rights and obligations in valid on reference date of the merger of CHB Life Insurance Agency Company and CHB Insurance Brokerage Company had been generally assumed by Chang Hwa Commercial Bank.

After the merger, the Bank has no other subsidiaries, will not issue consolidated and individual financial statements and issue financial statements respectively since June 30, 2016. The merger between the Bank and CHB Life Insurance Agency and CHB Insurance Brokerage belongs to the essence of organizational restructure, according to the interpretation of the relevant provisions which released by Accounting Research and Development Foundation, in the preparation of comparative financial statements should be regarded as the beginning of the subsidiaries that already consolidated and restated the previous annual financial statements. However, due to the similarity of the Bank’s organizational structure after the merger and the pre-merger of consolidated group, the Bank should restate prior year financial statements as the previous year consolidated financial information.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank’s board of directors on February 24, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Bank should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 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 or amended 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.

As of the date the financial statements were authorized for issue, the Bank continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Bank’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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

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

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

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

Impairment of financial assets

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

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

Hedge accounting

IFRS 9 of the main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

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

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

3) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Current/Noncurrent Assets and Liabilities

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

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

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

Property, Plant and Equipment

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

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 Bank reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

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

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

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

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

b) Held-to-maturity investments

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

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

c) Available-for-sale financial assets

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

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

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

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

d) Loans and receivables

Loans and receivables (including trade receivables, loans, cash and cash equivalent, debt investments with no active market, and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

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

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Bonds or Securities Purchased/Sold under Specific Agreements

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

Hedge Accounting

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

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

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

Provisions

Provisions, including those arising from reserve for default losses, reserve for employee benefits and reserve for guarantees, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

Bank Notes Payable

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

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

Revenue Recognition

a. Dividend and interest income

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

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

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

b. Service fee

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

Leasing

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

a. The Bank as lessor

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

b. The Bank as lessee

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and 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. Rereasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

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

Taxation

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

a. Current tax

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. 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 Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Loans and Receivables

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

Information about the book value of loans as of December 31, 2016 and 2015 is disclosed in Note 9.

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

a. Cash and cash equivalents

	December 31	
	2016	2015
Cash on hand	\$ 11,036,052	\$ 10,040,168
Checks for clearing	17,454,559	5,715,580
Due from banks	15,083,232	13,901,421
Foreign currencies on hand	<u>1,625,487</u>	<u>1,568,510</u>
	<u>\$ 45,199,330</u>	<u>\$ 31,225,679</u>

b. Due from Central Bank and call loans to banks

	December 31	
	2016	2015
Call loans to banks	\$ 122,778,375	\$ 87,474,346
Reserve for checking account	25,184,329	11,917,753
Reserve for demand account	39,605,276	38,419,375
Reserve for foreign deposit	401,760	303,044
Others	<u>6,855,483</u>	<u>8,539,694</u>
	<u>\$ 194,825,223</u>	<u>\$ 146,654,212</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	December 31	
	2016	2015
Financial assets designated as at FVTPL		
Interest rate-linked combination instruments	<u>\$ 5,448,301</u>	<u>\$ 6,118,506</u>
Derivative financial assets (not applying hedge accounting)		
Futures	77,803	42,697
Forward exchange contracts	221,512	123,948
Interest rate swaps	1,464,398	1,103,962
Cross-currency swaps	922,514	1,279,807
Currency swaps	3,340,446	2,551,295
Currency call option premium	346,116	914,542
Non-derivative financial assets		
Investment in bills	20,970,079	28,601,913
Mutual funds	190,941	207,362
Government bonds	1,700,629	2,523,596
Corporate bonds	<u>16,285</u>	<u>50,987</u>
	<u>29,250,723</u>	<u>37,400,109</u>
	<u>\$ 34,699,024</u>	<u>\$ 43,518,615</u>

The par values of notes provided for transactions with repurchase agreements were \$982,300 thousand and \$1,932,800 thousand as of December 31, 2016 and 2015, respectively.

Financial Liabilities at FVTPL

	December 31	
	2016	2015
Financial liabilities designated as at FVTPL		
Unsecured U.S. dollar-denominated bank notes	\$ 12,606,694	\$ 17,156,385
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	259,933	239,827
Interest rate swaps	1,415,178	1,075,950
Cross-currency swaps	1,104,589	1,464,804
Currency swaps	2,357,964	1,880,631
Currency put option premium	348,788	914,542
	<u>5,486,452</u>	<u>5,575,754</u>
	<u>\$ 18,093,146</u>	<u>\$ 22,732,139</u>

- a. The unsecured U.S. dollar-denominated bank notes issued by the Bank were as follows:
- 1) Note A, 20-year term, US\$140,000 thousand, issued at par value with no interest payment, callable 2 years after issue date with interest payment, maturity: 2034.12.19.
 - 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 Bank designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce a measurement or recognition inconsistency. During the year ended December 31, 2016, there was no amount of changes in fair value attributable to changes in the credit risk of the bank notes mentioned above.

The Bank entered into derivative contracts during the years ended December 31, 2016 and 2015 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	2015
Currency swaps	\$ 363,182,300	\$ 360,237,048
Currency options	117,144,777	191,109,535
Forward exchange contracts	27,481,811	24,580,018
Interest rate swaps and asset-swap options	412,196,722	348,578,627
Cross-currency swaps	52,851,494	55,146,025

8. RECEIVABLES, NET

	December 31	
	2016	2015
Accounts receivable	\$ 8,990,029	\$ 9,659,711
Revenue receivable	3,316	198,368
Interest receivable	3,395,881	3,336,637
Acceptance receivable	5,589,590	4,583,300
Credit card receivable	1,766,729	1,717,950
Settlement price	426,554	130,629
Settlement price receivable	582,536	158,765
Other receivables	98,657	44,732
Less allowance for receivables	<u>(573,031)</u>	<u>(100,649)</u>
	<u>\$ 20,280,261</u>	<u>\$ 19,729,443</u>

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

9. LOANS, NET

a. The details of loans are as follows:

	December 31	
	2016	2015
Negotiated	\$ 6,139,403	\$ 4,970,696
Overdraft	1,531,820	1,667,655
Short-term loans	358,167,831	358,647,815
Receivable amount for margin loans	259,931	260,820
Medium-term loans	467,363,994	430,311,252
Long-term loans	546,771,155	539,373,447
Delinquent loans	<u>3,148,731</u>	<u>2,837,570</u>
	1,383,382,865	1,338,069,255
Less allowance for loan losses	<u>(16,122,975)</u>	<u>(16,134,892)</u>
	<u>\$ 1,367,259,890</u>	<u>\$ 1,321,934,363</u>

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

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

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>

The delinquent loans of which the accrual of interest income was stopped internally as of December 31, 2016 and 2015 were \$3,148,731 thousand and \$2,837,570 thousand, respectively. The interest income on delinquent loans not accrued in the years ended December 31, 2016 and 2015 were \$84,386 thousand and \$77,749 thousand, respectively.

The Bank did not write off any loans without legal claim process in the years ended December 31, 2016 and 2015.

- c. Details of provision for loan losses for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Provision for receivable and loan (including delinquent loan) losses	\$ 1,039,592	\$ 285,194
Provision for guarantees	<u>98,452</u>	<u>44,178</u>
	<u>\$ 1,138,044</u>	<u>\$ 329,372</u>

- d. Details of receivables and allowance for loan accounts as of December 31, 2016 and 2015 were as follows:

Receivables

Item		Total Receivable	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 438,101	\$ 221,100
	Combined assessment of impairment	50,980	47,618
None objective evidence of impairment	Combined assessment of impairment	20,364,211	19,561,374
Total		\$ 20,853,292	\$ 19,830,092

Item		Total Allowance	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 398,440	\$ 11,059
	Combined assessment of impairment	18,182	21,502
None objective evidence of impairment	Combined assessment of impairment	156,409	68,088
Total		\$ 573,031	\$ 100,649

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, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 9,219,054	\$ 6,138,564
	Combined assessment of impairment	3,690,862	3,038,210
None objective evidence of impairment	Combined assessment of impairment	1,370,472,949	1,328,892,481
Total		\$ 1,383,382,865	\$ 1,338,069,255

Item		Total Allowance	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 3,322,891	\$ 2,891,827
	Combined assessment of impairment	1,032,540	853,573
None objective evidence of impairment	Combined assessment of impairment	11,767,544	12,389,492
Total		\$ 16,122,975	\$ 16,134,892

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic quoted stocks	\$ 2,993,065	\$ 2,811,056
Government bonds	27,813,944	26,903,320
Corporate bonds	12,418,531	9,936,707
Bank notes	31,719,418	26,734,901
Investment in bills	1,650,583	832,069
Bonds issued by international organizations	229,325	197,149
	<u>\$ 76,824,866</u>	<u>\$ 67,415,202</u>

The par values of bonds provided for transactions with repurchase agreements were \$1,813,100 thousand and \$2,193,500 thousand as of December 31, 2016 and 2015, respectively.

Government bonds placed as deposits in courts were \$421,200 thousand and \$257,300 thousand as of December 31, 2016 and 2015, respectively. Government bonds placed as operating deposits were all \$330,000 thousand as of December 31, 2016 and 2015. Government bonds placed as reserve fund for trust compensation were all \$170,000 thousand as of December 31, 2016 and 2015. Government bonds pledged for call loans from banks were all \$5,000,000 thousand as of December 31, 2016 and 2015.

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Investment in bills	\$ 190,725,273	\$ 189,538,946
Bank notes	2,645,392	2,237,422
Corporate bonds	10,524,271	13,008,643
Government bonds	<u>969,605</u>	<u>992,244</u>
	<u>\$ 204,864,541</u>	<u>\$ 205,777,255</u>

The overseas branches' bonds as collateral for operations as of December 31, 2016 and 2015 were \$519,687 thousand and \$492,991 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were all \$36,000,000 thousand as of December 31, 2016 and 2015. Certificate of deposits which was issued by the Central Bank pledged for call loans from banks were all \$300,000 thousand as of December 31, 2016 and 2015.

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

12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2016	2015
<u>Derivative financial assets under hedge accounting</u>		
Fair value hedges - interest rate swaps	<u>\$ 86,265</u>	<u>\$ 192,521</u>

The Bank used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes the interest rate swaps are highly effective hedging instruments. The nominal principal amount of the outstanding interest rate swaps of the Bank at the end of 2016 and 2015 were all \$5,200,000 thousand.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the years ended December 31, 2016 and 2015, 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 \$75,226 thousand and \$183,580 thousand as of December 31, 2016 and 2015, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transaction was as follows:

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

- d. Hedging effect: The actual offset result is within 80%-125%, which has met the hedging accounting criterion suggested in IFRSs. The realized gain or loss of hedging tools were \$(64,613) thousand and \$217,468 thousand for the years ended December 31, 2016 and 2015, respectively, and the realized gain or loss of fair-value hedging were \$108,354 thousand and \$(168,642) thousand, accounted as other non-interest net income and losses, for the years ended December 31, 2016 and 2015, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2016	2015
Domestic unquoted common stocks	<u>\$ 4,167,009</u>	<u>\$ 4,167,009</u>

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

14. BOND INVESTMENT WITH NO ACTIVE MARKET

	December 31	
	2016	2015
Beneficiary securities and asset based securities	\$ 88,555	\$ 112,792
Corporate bonds and bank notes	<u>-</u>	<u>1,938,282</u>
	<u>\$ 88,555</u>	<u>\$ 2,051,074</u>

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

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2016	2015
Inward remittance	\$ 11,953	\$ 29,112
Delinquent loans reclassified from other accounts (excluding loans)	43,094	78,112
Call loans to securities company	161,100	-
Time deposits with original maturity more than 3 months	18,652,054	25,468,153
Less allowance for loan losses	<u>(25,937)</u>	<u>(45,040)</u>
	<u>\$ 18,842,264</u>	<u>\$ 25,530,337</u>

The market rates of time deposits with original maturity more than 3 months were 0.98%-3.60% and 0.46%-4.70% for the years ended December 31, 2016 and 2015, respectively. Refer to Note 37 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. 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, 2016	\$ 15,880,100	\$ 9,050,292	\$ 5,206,912	\$ 619,887	\$ 1,498,860	\$ 943,230	\$ 112,232	\$ 16,487	\$ 33,328,000
Additions	-	62,367	146,489	17,546	43,174	21,007	-	43,304	333,887
Disposals	-	-	(704,522)	(36,512)	(104,044)	(18,234)	-	-	(863,312)
Reclassification	(1,222,979)	(537)	5,639	108,094	(5,753)	-	(107,979)	(6,050)	(1,229,565)
Effect of foreign currency exchange differences	-	(3,993)	(1,560)	(450)	(1,728)	(83)	-	(247)	(8,061)
Balance at December 31, 2016	<u>\$ 14,657,121</u>	<u>\$ 9,108,129</u>	<u>\$ 4,652,958</u>	<u>\$ 708,565</u>	<u>\$ 1,430,509</u>	<u>\$ 945,920</u>	<u>\$ 4,253</u>	<u>\$ 53,494</u>	<u>\$ 31,560,949</u>
Accumulated depreciation and impairment									
Balance at January 1, 2016	\$ -	\$ 3,935,920	\$ 4,456,913	\$ 508,359	\$ 1,337,117	\$ 781,551	\$ 55,132	\$ -	\$ 11,074,992
Depreciation expense	-	178,297	231,535	39,354	45,847	48,831	7,023	-	550,887
Disposals	-	-	(704,491)	(36,498)	(103,840)	(18,234)	-	-	(863,063)
Reclassification	-	(537)	3,734	60,013	(3,758)	-	(59,989)	-	(537)
Effect of foreign currency exchange differences	-	(35)	(793)	(262)	(1,459)	(604)	-	-	(3,153)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 4,113,645</u>	<u>\$ 3,986,898</u>	<u>\$ 570,966</u>	<u>\$ 1,273,907</u>	<u>\$ 811,544</u>	<u>\$ 2,166</u>	<u>\$ -</u>	<u>\$ 10,759,126</u>
Carrying amounts at December 31, 2016	<u>\$ 14,657,121</u>	<u>\$ 4,994,484</u>	<u>\$ 666,060</u>	<u>\$ 137,599</u>	<u>\$ 156,602</u>	<u>\$ 134,376</u>	<u>\$ 2,087</u>	<u>\$ 53,496</u>	<u>\$ 20,801,823</u>
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	(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>

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

Building	
Main buildings	20-60 years
Air-conditioning	5-10 years
Machinery equipment	4-16 years
Transportation equipment	2-10 years
Miscellaneous equipment	3-10 years
Leasehold improvement	5 years
Leased assets	9 years

17. INVESTMENT PROPERTIES

Completed
Investment
PropertyCost

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

Balance at December 31, 2016 \$ 14,096,088

Accumulated depreciation and impairment

Balance at January 1, 2016	\$ 337,045
Reclassification	537
Depreciation expense	6,627
Disposals	<u>(2,102)</u>

Balance at December 31, 2016 \$ 342,107

Carrying amounts at December 31, 2016 \$ 13,753,981

Cost

Balance at January 1, 2015	\$ 11,285,548
Reclassification	1,587,268
Additions	998
Disposals	<u>(260)</u>

Balance at December 31, 2015 \$ 12,873,554

Accumulated depreciation and impairment

Balance at January 1, 2015	\$ 273,108
Reclassification	57,772
Depreciation expense	6,420
Disposals	<u>(255)</u>

Balance at December 31, 2015 \$ 337,045

Carrying amounts at December 31, 2015 \$ 12,536,509

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

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

The fair value of the Bank's investment property as of December 31, 2016 was \$28,611,475 thousand. The fair value valuation was not performed by independent qualified professional valuers; management of the Bank 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 fair value of Bank'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 in July 2015. The significant unobservable inputs used in the valuation include discount rate 5.16% and capitalization rate 1.85%.

The rental incomes and direct operating expenses generated by the investment properties for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Rental incomes	\$ 187,085	\$ 177,075
Direct operating expenses	\$ 120,816	\$ 90,241

18. INTANGIBLE ASSETS

	Computer Software
Balance at January 1, 2016	\$ 500,710
Additions	77,281
Amortization	(160,250)
Reclassification	6,049
Effect of foreign currency exchange differences	(325)
Balance at December 31, 2016	\$ 423,465
Balance at January 1, 2015	\$ 473,336
Additions	108,820
Amortization	(134,963)
Reclassification	53,300
Effect of foreign currency exchange differences	217
Balance at December 31, 2015	\$ 500,710

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

19. OTHER ASSETS

	December 31	
	2016	2015
Refundable deposits	\$ 284,790	\$ 109,225
Assumed collateral and residuals	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)
Prepayments	245,534	238,536
Others	260	596
	\$ 530,584	\$ 348,357

20. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2016	2015
Due to Central Bank	\$ 25,087	\$ 20,249
Due to banks	27,576,736	30,117,635
Bank overdraft	294,424	951,895
Call loans from banks	109,034,973	90,118,840
Deposits transferred from the Postal Bureau	<u>2,231,362</u>	<u>2,816,609</u>
	<u>\$ 139,162,582</u>	<u>\$ 124,025,228</u>

21. PAYABLES

	December 31	
	2016	2015
Checks issued to payees for clearing	\$ 18,236,396	\$ 9,333,298
Accounts payable	1,411,016	1,898,732
Accrued expenses	2,567,345	2,517,194
Interest payable	1,700,411	1,867,700
Acceptances	6,186,691	4,715,573
Others	<u>3,733,112</u>	<u>2,832,435</u>
	<u>\$ 33,834,971</u>	<u>\$ 23,164,932</u>

22. DEPOSITS

	December 31	
	2016	2015
Checking deposit	\$ 42,574,915	\$ 37,344,978
Demand deposit	394,963,376	363,453,070
Time deposit	351,997,282	333,234,816
Negotiable certificates of deposit	6,209,967	7,576,400
Savings deposit	827,332,235	804,891,721
Remittances	<u>1,352,042</u>	<u>1,238,726</u>
	<u>\$ 1,624,429,817</u>	<u>\$ 1,547,739,711</u>

23. BANK NOTES PAYABLE

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

The Bank issued \$5,000 million 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 millionordinated 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 Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year terms on September 27, 2016.

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

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

Bank Note, Interest Rate and Maturity Date	December 31	
	2016	2015
<u>Hedged financial liabilities at fair value</u>		
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>75,226</u>	<u>183,580</u>
	<u>5,275,226</u>	<u>5,383,580</u>
<u>Non-hedged bank notes payable</u>		
98-1, 7-year terms, interest payable annually, interest rate 2.30%, maturity date: September 15, 2016	-	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
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year terms, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	3,000,000	-
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	<u>3,300,000</u>	<u>-</u>
	<u>26,100,000</u>	<u>29,793,000</u>
	<u>\$ 31,375,226</u>	<u>\$ 35,176,580</u>

The Bank engaged in derivative transactions as hedging tools for the 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.

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2016	2015
Principal structured products	\$ 2,410,781	\$ 829,163
Appropriations for loan fund	307,807	232,195
Lease payable	<u>376</u>	<u>13,838</u>
	<u>\$ 2,718,964</u>	<u>\$ 1,075,196</u>

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

25. OTHER LIABILITIES

	December 31	
	2016	2015
Unearned revenue	\$ 899,770	\$ 856,983
Guarantee deposits	2,387,785	2,328,710
Deferred income	<u>23,328</u>	<u>28,027</u>
	<u>\$ 3,310,883</u>	<u>\$ 3,213,720</u>

26. PROVISIONS

	December 31	
	2016	2015
Reserve for employee benefits	\$ 3,985,854	\$ 3,919,132
Reserve for guarantee liabilities	<u>538,370</u>	<u>452,184</u>
	<u>\$ 4,524,224</u>	<u>\$ 4,371,316</u>

	Reserve for Guarantee Liabilities
Balance, January 1, 2016	\$ 452,184
Provision	98,452
Bad debts written off	(1,571)
Transfer to allowance for loan losses	(10,000)
Exchange differences	<u>(695)</u>
Balance, December 31, 2016	<u>\$ 538,370</u>
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>

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

27. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

- b. Defined benefit plans

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

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

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 9,375,700	\$ 9,421,583
Fair value of plan assets	<u>(6,748,672)</u>	<u>(6,814,352)</u>
Deficit	2,627,028	2,607,231
Others	<u>13,211</u>	<u>8,639</u>
Net defined benefit liability	<u>\$ 2,640,239</u>	<u>\$ 2,615,870</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, 2016	<u>\$ 9,421,583</u>	<u>\$ 6,814,352</u>	<u>\$ 2,607,231</u>
Service cost			
Current service cost	265,452	-	265,452
Net interest cost	<u>140,279</u>	<u>103,600</u>	<u>36,679</u>
Recognized in profit or loss	<u>405,731</u>	<u>103,600</u>	<u>302,131</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55,689)	55,689
Actuarial (gain) loss - experience adjustments	<u>187,812</u>	<u>-</u>	<u>187,812</u>
Recognized in other comprehensive income	<u>187,812</u>	<u>(55,689)</u>	<u>243,501</u>
Contributions from the employer	-	525,835	(525,835)
Benefits paid	<u>(639,426)</u>	<u>(639,426)</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 9,375,700</u>	<u>\$ 6,748,672</u>	<u>\$ 2,627,028</u>
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>
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>

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

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

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

	December 31	
	2016	2015
Discount rate(s)	1.50%	1.50%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31, 2016
Discount rate(s)	
0.25% increase	<u>\$ (242,143)</u>
0.25% decrease	<u>\$ 251,948</u>
Expected rate(s) of salary increase	
0.25% increase	<u>\$ 250,063</u>
0.25% decrease	<u>\$ (241,559)</u>

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 324,000</u>	<u>\$ 324,000</u>
The average duration of the defined benefit obligation	10 years	11 years

c. Plan of high-yield savings account for employee

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

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

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 1,345,615	\$ 1,303,262
Less: Fair value of defined benefit plan assets	<u>-</u>	<u>-</u>
Assets and liabilities at the end of the reporting period	<u>\$ 1,345,615</u>	<u>\$ 1,303,262</u>

- 2) Analysis of defined benefit obligation

	December 31	
	2016	2015
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,345,615</u>	<u>1,303,262</u>
	<u>\$ 1,345,615</u>	<u>\$ 1,303,262</u>

- 3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2016	2015
Balance, January 1	\$ 1,303,262	\$ 1,318,617
Interest cost	49,466	50,068
Actuarial gains and losses	254,520	191,904
Benefits paid	<u>(261,633)</u>	<u>(257,327)</u>
Balance, December 31	<u>\$ 1,345,615</u>	<u>\$ 1,303,262</u>

- 4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2016	2015
Balance, January 1	\$ -	\$ -
Contribution by employers	261,633	257,237
Benefits paid	<u>(261,633)</u>	<u>(257,237)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2016	2015
Interest cost	\$ 49,466	\$ 50,068
Actuarial gains and losses	<u>254,520</u>	<u>191,904</u>
	<u>\$ 303,986</u>	<u>\$ 241,972</u>

6) Main actuarial assumptions

	For the Year Ended December 31	
	2016	2015
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate	Based on Taiwan Life Insurance Industry Mortality Tables	Based on Taiwan Life Insurance Industry Mortality Tables
Rate provided to ordinary clients for similar deposit	1.30%-1.36%	1.39%-1.45%

28. EQUITY

a. Capital stock

Common stock

	December 31	
	2016	2015
Number of stocks authorized (in thousands)	<u>9,000,000</u>	<u>9,000,000</u>
Stocks authorized	<u>\$ 90,000,000</u>	<u>\$ 90,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>8,964,762</u>	<u>8,457,323</u>
Stocks issued	<u>\$ 89,647,626</u>	<u>\$ 84,573,232</u>

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

As of January 1, 2015, the Bank's authorized and registered capital was \$80,000,000 thousand divided into 8,000,000 thousand stocks at a \$10 par value; the total paid-in capital was \$79,040,404 thousand. In June 2015, the Bank increased the Bank's registered capital by \$10,000,000 thousand. In August 2016 and 2015, the Bank had resolved capitalization of earnings and increased the Bank's paid-in capital by \$5,074,394 thousand and \$5,532,828 thousand, respectively. The amount of the Bank's authorized and registered capital at December 31, 2016 and 2015 were all \$90,000,000 thousand divided into 9,000,000 thousand stocks and, also at those dates, the amounts of total paid-in capital were \$89,647,626 thousand and \$84,573,232 thousand, divided into 8,964,762 thousand outstanding stocks and 8,457,323 thousand outstanding stocks, respectively, at a \$10 par value.

b. Distribution of earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders exclude employees. The shareholders held their annual regular meeting on June 8, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 29, item 6, employee benefits expense.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

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

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

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

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 8, 2016 and June 12, 2015. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2015	2014	2015	2014
Legal reserve	\$ 3,493,001	\$ 3,269,154	\$ -	\$ -
Dividends of common stock - cash	2,960,063	1,580,808	0.35	0.20
Dividends of common stock - stock	5,074,394	5,532,828	0.60	0.70

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2016 are subject to the resolution of the shareholders' meeting to be held in June 2017.

c. Special reserve

	December 31	
	2016	2015
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>

29. NET INCOME

a. Net interest income

	For the Year Ended December 31	
	2016	2015
Interest income		
Loans	\$ 27,051,838	\$ 27,207,183
Due from and call loans to banks	2,370,374	2,635,126
Investment in marketable securities	3,034,108	3,032,402
Others	<u>133,206</u>	<u>116,792</u>
	<u>32,589,526</u>	<u>32,991,503</u>
Interest expense		
Deposits	(9,168,024)	(10,229,644)
Due to the Central Bank and call loans from banks	(1,026,528)	(770,123)
Others	<u>(668,205)</u>	<u>(1,075,807)</u>
	<u>(10,862,757)</u>	<u>(12,075,574)</u>
Net interest income	<u>\$ 21,726,769</u>	<u>\$ 20,915,929</u>

b. Net service fee and commissions income

	For the Year Ended December 31	
	2016	2015
Service fee and commissions income		
Fees from import and export	\$ 358,054	\$ 360,095
Remittance fees	478,993	466,050
Loan and guarantees fees	813,301	588,718
Fees from trustee	549,278	782,214
Fees from trustee business	251,794	266,280
Others	<u>3,944,005</u>	<u>3,448,816</u>
	<u>6,395,425</u>	<u>5,912,173</u>
Service fee and commissions		
Interbank fees	(138,493)	(133,796)
Fees from trustee business	(23,062)	(34,164)
Management fees	(85,803)	(84,323)
Others	<u>(736,295)</u>	<u>(754,584)</u>
	<u>(983,653)</u>	<u>(1,006,867)</u>
Net service fee and commissions income	<u>\$ 5,411,772</u>	<u>\$ 4,905,306</u>

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

	For the Year Ended December 31	
	2016	2015
Disposal gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	\$ 2,208	\$ 14,758
Bonds	68,323	64,360
Bills	15	30
Derivative financial instruments	2,274,771	305,130
Net interest income	(178,798)	(192,865)
Stock dividends and bonuses	<u>2,317</u>	<u>1,470</u>
	<u>2,168,836</u>	<u>192,883</u>
Valuation gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	(2,314)	(3,356)
Bonds	(187,526)	2,887
Bills	13,645	(8,642)
Derivative financial instruments	<u>78,689</u>	<u>223,016</u>
	<u>(97,506)</u>	<u>213,905</u>
	<u>\$ 2,071,330</u>	<u>\$ 406,788</u>

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

	For the Year Ended December 31	
	2016	2015
Stock dividends and bonus	\$ 143,823	\$ 99,071
Disposal gains (losses)		
Stock	117,009	15,377
Bonds	<u>171,393</u>	<u>165,740</u>
	<u>\$ 432,225</u>	<u>\$ 280,188</u>

e. Depreciation and amortization expenses

	For the Year Ended December 31	
	2016	2015
Property and equipment	\$ 550,887	\$ 560,584
Investment property	6,627	6,420
Intangible assets and other deferred assets	<u>160,386</u>	<u>135,264</u>
	<u>\$ 717,900</u>	<u>\$ 702,268</u>

f. Employee benefits expenses

	For the Year Ended December 31	
	2016	2015
Short-term benefits	\$ 9,459,706	\$ 9,298,793
Post-employment benefits		
Defined contribution plans	155,443	145,456
Defined benefit plans	302,131	294,759
High-yield savings account for employees	303,986	241,972
Other post-employment benefits	<u>327,850</u>	<u>212,188</u>
	<u>\$ 10,549,116</u>	<u>\$ 10,193,168</u>

1) Employees' compensation and remuneration of directors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Bank approved by the shareholders in their meeting on June 2016, the Bank accrued employees' compensation and remuneration of directors at the rates 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on February 24, 2017 and March 17, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	5%	5%
Remuneration of directors	0.4%	0.4%

Amount

	For the Year Ended December 31	
	2016	2015
	Cash	Cash
Employees' compensation	\$ 745,076	\$ 723,255
Remuneration of directors	59,606	57,860

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

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

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

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

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

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 12, 2015 were as follows:

	For the Year Ended December 31, 2014
	Cash
Bonus to employees	\$ 610,242
Remuneration of directors and supervisors	95,350

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 12, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. INCOME TAX

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

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 1,575,232	\$ 1,179,493
Adjustments for prior years	2,096	(63,366)
Deferred tax		
In respect of the current year	124,262	801,020
Income tax on unappropriated earnings	-	30,298
Non-deductible tax of overseas branches	<u>295,479</u>	<u>155,419</u>
Income tax expense recognized in profit or loss	<u>\$ 1,997,069</u>	<u>\$ 2,102,864</u>

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

	For the Year Ended December 31	
	2016	2015
Profit before tax	\$ 14,083,041	\$ 13,746,201
Income tax expense calculated at the statutory rate	2,394,117	2,336,854
Nondeductible expenses in determining taxable income	(58,924)	1,191
Overseas' branch's additional income of deferred tax effect	127,480	89,001
Tax-exempt income	(763,179)	(514,513)
Income tax on unappropriated earnings	-	30,298
Non-deductible tax of overseas branches	295,479	155,419
Adjustments for prior years' tax	-	67,980
Others	<u>2,096</u>	<u>(63,366)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,997,069</u>	<u>\$ 2,102,864</u>

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

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ (141,140)	\$ 6,375
Fair value changes of available-for-sale financial asset	5,370	(6,280)
Actuarial gains and losses on defined benefit plan	<u>(41,395)</u>	<u>(75,737)</u>
Total income tax recognized in other comprehensive income	<u>\$ (177,165)</u>	<u>\$ (75,642)</u>

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2016	2015
Current tax assets		
Tax refund receivable	\$ 45,926	\$ 39,486
Others	<u>10,763</u>	<u>15,950</u>
	<u>\$ 56,689</u>	<u>\$ 55,436</u>
Current tax liabilities		
Income tax payable	<u>\$ 550,984</u>	<u>\$ 146,692</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, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Doubtful debts	\$ 1,621,191	\$ (39,275)	\$ -	\$ 1,581,916
Others	<u>746,298</u>	<u>83,495</u>	<u>36,025</u>	<u>865,818</u>
	<u>\$ 2,367,489</u>	<u>\$ 44,220</u>	<u>\$ 36,025</u>	<u>\$ 2,447,734</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>488,167</u>	<u>168,482</u>	<u>(141,140)</u>	<u>515,509</u>
	<u>\$ 6,644,859</u>	<u>\$ 168,482</u>	<u>\$ (141,140)</u>	<u>\$ 6,672,201</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	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>746,298</u>
	<u>2,630,703</u>	<u>(345,231)</u>	<u>82,017</u>	<u>2,367,489</u>
Tax losses	<u>555,329</u>	<u>(555,329)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,186,032</u>	<u>\$ (900,560)</u>	<u>\$ 82,017</u>	<u>\$ 2,367,489</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>581,332</u>	<u>(99,540)</u>	<u>6,375</u>	<u>488,167</u>
	<u>\$ 6,738,024</u>	<u>\$ (99,540)</u>	<u>\$ 6,375</u>	<u>\$ 6,644,859</u> (Concluded)

e. Integrated income tax

	<u>December 31</u>	
	2016	2015
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 11,970,239</u>	<u>\$ 11,613,831</u>
Shareholder-imputed credits account	<u>\$ 1,132,836</u>	<u>\$ 859,993</u>
	<u>For the Years Ended December 31</u>	
	2016 (Expected)	2015
Creditable ratio for distribution of earnings	9.75%	9.19%

e. Income tax assessments

The Bank's income tax returns through 2014 had been examined and cleared by the tax authority.

31. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 16, 2016. The basic and diluted after-tax earnings per share of 2015 were adjusted retrospectively as followings:

Unit: NT\$ Per Share

	<u>For the Year Ended December 31, 2015</u>	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 1.38</u>	<u>\$ 1.30</u>
Diluted earnings per share	<u>\$ 1.37</u>	<u>\$ 1.29</u>

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

	<u>For the Year Ended December 31</u>	
	2016	2015
Net profit for the year	<u>\$ 12,085,972</u>	<u>\$ 11,643,337</u>

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

	For the Year Ended December 31	
	2016	2015
Weighted average number of common stocks in computation of basic earnings per share	8,964,762	8,964,762
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	<u>52,388</u>	<u>63,299</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>9,017,150</u>	<u>9,028,061</u>

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

32. OPERATING LEASE ARRANGEMENTS

a. The Bank as lessee

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

As of December 31, 2016 and 2015, refundable deposits paid under operation leases amounted to \$39,579 thousand and \$39,006 thousand, respectively.

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

	December 31	
	2016	2015
Not later than 1 year	\$ 557,224	\$ 561,595
Later than 1 year and not later than 5 years	1,150,303	1,066,544
Later than 5 years	<u>302,443</u>	<u>365,478</u>
	<u>\$ 2,009,970</u>	<u>\$ 1,993,617</u>

b. The Bank as lessor

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

As of December 31, 2016 and 2015, refundable deposits received under operation leases amounted to \$51,430 thousand and \$49,272 thousand, respectively.

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

	December 31	
	2016	2015
Not later than 1 year	\$ 230,985	\$ 191,030
Later than 1 year and not later than 5 years	551,598	422,066
Later than 5 years	<u>77,655</u>	<u>77,442</u>
	<u>\$ 860,238</u>	<u>\$ 690,538</u>

33. CAPITAL RISK MANAGEMENT

a. Summary

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

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

b. Capital management procedures

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

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

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

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

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

- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.
- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of unrecognized available for sale financial assets convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item			Period	December 31, 2016	December 31, 2015
Self-owned capital	Common equity Tier I			\$ 121,271,653	\$ 112,853,258
	Other Tier I capital			2,332,643	2,606,267
	Tier II capital			43,971,841	38,454,781
	Self-owned capital			167,576,137	153,914,306
Risk-weighted assets	Credit risk	Standardized approach		1,330,834,716	1,249,155,462
		IRB		-	-
		Securitization		17,711	22,558
	Operation risk	Basic indicator approach		-	-
		Standardized approach/optional standard		50,906,050	46,064,950
		Advanced internal rating based approach		-	-
	Market price risk	Standardized approach		13,292,788	11,798,713
		Internal model approach		-	-
	Total			1,395,051,265	1,307,041,683
Capital adequacy ratio				12.01%	11.78%
Common equity Tier I to risk-weighted assets ratio				8.69%	8.63%
Tier I capital to risk-weighted assets ratio				8.86%	8.83%
Leverage ratio				5.76%	5.65%

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:

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

34. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity investments	\$ 204,864,541	\$ 204,960,525	\$ 205,777,255	\$ 205,870,456
Bonds investment with no active market	88,555	91,914	2,051,074	2,065,441
<u>Financial liabilities</u>				
Bond payables	31,375,226	31,824,888	35,176,580	36,206,685

2) Fair value hierarchy

Fair value hierarchy as at December 31, 2016

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity investments	\$ 204,960,525	\$ 3,626,147	\$ 11,834,378	\$ 189,500,000
Bonds investment with no active market	91,914	-	91,914	-
<u>Financial liabilities</u>				
Bond payables	31,824,888	-	7,275,226	24,549,662

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

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	-

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.

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

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.

c. Financial risk management objectives and policies

1) Market risk

- a) The source and definition of market risk

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

The major market risks of the Bank are equity securities price risks, interest rate risks, and exchange rate risks. The 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 Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to Assets and Liabilities Management Committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.

- iii. Follow the regulations of Basel Accord.
 - iv. Establish the market risk management system and economic capital allocation process.
 - v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.
- c) Market risk management procedures

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

i. Identifying and measuring

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

ii. Monitoring and reporting

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

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

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

iii. Stress testing

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

d) Trading book market risk management

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

i. Strategy

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

ii. Management policy and procedures

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

iii. Valuation policy

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

iv. Risk measuring methods

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

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

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

e) Trading book interest rate risk management

i. Definition of interest rate risk

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

ii. Management procedures on trading book interest rate risk

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

iii. Measuring methods

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

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

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

ii. Management strategy on banking book interest rate risk

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

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

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

g) Exchange rate risk management

i. Definition of exchange rate risk

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

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

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to Item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank's equity security price risk mainly comes from public and 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, 2016 and 2015, the Bank's VaR factors based on historical simulation method were as follows:

For the Year Ended December 31, 2016				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 132,869	\$ 210,803	\$ 84,965	\$ 124,001
Interest rate VaR	31,516	39,497	26,264	31,699
Equity securities VaR	<u>932</u>	<u>1,293</u>	<u>576</u>	<u>576</u>
Value at risk	<u>\$ 165,317</u>	<u>\$ 251,593</u>	<u>\$ 111,805</u>	<u>\$ 156,276</u>

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>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2016 and 2015 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2016			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,363,307	32.2200	\$ 237,245,752
GBP	107,309	39.6100	4,250,509
AUD	1,062,016	23.3450	24,792,764
HKD	1,269,706	4.1540	5,274,359
CAD	75,519	23.9200	1,806,414
ZAR	2,111,595	2.3700	5,004,480
JPY	54,909,216	0.2771	15,215,344
EUR	476,775	33.9800	16,200,815
RMB	16,578,816	4.6240	76,660,445
Non-monetary items			
USD	177,822	32.2200	5,729,425

(Continued)

December 31, 2016			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 8,672,121	32.2200	\$ 279,415,739
GBP	99,479	39.6100	3,940,363
AUD	939,097	23.3450	21,923,219
HKD	1,239,671	4.1540	5,149,593
CAD	82,682	23.9200	1,977,753
ZAR	2,490,908	2.3700	5,903,452
JPY	52,799,150	0.2771	14,630,644
EUR	505,965	33.9800	17,192,691
RMB	15,923,218	4.62400	73,628,960
Non-monetary items			
USD	401,490	32.2200	12,936,008
			(Concluded)

(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

For the years ended December 31, 2016 and 2015, net foreign exchange gains were \$279,662 thousand and \$1,647,056 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank entities.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the 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 counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties’ credit risks through regular and special reviews, monitoring and reporting.

iii. Debt instrument and derivatives financial instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Bank conducts derivative transactions are mostly considered investment grade. The Bank monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Bank classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

c) Credit risk hedging or mitigation policies

i. 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 Bank's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Bank has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Bank has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Bank has set credit limits by industry, conglomerate, transactions collateralized by stocks, and other categories and integrated within one system to supervise concentration of credit risk in these categories.

The table below analyzes the collaterals held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheet:

December 31, 2016

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	Total
Loans	\$ 868,885,432	\$ -	\$ -	\$ 868,885,432
Financial assets at fair value through profit or loss	17,648,990	-	-	17,648,990
Available-for-sale financial assets	4,342,564	-	-	4,342,564
Held-to-maturity financial assets	1,799,845	-	-	1,799,845

December 31, 2015

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	Total
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

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 financial statements.

As of December 31, 2016 and 2015, 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	
	2016	2015
Unused loan commitments (excluding credit card)	\$ 93,836,687	\$ 107,576,609
Credit card credit commitment	371,718	347,862
Unused issued letters of credit	23,053,060	17,841,443
Guarantees in guarantee business	44,626,870	34,838,957

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

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

Industry Type	December 31			
	2016		2015	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Financial and insurance	\$ 64,187,414	5	\$ 69,546,315	5
Manufacturing	337,151,780	24	336,412,256	25
Wholesale and retail	121,089,857	9	120,394,303	9
Real estate and leasing	98,686,674	7	95,714,952	7
Service	43,032,933	3	34,962,605	3
Individuals	444,708,300	32	440,352,896	33
Others	274,525,907	20	240,685,928	18
	<u>\$ 1,383,382,865</u>		<u>\$ 1,338,069,255</u>	

Geographic Location	December 31			
	2016		2015	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Asia	\$1,316,938,252	95	\$ 1,283,595,979	96
America	47,678,320	4	38,227,608	3
Europe	16,835,940	1	14,656,050	1
Others	1,930,353	-	1,589,618	-
	<u>\$ 1,383,382,865</u>		<u>\$ 1,338,069,255</u>	

December 31				
Securities Type	2016		2015	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Unsecured	\$ 514,497,433	37	\$ 515,003,814	38
Secured				
Properties	722,217,556	52	678,140,284	51
Others	<u>146,667,876</u>	11	<u>144,925,157</u>	11
	<u>\$ 1,383,382,865</u>		<u>\$ 1,338,069,255</u>	

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

Part of financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities investments purchased under resell agreement, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Besides the above, the credit quality analyses of other financial assets were as follows:

i Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016							Net (A)+(B)+(C)- (D)
	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	
	High	Medium	Weak	Non-ratings				
<u>In-balance-sheet items</u>								
Receivables	\$ 8,673,298	\$ 3,726,260	\$ 205,451	\$ 7,750,515	\$ 20,355,524	\$ 489,081	\$ 20,853,292	\$ 20,280,261
Credit cards	-	-	-	1,752,029	1,752,029	-	1,774,654	1,757,954
Other	8,673,298	3,726,260	205,451	5,998,486	18,603,495	8,687	22,625	5,157
Loans	382,993,935	705,721,892	162,225,963	117,060,877	1,368,002,667	2,470,282	19,078,638	151,252
							405,079	18,522,307
							4,355,433	11,767,544
								1,367,259,890

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015						Total (A)+(B)+(C)	Impaired (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	\$ 19,555,684	\$ 268,718	\$ 19,830,092	\$ 32,561	\$ 68,088	\$ 19,729,443	
Credit cards	-	-	-	1,705,377	1,705,377	21,946	1,727,323	11,842	4,910	1,710,571	
Other	8,256,011	3,754,199	233,619	5,606,478	17,850,307	5,690	18,102,769	20,719	63,178	18,018,872	
Loans	360,671,585	691,923,764	167,048,979	107,337,347	1,326,981,675	9,176,774	1,338,069,255	3,745,400	12,389,492	1,321,934,363	

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, 2016				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	\$ 74,995,708	\$ 176,509,719	\$ 129,253,570	\$ 60,247,928	\$ 441,006,925
Corporation finance	307,998,227	529,212,173	32,972,393	56,812,949	926,995,742
Total	\$ 382,993,935	\$ 705,721,892	\$ 162,225,963	\$ 117,060,877	\$ 1,368,002,667

(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

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016						
	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)
	High	Medium	Weak	Non-ratings			
Available-for-sale financial assets	\$ 76,659,070	\$ -	\$ -	\$ 135,796	\$ -	\$ 150,000	\$ 76,944,866
Bonds	72,045,422	-	-	135,796	-	-	72,181,218
Stocks	2,963,065	-	-	-	-	150,000	3,113,065
Bills	1,650,583	-	-	-	-	-	1,650,583
Held-to-maturity financial assets	204,864,541	-	-	-	-	-	204,864,541
Bonds	14,139,268	-	-	-	-	-	14,139,268
Bills	190,725,273	-	-	-	-	-	190,725,273
Other financial assets	88,555	-	-	-	-	148,846	237,401
Securities	88,555	-	-	-	-	(Note) 148,846	237,401
						(Note)	
							88,555

Note: Cost on the reclassification date.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015						
	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)
	High	Medium	Weak	Non-ratings			
Available-for-sale financial assets	\$ 67,093,360	\$ -	\$ -	\$ 291,842	\$ -	\$ 150,000	\$ 67,535,202
Bonds	63,480,235	-	-	291,842	-	-	63,772,077
Stocks	2,781,056	-	-	-	-	150,000	2,931,056
Bills	832,069	-	-	-	-	-	832,069
Held-to-maturity financial assets	205,777,255	-	-	-	-	-	205,777,255
Bonds	16,238,309	-	-	-	-	-	16,238,309
Bills	189,538,946	-	-	-	-	-	189,538,946
Other financial assets	1,401,984	-	-	649,090	-	151,896	2,202,970
Securities and bonds	1,401,984	-	-	649,090	-	(Note) 151,896	2,202,970
						(Note)	
							2,051,074
							2,051,074

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 Bank were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	\$ 1,552,701	\$ 678,358	\$ 2,231,059
Corporation finance	156,639	82,584	239,223

(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

4) Liquidity risk management

- a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

- b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about liquidity risk assessment should be reported to the board of directors to let high-level management understand Chang Hwa Bank's funding liquidity.

As of December 31, 2016 and 2015, the ratio of liquidity reserve is 16.14% and 16.48%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 28,562,791	\$ -	\$ -	\$ -	\$ -	\$ 28,562,791
Due from the Central Bank and call loans to other banks	28,590,804	4,105,577	4,208,647	6,431,842	24,518,721	67,855,591
Financial assets at fair value through profit or loss	19,947,216	-	-	-	-	19,947,216
Receivables	26,827,203	442,399	413,230	153,625	101,354	27,937,811
Loans	112,894,443	93,978,294	118,365,113	208,310,194	598,088,284	1,131,636,328
Available-for-sale financial assets	399,839	-	-	-	30,203,961	30,603,800
Held-to-maturity financial assets	139,700,000	5,830,000	3,604,845	5,964,923	9,823,470	164,923,238
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,869,857	13,869,857
	<u>356,922,296</u>	<u>104,356,270</u>	<u>126,591,835</u>	<u>220,860,584</u>	<u>680,772,656</u>	<u>1,489,503,641</u>
Major maturity funds outflows						
Due to the Central Bank and banks	390,565	496,895	218,254	1,282,762	-	2,388,476
Due to the Central Bank and call loans to other banks	20,865,000	10,000	-	-	-	20,875,000
Securities sold under repurchase agreements	1,303,656	1,300,946	350,379	-	-	2,954,981
Payables	45,670,601	1,085,140	473,936	1,312,601	1,269,324	49,811,602
Deposits and remittances	106,798,518	128,591,766	132,141,902	201,945,122	674,037,801	1,243,515,109
Bank notes payable	-	-	-	-	31,300,000	31,300,000
Other maturity funds outflows items	35,453	77,707	17,528	230,262	5,431,745	5,792,695
	<u>175,063,793</u>	<u>131,562,454</u>	<u>133,201,999</u>	<u>204,770,747</u>	<u>712,038,870</u>	<u>1,356,637,863</u>
Gap	<u>\$ 181,858,503</u>	<u>\$ (27,206,184)</u>	<u>\$ (6,610,164)</u>	<u>\$ 16,089,837</u>	<u>\$ (31,266,214)</u>	<u>\$ 132,865,778</u>

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

(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 Bank.

(In Thousands of United States Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 402,769	\$ 37,800	\$ -	\$ -	\$ -	\$ 440,569
Due from the Central Bank and call loans to other banks	1,155,329	793,328	380,862	1,160,917	4,617	3,495,053
Financial assets at fair value through profit or loss	254,130	-	-	-	-	254,130
Receivables	577,954	155,087	80,083	3,868	11,541	828,533
Loans	547,484	821,746	674,675	238,193	3,885,297	6,167,395
Available-for-sale financial assets	-	-	10,005	-	399,931	409,936
Held-to-maturity financial assets	-	10,017	7,992	23,037	2	41,048
Debts instrument without active market	-	-	-	-	2,748	2,748
Other maturity funds inflow items	5,000	-	10,500	15,000	5,615	36,115
	<u>2,942,666</u>	<u>1,817,978</u>	<u>1,164,117</u>	<u>1,441,015</u>	<u>4,309,751</u>	<u>11,675,527</u>
Major maturity funds outflows						
Due to the Central Bank and banks	601,435	343,431	611	1,215	20,044	966,736
Due to the Central Bank and call loans to other banks	1,476,245	708,000	10,000	-	(20,000)	2,174,245
Financial liabilities at fair value through profit or loss	-	-	-	108,754	282,515	391,269
Payables	565,008	25,623	2,474	1,263	3,902	598,270
Deposits and remittances	2,137,691	1,667,612	927,629	1,120,633	2,976,677	8,830,242
Other maturity funds outflows items	44,095	287	148	548	59,609	104,687
	<u>4,824,474</u>	<u>2,744,953</u>	<u>940,862</u>	<u>1,232,413</u>	<u>3,322,747</u>	<u>13,065,449</u>
Gap	\$ (1,881,808)	\$ (926,975)	\$ 223,255	\$ 208,602	\$ 987,004	\$ (1,389,922)

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

(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	\$ -	\$ -	\$ -	\$ 331,872
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	-	16,357	27,357
	<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 Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

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

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 130,155,626	\$ 207,646,380	\$ 37,567,952	\$ 35,437,810	\$ -	\$ 410,807,768
Inflows	130,759,071	207,995,125	37,745,214	35,451,238	-	411,950,648
Interest rate derivative instruments						
Outflows	7,245,265	9,092,079	13,476,017	15,267,339	8,628,394	53,709,094
Inflows	7,149,057	9,104,620	13,225,061	15,381,674	8,762,649	53,623,061
Total outflows	\$ 137,400,891	\$ 216,738,459	\$ 51,043,969	\$ 50,705,149	\$ 8,628,394	\$ 464,516,862
Total inflows	\$ 137,908,128	\$ 217,099,745	\$ 50,970,275	\$ 50,832,912	\$ 8,762,649	\$ 465,573,709

(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

e) Maturity analysis of off-balance-sheet items

Bank'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, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 69,486,885	\$ 3,475,014	\$ 4,165,725	\$ 4,742,034	\$ 11,967,029	\$ 93,836,687
Credit card credit commitment	-	1,679	370	2,770	366,899	371,718
Letters of credit issued yet unused	22,937,841	97,675	17,544	-	-	23,053,060
Guarantees	43,349,844	270,698	58,954	680,756	266,618	44,626,870
	\$ 135,774,570	\$ 3,845,066	\$ 4,242,593	\$ 5,425,560	\$ 12,600,546	\$ 161,888,335

(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

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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type	Item	December 31, 2016					December 31, 2015				
		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	\$ 1,281,512	\$ 432,229,261	0.30%	\$ 4,639,707	362.05%	\$ 1,396,999	\$ 389,922,671	0.36%	\$ 3,641,728	260.68%
	Unsecured	959,523	506,445,268	0.19%	5,555,562	578.99%	474,616	507,793,570	0.09%	5,901,103	1,243.34%
Consumer finance	Mortgage loans (Note d)	774,431	278,084,284	0.28%	4,224,539	545.50%	633,884	285,913,032	0.22%	4,288,695	676.57%
	Cash cards (Note h)	-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)	5,849	1,862,280	0.31%	19,948	341.05%	1,416	1,736,436	0.08%	20,982	1,481.78%
	Others (Note f)	493,975	163,274,105	0.30%	1,667,738	337.62%	325,055	150,979,061	0.22%	2,264,686	696.71%
Total	Secured	552	1,487,667	0.04%	15,481	2,804.53%	10,537	1,724,485	0.61%	17,698	167.96%
	Unsecured	3,515,842	1,383,382,865	0.25%	16,122,975	458.58%	2,842,507	1,338,069,255	0.21%	16,134,892	567.63%

Business Type	Item	December 31, 2016					December 31, 2015				
		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		2,468	1,726,689	0.14%	19,119	774.68%	\$ 5,499	\$ 1,633,468	0.34%	\$ 19,340	351.70%
	No recourse receivable factoring (Note g)	-	7,840,444	-	78,404	-	-	8,369,870	-	23,077	-

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
Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

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

Note d: 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 e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash card business.

Item Business Type	December 31, 2016		December 31, 2015	
	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)	\$ 52	\$ 2,105	\$ 82	\$ 2,945
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	275	13,677	399	9,443
Total	327	15,782	481	12,388

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, 2016			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%)(Note d)
1	A Group (plastic skin, plate and tube manufacturing industry)	\$ 33,300,793	24.21
2	B Corporation (railway transportation industry)	30,647,034	22.28
3	C Group (airline industry)	22,115,079	16.08
4	D Group (synthesis construction industry)	16,276,245	11.84
5	E Group (concrete manufacturing industry)	14,405,642	10.48
6	F Group (computer, peripheral equipment and software wholesale industry)	8,289,270	6.03
7	G Group (financial services industry)	7,857,038	5.71
8	H Group (real estate development industry)	7,689,000	5.59
9	I Group (steel manufacturing industry)	7,539,485	5.48
10	J Group (liquid crystal panel and components manufacturing industry)	7,535,032	5.48

December 31, 2015			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%)(Note d)
1	B Corporation (railway transportation industry)	\$ 33,586,063	25.94
2	A Group (petroleum and coal products manufacturing industry)	29,114,264	22.49
3	C Group (airline industry)	22,648,185	17.49
4	E Group (petrochemical industry)	11,081,682	8.56
5	D Group (synthesis construction industry)	10,786,085	8.33
6	K Group (steel refining industry)	8,296,438	6.41
7	I Group (steel manufacturing industry)	7,516,703	5.81
8	H Group (real estate development industry)	7,172,000	5.54
9	F Group (liquid crystal panel and components manufacturing industry)	6,876,717	5.31
10	G Group (financial intermediation industry)	6,414,158	4.95

Note a: Sorted by the balance of loans on December 31, 2016 and 2015, 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, 2016				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,269,307,194	\$ 40,458,358	\$ 22,450,149	\$ 91,540,909	\$ 1,423,756,610
Interest-sensitive liabilities	333,593,854	791,540,046	101,368,336	31,089,085	1,257,591,321
Interest sensitivity gap	935,713,340	(751,081,688)	(78,918,187)	60,451,824	166,165,289
Net equity					115,193,351
Ratio of interest-sensitive assets to liabilities					113.21%
Ratio of interest sensitivity gap to net equity					144.25%

(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 equity					111,678,202
Ratio of interest-sensitive assets to liabilities					114.90%
Ratio of interest sensitivity gap to net equity					161.95%

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, 2016				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 11,695,399	\$ 1,255,645	\$ 1,194,422	\$ 228,174	\$ 14,373,640
Interest-sensitive liabilities	14,170,543	746,860	767,441	20,036	15,704,880
Interest sensitivity gap	(2,475,144)	508,785	426,981	208,138	(1,331,240)
Net equity					367,773
Ratio of interest-sensitive assets to liabilities					91.52%
Ratio of interest sensitivity gap to net equity					(361.97%)

(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 equity					244,438
Ratio of interest-sensitive assets to liabilities					88.32%
Ratio of interest sensitivity gap to net equity					(618.70%)

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, 2016	December 31, 2015
Return on total assets	Pretax	0.72%	0.74%
	After tax	0.62%	0.63%
Return on net equity	Pretax	10.55%	11.05%
	After tax	9.05%	9.36%
Profit margin		38.98%	39.24%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Gross income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2016 and 2015, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2016					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	\$ 1,715,407,610	\$ 217,882,071	\$ 175,326,732	\$ 228,633,704	\$ 148,631,534	\$ 238,682,665	\$ 706,250,904
Major maturity cash outflows	2,222,080,238	142,241,450	148,319,598	348,521,395	264,651,463	443,541,393	874,804,939
Gap	(506,672,628)	75,640,621	27,007,134	(119,887,691)	(116,019,929)	(204,858,728)	(168,554,035)

(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)

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, 2016				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	\$ 22,387,536	\$ 8,975,508	\$ 4,198,450	\$ 2,006,425	\$ 2,684,110	\$ 4,523,043
Major maturity cash outflows	27,799,842	9,713,083	5,422,109	2,914,319	4,358,604	5,391,727
Gap	(5,412,306)	(737,575)	(1,223,659)	(907,894)	(1,674,494)	(868,684)

(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)

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	Book Value	Sales Price	Gain on Disposal	Agreement with Added Terms	Relationship
2016.08.02	Deutsche Bank AG, London Branch	International syndicated loan (foreign currency unsecured loans debt)	\$ -	\$ 177,972	\$ 177,972	None	None

(In Thousands of New Taiwan Dollars)

Transaction Date	Counterparty	Composition of NPLs	Book Value	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

g. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	2015
Special purpose trust accounts - domestic	\$ 24,689,081	\$ 25,523,639
Special purpose trust accounts - foreign	76,545,719	78,144,619
Insurance trust	1,046	1,038
Retirement and breeds trust	327,389	259,478
Umbilical-cord-blood trust	8,912,851	7,943,603
Money claim and guarantee trust	75,000	79,200
Marketable securities trust	3,543,841	910,467
Real estate trust	13,598,963	10,359,078
Securities under custody	119,703,445	137,125,599
Other money trust	<u>1,833,292</u>	<u>785,663</u>
	<u>\$ 249,230,627</u>	<u>\$ 261,132,384</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	
	2016	2015		2016	2015
Bank deposits	\$ 4,229,913	\$ 3,678,523	Trust capital		
Insurance claims	75,000	79,200	Money trust	\$ 112,113,342	\$ 113,574,602
Financial assets			Insurance claims	75,000	79,200
Common stocks	3,945,809	1,184,299	Marketable securities trust	3,467,283	813,200
Mutual funds	106,783,085	107,556,099	Real estate trust	13,608,304	10,373,433
Bonds	1,940,611	1,375,880	Securities under custody		
Adjustments - common stock	-	3,174	payable	119,703,445	137,125,599
Adjustments - mutual funds	-	(52,673)	Administration payable	93	103
Adjustments - bonds	-	3,828	Income taxes payable	970	995
Interest receivable	16,816	11,944	Profit and loss	202,713	153,016
Dividends receivable	-	20,028	Unappropriated retained earnings - realized capital gain/loss	15,104	15,809
Land	7,695,635	7,335,606	Unappropriated retained earnings - gain on revenue/expense investment	413,944	256,101
Buildings	630,375	581,241	Unappropriated retained earning	(369,571)	(1,259,674)
Construction in progress	4,209,938	2,229,636			
Securities under custody	119,703,445	137,125,599			
	<u>\$ 249,230,627</u>	<u>\$ 261,132,384</u>	Total trust liabilities	<u>\$ 249,230,627</u>	<u>\$ 261,132,384</u>
Total trust assets					

Trust Assets Register

Investments	December 31	
	2016	2015
Bank deposits	\$ 4,229,913	\$ 3,678,523
Insurance claims	75,000	79,200
Financial assets		
Common stocks	3,945,809	1,187,473
Mutual funds	106,783,085	107,503,426
Bonds	1,940,611	1,379,708
Land	7,695,635	7,335,606
Buildings	630,375	581,241
Construction in progress	4,209,938	2,229,636
Others	16,816	31,972
Securities under custody	<u>119,703,445</u>	<u>137,125,599</u>
Total trust assets	<u>\$ 249,230,627</u>	<u>\$ 261,132,384</u>

Income Statement of Trust

Investments	For the Year Ended December 31	
	2016	2015
Revenue		
Interest income	\$ 66,233	\$ 73,149
Dividends	51,430	66,998
Rental revenues	7,211	45,329
Gain on mutual funds	19,074	13,387
Foreign exchange gains	588,327	602,748
Realized capital gain - mutual funds	-	12,354
Realized capital gain - quoted stocks	-	4,055
Realized capital gain - bonds	-	5,889
Unrealized capital gain - mutual funds	15,911	5,218
Unrealized capital gain - quoted stocks	116,330	123,796
Unrealized capital gain - bonds	<u>17,575</u>	<u>17,316</u>
	<u>882,091</u>	<u>970,239</u>
Expense		
Maintenance	(1,659)	(1,813)
Tax expense	(2,174)	(1,321)
Others	(10,520)	(18,065)
Foreign exchange losses	(546,140)	(589,723)
Realized capital loss - bonds	-	(7,333)
Unrealized capital loss - bonds	(21,382)	(13,489)
Realized capital loss - mutual funds	-	(6,965)
Unrealized capital loss - mutual funds	(36,685)	(57,891)
Unrealized capital loss - quoted stocks	<u>(60,818)</u>	<u>(120,623)</u>
	<u>(679,378)</u>	<u>(817,223)</u>
	<u>\$ 202,713</u>	<u>\$ 153,016</u>

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Direct, supervisor and managers and the relatives	CHB's director, supervisor and managers and the relatives
Taishin Financial Holding	CHB's corporate director
Taishin International 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
Taiwan Financial Holdings	Same as above
Crown Department Company	Its director is the manager's spouse of Chang Hwa Bank
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, 2016	\$ 1,221,091	0.09
Balance as of December 31, 2015	1,148,344	0.09

For the years ended December 31, 2016 and 2015, interest ranged from 0.00% to 3.57% and 0.00% to 4.80%, interest revenues were \$17,364 thousand and \$23,846 thousand, respectively.

December 31, 2016							Difference in Terms Between Related Parties and Non-related Parties
Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral			
<u>Consumer loans</u>							
30 accounts	\$ 13,075	\$ 13,875	\$ 13,075	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
198 accounts	1,162,260	1,202,477	1,162,260	-	Real estate	None	
<u>Others</u>							
Crown Department Company	35,150	74,300	35,150	-	Real estate	None	
Other - individual 11 accounts (Note)	10,606	10,683	10,606	-	Foreign currency or deposit	None	
December 31, 2015							Difference in Terms Between Related Parties and Non-related Parties
Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral			
<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	

	December 31, 2015						Difference in Terms Between Related Parties and Non-related Parties
Others	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
Crown Department Company	\$ 37,550	\$ 78,100	\$ 37,550	\$ -	Real estate	None	
Other - individual 15 accounts (Note)	11,809	13,974	11,809	-	Foreign currency or deposit	None	
(Concluded)							

Note: 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 1.26% in December 31, 2016 and 1.40% in December 31, 2015, 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, 2016					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan Financial Holdings	\$ 5,360,000	\$ 5,360,000	\$ -	0.25	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2016	\$ 4,002,457	0.25
Balance as of December 31, 2015	3,568,423	0.23

For the years ended December 31, 2016 and 2015, the interest rates interval were all between 0.00% to 13.00%; the interest expense were \$53,421 thousand and \$56,001 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, 2016					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	OBU	USD	\$ 55,000	0.44-1.28	\$ 528
	Hong Kong Branch	USD	80,000	0.34-1.62	528
Taiwan Business Bank	Hong Kong Branch	USD	16,000	0.33-1.30	137

(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
		JPY	390,000	0.13	93
Taiwan Business Bank	Hong Kong Branch	USD	52,000	0.11-0.86	219
	OBU	USD	25,000	0.14-0.80	172
		RMB	30,000	1.30-5.00	1,192
		EUR	1,500	0.01-0.05	-
	Hong Kong Branch	USD	10,000	0.11-0.50	62
		AUD	5,000	2.24-2.30	51

Call loans from banks

(In Thousands of Original Currencies)

December 31, 2016

Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	Singapore Branch	USD	\$ 10,000	0.50-1.21	\$ 165
	New York Branch	USD	10,000	0.32-1.75	52
	London Branch	USD	75,000	0.41-1.40	351
	Hong Kong Branch	USD	4,000	0.35-1.62	3
Taiwan Business Bank	OBU	CAD	2,800	0.18-0.75	2
	Los Angeles Branch	USD	20,000	0.46-1.60	148

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
		EUR	15,000	0.02	-
Taiwan Business Bank	London Branch	EUR	15,000	0.02-0.03	-

5) Due from banks and due to banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	December 31	
			2016	2015
			Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 3	\$ 69
Taiwan Business Bank	DBU	NTD	722	5

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2016	2015
			Ending Balance	Ending Balance
The Export-Import Bank	DBU	NTD	\$ 613	\$ 1,308
Taishin International Bank	New York Branch	USD	47	45
Land Bank	DBU	NTD	277	277

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2016	2015
Short-term benefits	\$ 113,179	\$ 160,809
Post-employment benefits	1,939	10,597
	<u>\$ 115,118</u>	<u>\$ 171,406</u>

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

37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2016 and 2015 were as follows:

Pledged Assets	Description	December 31	
		2016	2015
Available-for-sale financial assets	Government bonds	\$ 5,921,200	\$ 5,757,300
Held-to-maturity financial assets	Bonds and certificate of deposits	36,819,687	36,792,991
Time deposits with original maturity more than 3 months	Time deposit	5,780,000	8,338,310
Refundable deposits	Cash	284,790	109,225

38. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of December 31, 2016 and 2015:

	December 31	
	2016	2015
Trust liabilities	\$ 249,230,627	\$ 261,132,384
Unused loan commitments	93,836,687	107,576,609
Credit card credit commitment	371,718	347,862
Unused issued letters of credit	23,053,060	17,841,443
Guarantees issued in guarantee business	44,626,870	34,838,957
Repayment note and time deposit held for custody	12,828,805	10,061,107
Liabilities on joint loans	512,886	288,195

- 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 Bank. 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 Bank. 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 Bank. The Iranian plaintiff appealed to the Supreme Court again on November 28, 2014. The Supreme Court rejected the appeal on January 13, 2016.
- 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.

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2016	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2016	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2016	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2016	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	None
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2016	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, 2016	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2016	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2016	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2016	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in Mainland China: Table 1

40. 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	\$ 576,092	\$ -	64,152,806	-	64,152,806	3.95
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	155,250	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	818,800	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	72,012	-	20,310,706	-	20,310,706	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	44,309	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,872,923	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	7,000	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,250	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	500,000	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	18,043	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.16	46,446	-	6,047,370	-	6,047,370	1.16
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	20,000	-	3,060,002	-	3,060,002	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	-	292,499	-	292,499	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	417	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	18,000	-	1,800,000	-	1,800,000	3.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note c)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note c)	-	556,965	-	556,965	1.47

Note a: The investees' voting shares, and imputed shares were owned by the Bank and related parties.

Note b: Imputed shares are considered if equity securities such as convertible bonds, warrants, etc., or derivative contracts such as stock options, are converted.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

41. 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, 2016							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net interest income	\$ 13,398,254	\$ 3,569,976	\$ 1,211,370	\$ -	\$ 3,547,243	\$ (74)	\$ 21,726,769
Net service fee and commissions income	1,586,754	187,007	(52,670)	3,377,335	313,346	-	5,411,772
Net income on financial instrument	-	-	3,431,699	-	41,333	-	3,473,032
Others	23,634	-	6,944	2,159	54,608	309,563	396,908
Net revenue and gains	15,008,642	3,756,983	4,597,343	3,379,494	3,956,530	309,489	31,008,481
Bad debts expenses and guarantee liability provisions	(42,694)	-	(339,691)	-	(755,659)	-	(1,138,044)
Operating expenses	-	-	-	-	-	-	(15,787,396)
Income before income tax	<u>\$ 14,965,948</u>	<u>\$ 3,756,983</u>	<u>\$ 4,257,652</u>	<u>\$ 3,379,494</u>	<u>\$ 3,200,871</u>	<u>\$ 309,489</u>	<u>\$ 14,083,041</u>

For the Year Ended December 31, 2015							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea 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)	3,132,820	247,410	-	4,905,306
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	3,132,820	3,255,412	1,150,420	29,657,034
Bad debts expenses and guarantee liability provisions	94,362	-	96	-	(423,830)	-	(329,372)
Operating expenses	-	-	-	-	-	-	(15,581,461)
Income before income tax	<u>\$ 14,419,667</u>	<u>\$ 4,112,663</u>	<u>\$ 3,680,510</u>	<u>\$ 3,132,820</u>	<u>\$ 2,831,582</u>	<u>\$ 1,150,420</u>	<u>\$ 13,746,201</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, 2016							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Oversea Branch	Others	Adjustment	Total
Assets	<u>\$ 1,254,886,726</u>	<u>\$ -</u>	<u>\$ 646,986,528</u>	<u>\$ 198,250,477</u>	<u>\$ 78,111,080</u>	<u>\$ (173,083,307)</u>	<u>\$ 2,005,151,504</u>
Liabilities	<u>\$ 1,857,380</u>	<u>\$ 1,575,105,439</u>	<u>\$ 234,915,136</u>	<u>\$ 181,449,462</u>	<u>\$ 47,383,869</u>	<u>\$ (173,083,307)</u>	<u>\$ 1,867,627,979</u>

December 31, 2015							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Oversea 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>

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2016**

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

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outflow	Inflow							
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	\$ 4,618,293 (US\$ 155,174)	Note 1.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 1.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 1.c.	2,550,956 (US\$ 81,743)	-	-	2,550,956 (US\$ 81,743)	-	-	-	-	-	

2.

Accumulated Outward Remittance for Investment in Mainland China December 31, 2016	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)	\$ 20,628,529

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

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

Note 2: Equity in the profits (losses):

- If the entity is still in preparation stage and there is no equity in profits (losses), the condition should be noted.
- The basis of recognizing equity in profits (losses) is categorized in the following three types and each entity should be noted according to its condition.
 - Financial statement audited (reviewed) by international accounting firms that cooperate with accounting firms in ROC.
 - Consolidated financial statements audited (reviewed) by Taiwan parent company's CPA.
 - Others.

(Continued)

Note 3: In accordance with the “Bank, Financial Holding Corporation and Related Party Invest China Business Rules” announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

- a. Banks in Taiwan (or subsidiaries in a third area) which establish branches, 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)

VII

Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

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VII | Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

A. Financial Status of the Past Two Years

Unit: NT\$ thousand

Items	Fiscal Year	105.12.31	104.12.31	Fluctuation	
				Amount	%
Total Assets		2,005,151,504	1,906,257,219	98,894,285	5.19
Total Liabilities		1,867,627,979	1,776,782,260	90,845,719	5.11
Total Equity		137,523,525	129,474,959	8,048,566	6.22

Note: There is no major change in the total amounts of assets and liabilities.

B. Financial Performance of the Past Two Years

Unit: NT\$ thousand

Items	Fiscal Year	2016	2015	Increase (Decrease) Amount	Change in %
Net interest income		21,726,769	20,915,929	810,840	3.88
Net non-interest income		9,281,712	8,741,105	540,607	6.18
Net income		31,008,481	29,657,034	1,351,447	4.56
Provisions for bad debts expenses and guarantee liability		1,138,044	329,372	808,672	245.52
Operating expense		15,787,396	15,581,461	205,935	1.32
Earning Before Tax from Continued Operations		14,083,041	13,746,201	336,840	2.45
Gain(Loss) from Continued Operations		12,085,972	11,643,337	442,635	3.80
Current profit (loss)		12,085,972	11,643,337	442,635	3.80

a. Change Analysis

In 2016, NT\$2.672 billion provisions for bad debts expenses was recognized while NT\$1.534 billion was recovered, resulting in a net provisions for bad debts expenses of NT\$1.138 billion; In 2015, provisions for bad debts expenses and recoveries was NT\$2.147 billion and NT\$1.818 billion, respectively. Therefore, the amount of net provisions for bad debts expenses of 2016 increased NT\$0.809 billion compared with that of 2015.

b. Business Operational Targets and Its Accordance

The Bank's 2017 business objectives are established based on the growth of each of the Bank's business line in the preceding year, forecasts of economic growth provided by various institutions and the Bank's business expansion policy. Please refer to "Letter to Shareholders B. 2017 Highlights of Business Plans b. Business Operational Targets."

c. The Impact on the Bank's Financial Structure and Responding Plans

No effect.

C. Cash Flow

a. Liquidity Analysis For the Past Two Years

Items	Fiscal Year	2016	2015	change
Cash Flow Ratio		26.88%	41.53%	-14.65%
Cash flows to dividends and expenditures (%)		618.85%	406.99%	211.86%
Ratio of Cash Flow for Operating to Cash Flow from Investing		-10,706%	-8,928%	-1,778%

Change Analysis:

Changes mainly caused by the decrease of net cash inflow from operating activities in 2016.

b. Improvement Plan for Insufficient Liquidity

None.

c. Next Year Cash Flow Analysis

Unit: NT\$ thousand

Cash Balance at the Start of the Period (1)	Expected Net Operating Cash Flow for the Whole Year (2)	Expected Cash Outflow for the Whole Year (3)	Expected Cash Surplus (Deficit) (1) + (2) + (3)	Remediation Measures against Expected Cash Flow Deficit	
				Investment	Wealth Management
167,977,705	(9,253,659)	11,800,579	170,524,625	-	-

D. The Material Effect on Financial Structure from Substantial Capital Expenditure in the Last Few Years

None.

E. The Reinvestment Policy for Last Fiscal Year, the Major Reasons for Its Profits or Losses, and Improvement and Investment Plan for Next Year

a. The Reinvestment Policy for Last Fiscal Year and the Major Reasons for Its Profits or Losses

In order to integrate resources and facilitate the operational synergy, the Bank consolidated Subsidiaries, CHB Life Insurance Agency Co., Ltd. and CHB Insurance Brokerage Co., Ltd., and recovered the full amount of book investment. The two subsidiaries are 100% owned by the Bank, and the merger does not affect the shareholders' equity of the Bank, it is expected to reduce operating cost and improve operating efficiency, which affects in the Bank's net profit per share and earnings per share positively.

b. Improvement Plan

Searching new investment targets under the consideration of profitability, security, growth, liquidity, and diversification.

c. The Investment Plan for Next Year

We will actively search for investment targets with solid growth potentials and annual dividend payouts.

F. Analysis & Evaluation of Risk Management during the Latest Year and up to the Date of Annual Report Publication

a. A Series of Qualitative and Quantitative Requirements for Risk Management

1. Credit Risk Management System and Capital Requirement:

2016

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	1. Strategies, Goals, and Policies for Credit Risk: (1) Corporate Credit Risk: According to the features of business development, meet the risk management requirements of the Basel Accord, and base on the highest guiding principles "Integrated Risk Management Policies," continuously improved the Bank's corporate credit risk management mechanisms in order to effectively identify, measure, monitor and communicate various risks, as well as to enhance risk management performance. (2) Consumer Credit Risk: Develop risk management rules and processes that meet the requirements of the Basel Accord. Through establishing risk management mechanisms and analyzing risk information, the Bank hopes to gain thorough understanding of the new trends in risk management and implement such best practices in the consumer business to reach the following goals: ① Build bank-wide consensus on risk management. ② Provide effective risk management mechanisms to facilitate the development of new financial products to ensure the sound development of the Bank. ③ Provide appropriate risk management information to the management level to balance risk and return in the decision-making process, which would increase shareholders' value. ④ Provide expected loss information according to experiences in credit risk losses. (3) Country Risk: The Bank uses information pertaining to the external credit ratings of each region and country as the basis for the identification of country risks. A structure has been set up for measuring country risks and determining country limits against our risk appetite in order to effectively control our exposure to country risks. In order to response the external regulations, AI822, and effectively control the risk exposure to Mainland China, the Bank make the integration of AI822 into the risk management mode for simultaneous control from Sep. 19, 2014. The country risk exposure management is divided into two parts. The country risk exposure (excluding China) and the risk in China, respectively, following the "Country Risk Management Guidelines" of the Bank and AI822 ruled by the Financial Supervisory Commission.

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	(4) Financial Counterparty Risk: The Bank has adopted the concepts advocated by the Basel Accord, and has set up a Top-Down structure for managing total limits and risk exposure. The Bank has established the "Counterparty Risk Management Guidelines". The Guidelines will help identify, assess and monitor the counterparty risk portfolio of the entire bank and report to the management levels to meet the requirements of local and overseas regulators and to facilitate effective utilization of capital and maximization of profits. 2. Procedures of Credit Risk: (1) Corporate Credit Risk: ① Continuing to improve the corporate loan application management system and various risk management techniques and efficiency to meet the risk management requirements. ② Establishing corporate credit rating system to effectively provide corporate credit risk measurement indicators and divide credit quality into four categories, high, medium, weaker, and no rating, a clear distinction of corporate credit risk, strengthen the Bank's credit risk management capabilities. ③ Continuing to develop and implement credit risk stress test to meet the regulatory authority's requirements and improve the Bank's risk management performance. ④ The Bank has established a complete monitoring mechanism for the effective identification and management of loans with potential risks. For example, "Corporate and Consumer Problem Loan Inquiry System" enables the bank to effectively use the collected information and implement KYC. "Corporate Customers Early Warning Evaluate Procedure" enables the bank to chase bad signs of high-risk loans and risk changes by the warning indicators of the inspection and notification; "Credit Exposure and Claims of Corporate Customers Inquiry System" enables the bank to grasp the news media coverage of the negative information and credit records in the bank; "Corporate Customer Credit Depreciation Notice System", enables the bank to effectively control and manage credit limit of abnormal customers. ⑤ Establishing a knowledge database to facilitate learning and evaluation. Providing lectures and training in risk management to shape the risk management culture of the Bank. (2) Consumer Credit Risk: ① To compile the "Consumer Banking Risk Management Guideline", the S.O.P. and other related operational rules; to utilize the credit risk database and the loan application automatic management system for the generation of various risk information. To enhance the quality of risk management, we strengthen identification, measurement and monitoring of consumer credit risk. ② In consumer loan application procedures, the Bank uses credit scorecards for rating and an override mechanism for special cases as a reference for loan application review and consumer credit risk management. The scorecards are regularly validated for effectiveness. ③ The Bank uses a regular automatic evaluation mechanism for real estate mortgage securities to track the credit of these cases. If there are signs of credit deterioration, the Bank launches a review mechanism to protect the Bank's claims. ④ Using application and behavior scorecards for mortgage loan and personal loan to provide objective reference for review and pricing, to effectively reduce the incidence of overdue loans and raise the quality of assets of the Bank's mortgage loans and personal loan. ⑤ To enhance the quality of assets of loans through the organization of lectures and trainings on risk management and through effective ongoing communications. (3) Country Risk: ① Using the rating selection principle and country rating information from Moody's, S&P, and Fitch to develop the Bank's country risk rating standards. ② Using the Bank's net worth disclosed in the latest annual report to calculate the total country risk limit and serve as the ceiling of the Bank's exposure to country risk. ③ Within the total country risk limit, the individual limits for various countries for the next year are determined by the political and economic situations of each country, as well as the actual business demands from our branches. The country risk limit in China is restricted by the net worth of the Bank in accordance with the external regulation (AI822), and approved by the Board of managing directors. ④ Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits will be either frozen or eliminated. ⑤ Each country exposure data will be gathered, analyzed and compiled into a Country Risk Management Monthly Report. (4) Financial Counterparty Risk: ① To use the credit ratings of counterparties provided by external ratings agencies as the basis for internal classification and rating of credit risk. ② Counterparty limits are determined by counterparty types and risk grades. Counterparty limits are calculated based on counterparties' standalone or consolidated net worth to serve as the maximum exposure that the Bank may tolerate while engaging in financial transactions; and those are further allocated among various products or business. ③ The maximum limit of each counterparty is further distinguished between a utilization limit and a reserve limit based on the business requirements of various departments. ④ To effectively manage the Bank's exposure to counterparty risk by monitoring and reporting each counterparty risk.
2. Organization and Structure of Credit Risk Management	To establish professional and comprehensive risk management capabilities, the Bank has created the following three risk management units: Credit Management Division, Risk Management Division and Loan Asset Management Division. Credit Management Division is responsible for case review of credit approvals, reviewing of credit approvals handled by branches, and management and maintenance of the loan application automatic management system (including credit investigation management system, corporate credit rating system and credit review management system) to ensure rigorous and careful credit investigation and approval procedures. Risk Management Division oversees formulation of management policies, strategies, rules, procedures and guidelines with respect to country risks, credit risks (including corporate banking, consumer banking and inter-bank dealings), market risks and operational risks. Loan Asset Management Division is responsible for effective management and control of non-performing loans, collections and bad debts as well as that of non-performing loans, including the loan asset management system. The Bank has also set up Risk Management Committee and Asset & Liability Management Committee, chaired by our President who convenes the monthly meetings. The committee is responsible for evaluating and monitoring the Bank's risk-taking capacity and the actual risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis to enhance risk management quality by consolidating relevant review, monitoring and coordination actions.

Items	Contents
3. Scope and Features of the Credit Risk Report and Evaluation System	1. Corporate Credit Risk: (1) Report of Corporate Credit Risk: Periodically inspecting and monitoring the concentration of exposure at default (EAD) for the Bank's corporate customers and disclosing the EAD balance of any single customer, affiliate / group, industry, collateral, interested party, high risk industries, and potentially problematic loan to provide risk management with accurate, timely information for assuming risks and making decisions. (2) Scope and Features of the Credit Risk Evaluation System: ① Effectively evaluating the Bank's capital adequacy and carrying out rigorous and proactive stress test to cope with possible adverse events or changes. ② Establishing an internal rating system to effectively differentiate loan risks, and to be used as a measuring tool for loan decision, pricing reference and post-loan management. ③ Setting up a credit limit management, credit line review approval system, and establishing a relevant risk measurement mechanism to be used as a tool for monitoring credit risks. ④ Establishing an operating procedure for evaluating loan assets to ensure steady operations. Using quantitative and qualitative evaluation methods to identify the quality of loan assets and to determine the adequacy of allowance for loan loss provisions. ⑤ With a system for periodically evaluating property collateral, the value of collateral and the increase / decrease in risk exposure may be timely reflected to effectively identify the Bank's risk exposure. 2. Consumer Credit Risk: (1) Risk Report: The various exposure information provided by our system will enable management levels and relevant business units to have a clear understanding of the credit risk and to adjust policies or business strategies accordingly. (2) Risk identification and evaluation: Using a scorecard system, expenditure-to-income ratio, debt ratio, and semiannual reports on credit loan, and real estate periodic evaluation mechanisms to evaluate the risks assumed before and after granting a loan to facilitate the taking of adequate measures. 3. Country Risk and Financial Counterparty Risk: The Bank regularly reviews the exposure of country risk and financial counterparty risk. The Bank also discloses the category of asset quality, concentration, exposure of portfolio management, and the exposure distribution of the top twenty financial counterparties so that risk management level have accurate and timely information to adjust risk distribution accordingly. The Bank uses risk management systems and risk weight of derivatives to calculate the exposure of pre-settlement risk of derivatives to evaluate and control risk.
4. Hedging or Mitigation Policies for Credit Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	1. Policy: Actively use qualified and effective risk mitigation tools to reduce or transfer the loan credit risk of the Bank to strengthen protection of the Bank's creditor's right and reduce amount of regulatory reserve. 2. Monitoring Strategies and Procedures: Establish relevant operating rules, procedures, or systems for the usage of risk mitigation tools. Through appropriate evaluation mechanisms and reviewing systems, the Bank constantly monitors the value change of such tools and the validity of their relevant legal documents. This prevents the negative impact of risk concentration and the mutual influence of the credit risks. (1) Application is rejected if the incidence of loss is too high in certain underwriting cases. In addition, if certain loan products incur severe loss, or if underwriting to risky sectors or customers with bad credit records, cases are also rejected. An alternative is to set higher prices. (2) The Bank periodically reviews the operation performance, financial condition, and repayment ability of the client to understand and review the credit limit and actual exposure of the client. This helps the Bank to evaluate the appropriateness of the line of credit. (3) The Bank establishes collateral policies to regulate the kinds of collaterals that are deemed acceptable. The policies also regulate the method of value appraisal to ensure that when default occurs, the Bank is able to effectively and quickly dispose the collateral and/or receive compensation. An alternative is to adopt the credit guarantee fund for underwriting. These serve as means to entirely or partially transfer the risks. (4) The management and control mechanisms for credit risk portfolio management are strengthened to continue establishing a credit limit management, review, approval, and evaluation system on a conservative basis for concentrated loans to effectively manage the overall credit risks of loan portfolio and strengthen the quality of loan assets.
5. Approach for Legal Capital Requirement	The Standardized Approach.

Risk Exposure after Mitigating Risks from the Standardized Approach of the Credit Risk and Capital Requirement

Dec. 31, 2016 Unit: NT\$ thousand

Exposure Type	Risk Exposure After Mitigation	Capital Requirement
Sovereigns	292,486,992	24,199
Non-central Government Public Sector Entities	47,785,671	764,571
Banks(Included Multilateral Development Banks, MDBS)	189,454,587	5,895,605
Corporate(Included Securities and Insurance Firms)	870,392,347	65,057,318
Claims on Retail	271,815,482	17,678,550
Residential Property	262,489,200	12,050,161
Equity Security Investments	4,488,845	1,336,305
Other Assets	70,057,600	3,423,073
Total	2,008,970,724	106,229,783

2. Securitization Risk Management System, Risk Exposure and Capital Requirement:

2016

Items	Contents
1. Strategies and Procedures for Securitization Management	Business operations regarding the investment of asset securitized products shall comply with the Bank's "Operating Guidelines for Investing in Asset Securitized Products." This guideline includes management strategies and procedures. The framework includes its purpose, basis, business strategies, principles and guideline, processes, internal control system, periodic evaluation, accounting measures, internal audit system, authorization, credit limit management, and risk management measures.
2. Organization and Structure of Securitization Management	1. Treasury Division, Overseas branches, and Offshore Banking Branch are Trading units for asset securitized products. 2. Credit Management Division is responsible for the reviews of these applications. 3. Risk Management Division monitors the credit risk, market risk, and operational risks, including authorized limit, rating, duration, and stop loss limit rules. 4. Treasury Division is responsible for the backend operations with Offshore Banking Branch, including confirmation of transaction, settlement, and booking. 5. IT Division installs and maintains the IT system for this business. 6. Financial Management Division is responsible for regular evaluation, accounting processes, announcement applications, and information disclosure. 7. Internal Auditing Division oversees the internal control of this business.
3. Scope and Features of the Securitization Risk Report and Evaluation System	1. Credit Risk: (1) The front desk should always scrutinize the credit situation of the asset securitized products purchased and also the underlying tools within the asset pool. Annual reviews should be periodically conducted, with the results written into reports and saved as hard copies. Risk Management Division should also receive a copy. (2) When credit abnormalities occur and risk of loss increases, Risk Management Division should immediately notify the front desk and take any necessary actions. (3) If default events such as inability to collect interests regularly or collect principle and interest upon maturity occur, the front desk should immediately notify Loan Asset Management Division with the original report and send the duplicate copy to International Banking Division and Risk Management Division. Internal Auditing Division should also be informed. 2. Market Risk: Risk Management Division shall design an appropriate appraisal method to assess the market risk factors of asset securitized products. The method of pricing and evaluation should be reviewed. The positions held should be reported to the Board of managing directors every six months to assess whether the risk levels are within an acceptable range. 3. Operational Risk: S.O.P should be designed to serve as rules for employees to follow. Operational risk control and Risk Control and Self Assessment (RCSA) should also be conducted.
4. Hedging or Mitigation Policies for Securitization; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	Not applicable.
5. Approach for Legal Capital Requirement	The Standardized Approach.
6. General periodic disclosures including: (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization (2) Other risks associated with securitized assets (e.g. liquidity risk) (3) The different roles played by the Bank during asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	None.
7. Provide an overall description of the Bank's accounting policies on securitization	None.
8. The name of the External Credit Assessment Institution (ECAI) engaged for asset securitization within the Banking Book and the ECAI's involvement in every type of securitized asset	None.
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking Book and the Trading Book)	None.

Engagement of Asset Securitization

None.

Risk Exposure and Capital Requirement for Securitization-By transaction type

December 31, 2016 Unit: NT\$ thousand

Type of Book Role of the bank	Type of Exposure	Asset Type	Traditional					Synthetic		Total		
			Exposure				(2) Capital Requirement	Exposure	(4) Capital Requirement	Exposure (5)=(1)+(3)	Capital Requirement (6)=(2)+(4)	Accrued Capital before Securitization
			Hold Or Buy	Provide the Liquidity Facilities	Provide Credit enhancement	(1) Sub- total						
Non- Originating Bank	Banking Book	Mortgage Backed Securities	88,555			88,555	1,417			88,555	1,417	
	Trading Book											
	Subtotal		88,555			88,555	1,417			88,555	1,417	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			88,555			88,555	1,417			88,555	1,417	

Securitization Products Information

(1) Summary of Investment in Securitized Products:

December 31, 2016 Unit: NT\$ thousand

Items	List of Accounting Accounts	Historical Cost	Gain/ Loss of Accumulated Valuation	Accumulated Impairment	Book Value
Collateralized mortgage obligation (CMO)	Investments In Debt Security with No Active Market	88,562	0	0	88,555

(2) ① If original cost of investing in securitized products amounts to NT\$300 million or above (excluding holdings of such products due to credit enhancement purposes when the Bank is an originator) the following information shall be disclosed: None.

② A bank serves as an originator for securitization and holds positions due to credit enhancement: None.

③ A bank serves as buying institution or clearing buying institution of credit impaired assets for securitized products: None.

(3) A bank serves as guarantee institution of securitized products or provides liquidity facility: None.

3. Operational Risk Management System and Capital Requirement:

2016

Items	Contents
1. Strategies and Procedures for Operational Risk Management	The Bank establishes a "Guidelines for Operational Risk Management" to create a sound framework for managing operational risks and develop appropriate process and strategies for managing operational risks. In daily operations, all units should comply with the regulation, leverage risk management tools to identify, assess, monitor, and control the operational risks of the Bank's major products, operational activities, operational processes, and IT system. Reports regarding operational risks should also be produced.
2. Organization and Structure of Operational Risk Management	The Bank has an organizational structure for managing operational risk that is composed of Three Lines of Defense. On the first line, all business units are responsible for daily management of operational risk. On the second line, the Risk Management Division formulates and supports operational risk management and the Legal Affairs and Compliance Division formulates compliance system. Finally, the Internal Auditing Division will serve as the third line of defense through the internal auditing function to verify the effectiveness of our operational risk management efforts.
3. Scope and Features of the Operational Risk Report and Evaluation System	(1) To facilitate the evaluation and management of the assessment results of operational risks, the Bank has set up an operational risk loss data management system, a risk control and self-assessment system and a key risk indicators monitoring system. (2) The Bank collects operational risk loss events through systems, and then categorizes the risks according to authority regulations and types of losses. This helps the Bank to understand the loss situation of internal operational risks. (3) The Bank's operational risk control and self-assessment (RCSA) system begins with the head office's business management units, where self-assessments are conducted according to the risks and controls of their respective businesses, compile and edit their operational risk self-assessment tables, and review the rules and regulations of their respective businesses. Business execution and business management units then conduct operational risk self-assessments and input the results in the system for the Bank to analyze potential operational risk exposures situation. (4) The Bank establishes Key Risk Indicators (KRIs) and their respective limits and thresholds for the Bank's major risk exposures. Continuous monitoring and management provides information for red flags. (5) The Bank integrates operational risk related items and compiles periodic operational risk management reports for the Board of Directors, senior management, and business management units, so that they fully understand the situation and can make decisions accordingly.
4. Hedging or Mitigation Policies for Operational Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	(1) All business management units select appropriate risk countermeasures according to the monitoring results of operational risk assessment and Key Risk Indicators and the risk exposures of the Bank. Operational risks shall be controlled within acceptable levels through risk mitigation measures such as outsourcing or insurance, or other appropriate measures such as enhancing employee education and training, improving internal operation processes, or enhancing systems. Before launching new products, activities, processes, and systems, the Bank also conducts operational risk identification and assessment to gauge possible risks and take precautionary measures. (2) In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to the minimum. (3) Through Operational Risk Control and Self-Assessment, the Bank regularly assesses the residual risks of the control plans of each risk item. This ensures the validity and effectiveness of the control plans.
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Operational Risk

December 31, 2016 Unit: NT\$1,000

FY	Gross Profit	Accrued Capital
2014	26,254,422	
2015	28,274,973	
2016	30,509,330	
Total	85,038,725	
		4,072,484

4. Market Risk Management System and Capital Requirement:

2016

Items	contents
1. Strategies and Procedures for Market Risk Management	1. Strategies: (1) To plan market risk management in order to ensure effective identification, measurement, monitoring and reporting of relevant risks. (2) Evaluating and monitoring market risks ensuring that they fall within the risk appetite to lower the Bank's unexpected loss arising from market risks. (3) Drafting and implementing measures that conform to the relevant regulations of managing market risks announced by Taiwan's regulatory authority and the Basel Accord. (4) Establishing and developing market risk management system and economic capital allocation procedures. 2. Procedures: The market risk management process consists of five perspectives: identification, measuring, monitoring, reporting and management of executing procedures, and is carried out as per the Bank's "Market Risk Management Guideline."
2. Organization and Structure of Market Risk Management	According to the risk management framework and responsibilities stated in the Bank's "Integrated Risk Management Policies," the Market Risk Section under Risk Management Division act as the second line of defense, and performs risk control and management mechanisms as outlined below: 1. Managing market risks, developing relevant procedures or operating standards, and reporting to the appropriate superiors according to "The Rule of Authority and Duty." 2. Setting up an independent risk management mechanism, providing the basis for a market risk management process to avoid conflict of interest, while making good use of the management information system and providing training to employees in order to improve risk management performance and ensure effectiveness of the risk management mechanism.
3. Scope and Features of the Market Risk Report and Evaluation System	1. Internal reporting: (1) Periodically briefing to the Risk Management Committee on the status of market risk monitoring to provide senior management with sufficient information. (2) In the event of exceeding limits or discovering irregularities, necessary information shall be provided pursuant to the established reporting framework and internal reporting procedures. (3) Periodically briefing to the Board of Directors and the Risk Management Committee on the status and concentration of the Bank's investment portfolio to help them determine whether the Bank's strategies should be adjusted. 2. External disclosure: (1) The Bank should fully disclose the market risks it faces, and identify, measure and monitor the techniques used to manage these risks so that market participants can evaluate the Bank's market risk management. (2) The degree to which information is disclosed shall be commensurate with the scale of the Bank's business activity, risk exposure status, and level of complexity.
4. Hedging or Mitigation Policies for Market Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	1. Setting up relevant market risk limits and management mechanism. 2. In the event of exceeding the approved limits, Risk Management Division should notify the managers of trading units immediately. Trading units shall reduce and formulate measures to offset their risk position or apply to raise their limits. 3. If trading units exceed their approved limits, those written reports should be filed to the Executive Vice President who oversees the Risk Management Division and should also be reported to the Risk Management Committee. 4. Risk Management Division should monitor the follow-up actions continuously. If the trading units do not take properly action, Risk Management Division should report to the Risk Management Committee and send a copy to the Internal Auditing Division.
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Market Risk

December 31, 2016 Unit: NT\$ thousand

Risk Category	Capital Requirement
Interest Rate Risk	712,112
Equity Security Risk	33,156
FX Risk	318,154
Commodity Risk	0
Total	1,063,422

5. Liquidity Risk:

2016

Items	contents
1. Strategies and Procedures for Liquidity Risk Management	In accordance with the Bank's liquidity risk management policy, liquidity risk measurement indicators and the assessment of the ability to cope with liquidity risk shall be clearly established. At the same time, a monitoring mechanism that provides periodic assessments as well as real-time reports shall also be implemented. In addition, the Bank shall also formulate contingency plans, response strategies, and designate clear responsibilities to each relevant unit for handling liquidity crisis incidents to ensure that appropriate and adequate measures are taken when necessary.
2. Organization and Structure of Liquidity Risk Management	With respect to the Bank's organizational structure for handling liquidity risks, the relevant units shall be responsible for capital liquidity operations, monitoring and assessment of liquidity risks, and provide reports and recommendations to the Asset and Liability Management Committee.
3. Scope and Features of the Liquidity Risk Report and Evaluation System	Assessment and analysis of the status of liquidity risk management shall be conducted and reported to the Asset and Liability Management Committee and the Board of Directors on a regular basis, enable senior management to supervise the Bank's latest liquidity position.
4. The policies in liquidity risk hedging or risk reducing, and the policies and progresses in persistent effectiveness tool for risk monitoring, risk avoiding and risk mitigating	When a warning signal occurs with respect to a market crisis or emergency liquidity condition that affects the Bank, relevant emergency measures shall be adopted in accordance with the Bank's liquidity risk management policy. The Asset and Liability Management Committee shall then formulate measures to address the emergency situation and report to the standing directors regarding the follow-up actions and results, enable senior management to closely monitor the status of liquidity risk management.

(1) Term Structure Analysis of NTD-denominated Assets & Liabilities:

December 31, 2016 Unit: NT\$ thousand

	Total	Volumes during the Period Prior to the Due Date					
		0~10 days to due date	11~30 days to due date	31~90 days to due date	91~180 days to due date	181 days to due date	More than 1 year to due date
Major Matured Capital Inflows	1,715,407,610	217,882,071	175,326,732	228,633,704	148,631,534	238,682,665	706,250,904
Major Matured Capital Outflows	2,222,080,238	142,241,450	148,319,598	348,521,395	264,651,463	443,541,393	874,804,939
Capital Gap	(506,672,628)	75,640,621	27,007,134	(119,887,691)	(116,019,929)	(204,858,728)	(168,554,035)

Note: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(2) Term Structure Analysis of USD-denominated Assets & Liabilities:

December 31, 2016 Unit: US\$ thousand

	Total	Volumes during the Period Prior to the Due Date				
		0~30 days to due date	31~90 days to due date	91~180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Major Matured Capital Inflows	22,387,536	8,975,508	4,198,450	2,006,425	2,684,110	4,523,043
Major Matured Capital Outflows	27,799,842	9,713,083	5,422,109	2,914,319	4,358,604	5,391,727
Capital Gap	(5,412,306)	(737,575)	(1,223,659)	(907,894)	(1,674,494)	(868,684)

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

b. The Impact of Domestic and Foreign Major Policies and Law Amendment Exerting on the Bank's Financial Structure and Responding Measures

1. According to the latest additions in the revision of 'Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business', the Banks shall apply to the authorities for the approval or report to them with the letter for the future reference before providing the highly-complicated derivative product to clients who are not eligible to be ranked as professional institutional investors or high-net-value institutions.

Effect:

The supervising and approving level for the new product increases, make the operation more complicated, increasing the consuming time to formulate a new product.

Countermeasures:

The Bank will provide the highly-risky-and-complicated products to clients by fully following the regulations and considering the risk management methods.

2. In order to prevent and deter from the terrorist activities of terrorist, organizations and others, and safeguard national security and fundamental human rights, the "Combating Financing of Terrorism Law(CFT)" was promulgated on July 27, 2005; The revision of "Anti-Money Laundering Law(AML)" was also announced on December 28, 2016, and effective in 6 months after then, featuring facilitating AML system, stabilizing the financial order, enhancing the cash flow transparency, strengthening international cooperation. In addition, the Financial Supervisory Commission amended the "Measures to AML/CFT" on December 2, 2016, and regarded it as one of the important regulations for the Banks' compliance.

Effect:

The Banks shall fully understand the risk of AML and Terrorism, set up plans for it and establish a department to practice it, to build a culture emphasizing on AML/CFT.

Countermeasures:

To enhance the efficiency of compliance execution, the Bank reinforced the mechanism of AML/CFT, containing in revising the Bank's "Measures to AML/CFT" and related processes, focusing on client check-up and employees' training. Besides, to reduce the risk of money laundering and financing terrorism, the bank also had already established a department specializing in AML and being responsible for the implementation of AML/CFT.

- c. The Impact of Technological Advancement and Industrial Evolution on the Bank's Financial Businesses, and Countermeasures
None.
- d. The Impact of the Bank's Changing Corporate Image and Countermeasures
None.
- e. Expected Benefits, Potential Risks, and Countermeasures from Mergers & Acquisitions
None.
- f. Expected Benefits, Potential Risks, and Countermeasures of Expanding Operation Locations
 1. Expected Benefits:
 - (1) Increase the Bank's market share and international reputation.
 - (2) Provide more convenience for clients; increase their willingness to deal with the Bank, and increase operation volume which will result in more revenue.
 - (3) Different domestic operating locations have different operation risks. They differ in terms of location (urban or rural), industry (high-tech or traditional), client composition (high-income or low-income). Expanding operation locations could diversify operation risk.
 - (4) To establish branches or subsidiaries in the offshore financial market with the development potential, benefiting from regional economic growth, and to provide customers with quickly world-wide fund allocation service and other banking services, 24 hours a day, 7 days a week.
 2. Possible Risks:
 - (1) The market surrounding the branches might already be saturated. Business will be limited and competition could resort to a price war.
 - (2) Too many branches might result in an overlap of client sources.
 - (3) The global situation changes rapidly, seeing the differences of the economy developing pace among countries, and facing the competition from local, foreign and Taiwan-funded banks.
 - (4) The expense of purchasing branch offices, renting branch offices and the interior renovation/ decoration are too high, increasing the operating burden to the bank.
 - (5) Facing the rise of digital financial service, reducing demand of physical branch services, the risk of idling branch offices and lowering utilization rate will increase.

3. Responding measures:

- (1) Evaluate the viability of new branch establishments by carefully assessing the commercial activities and future prospects within the local environment, while taking into consideration the distribution and performance of nearby banks.
- (2) when expanding the overseas business base, the Bank fully assesses the operating environments, the development potential of the financial markets, the local business groups and the industry distribution of customers. The Bank also understands the layout and operating situation of Taiwanese counterparties, hiring local consultants and accountants specializing in local financial regulations in order to reduce the compliance risk.
- (3) Pay close attention to the development of digital finance, review, evaluate and revise the physical branch expansion policy.

g. The Risks Generated by Business Concentration and the Countermeasure

We have been continuously developing new financial products such as deposit, credit, foreign exchange, trust and derivatives, so that we can meet the diverse needs of our customers. There is no business concentration occurred.

h. The Risk and Effect of the Change of Ownership Exerting on the Bank and the Countermeasure

None.

i. The Risk and Effect of the Massive Share Transfer or Replacement From the Directors or the Shareholders Who Holds More Than 1% of Ownership Interest, and the Countermeasure

None.

j. Lawsuit and Non-Lawsuit

1. With respect to the Bank's lawsuit with TDK Corporation involving claims for indirect damage, Taiwan Taipei District Court as the court of first instance had ruled the case in favor of the Bank, but TDK Corporation refused to accept the first instance verdict and appealed to Taiwan High Court. Now, the appeal is under Taiwan High Court's hearing. TDK Corporation also increased the litigation amount to NT\$45,793 thousand in the second instance.

2. The litigations of the shareholder who holds more than 1% of ownership interest ("the Shareholder") in the Bank:

(1) Taishin Financial Holdings Co., Ltd. ("TSFHC")

① Nature of dispute:

TSFHC claimed that the Ministry of Finance was in breach of the said Ministry's announcement and official letter issued in 2005. This led to TSFHC having only two directors and one independent nominated director elected to the Bank's Board of Directors during the Bank's Shareholder Assembly held on December 8, 2014. TSFHC has engaged lawyers to institute civil proceedings along with application for injunction as a remedy, at Taiwan Taipei District Court against the Ministry of Finance.

② Amounts involved:

Amount of the litigation was NT\$500,571.6 thousand.

③ Start date of the litigation:

December 9, 2014.

④ Current progress:

【regarding principal action】

After Taiwan Taipei District Court sentenced on April 27, 2016, TSFHC filed appeals to the higher court against the unsatisfied part of the sentence on May 19, 2016, narrowed the scope of claim to losing management right of the Bank's operation, reduced the litigation amount from NT\$16.558 billion to NT\$0.5 billion. To focus on the request to "confirm the existence of a contractual relationship", TSFHC withdrew the appeals of "request for the reinstatement of three directors" and "request for the compensation of losing management right of the Bank" on January 16, 2017, currently the remaining appeals are being heard by the Taiwan High Court.

【regarding Provisional Injunction】

After Taiwan Taipei District Court dismissed TSFHC's application for the injunction on January 15, 2015, TSFHC appealed again out of their dissatisfaction, although the Supreme Court sent it back to Taiwan High Court for reviewing again, it still led to a dismiss from Taiwan High Court. However, TSFHC persistently appealed one more time on April 28, 2016.

Till Taiwan Taipei District Court sentenced for the principal action, TSFHC withdrew the appeal of provisional injunction on June 13, 2016.

(2) First Commercial Bank, Ltd.

① Nature of dispute :

On September 21, 1999, the Jiji or 921 earthquake occurred, causing the collapse of East Star Building where the First Commercial Bank's Song Shan branch was located, and damaging the adjacent Sarcar Buildings, it led to the civil proceedings and claims for damage from households of two collapsed buildings, against the First Commercial Bank.

② Amounts involved:

Amount of the litigation was NT\$343,665.5 thousand.

③ Start date of the litigation:

East Star Building: December, 2000

Sarcar Building: October, 2001

④ Current progress:

【East Star Building Part】

On October 3, 2014, the Supreme Court ruled that the First Commercial Bank did not have any responsibility for compensation, but some of the households had assigned their claim for damage to Department of Urban Development of Taipei City Government ("DUD"), which filed a civil proceeding and claimed for a compensation in the amount of NT\$183,665,466 against the First Commercial Bank on September 19, 2014. After Taiwan Taipei District Court dismissed the appeals, which are assigned to DUD from 156 households, from DUD on September 21, 2016, DUD applied for the Interlocutory appeal, which led Taiwan High Court abandon the previous ruling on December 22, 2016, First Commercial Bank filed for interlocutory appeal to the Supreme Court. In addition, the other 10 creditors' claims (in the amount of NT\$ 9,180,655) are continue to be heard by the court.

【Sarcar Building Part】

Regarding the lawsuit from Sarcar Building, the prosecution amount was NT\$160,000,000, which is ruled to stop litigation by the Taiwan Taipei District Court in 2001. However, the litigation proceeded again on July 29, 2014, and the most recent date of court session was January 13, 2017. Besides, after some of households assigned the claims for damage of infringement against First Commercial Bank to DUD during 2006 to 2007, which had appealed to Court and claimed for the compensation in the amount of NT\$57,020,525 on September 9, 2014.

k. Other Major Risks and Countermeasures

None.

G. Emergency Response Mechanisms

In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to a minimum.

H. Other Important Events

None.

VIII Special Notes

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VIII | Special Notes

A. Information Regarding the Bank's Subsidiaries

The Bank consolidated its subsidiaries 'CHB Life Insurance Agency Company, Ltd.' and 'CHB Insurance Brokerage Company, Ltd.' on April 1, 2016.

B. Progress of Private Placement of Securities and Financial Bonds during the Latest Year and up to the Date of Annual Report Publication

None.

C. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares during the Latest Year and up to the Date of Annual Report Publication

None.

D. Additional Disclosure

None.

E. Pursuant to Item 2, Paragraph 2, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

None.

IX

Directory of Head Office & Branches

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IX | Directory of Head Office & Branches

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	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	
●	Business Department	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22230001 (04) 22231170	CCBCTWTP220
◎	Taichung Branch	1F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22650011 (04) 22650101	CCBCTWTP405
●	Pei-Taichung Branch	No.6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04) 22011122 (04) 22018400	CCBCTWTP400
●	Nan-Taichung Branch	1F., No.102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04) 22243181 (04) 22209684	CCBCTWTP401
◎	Peitun Branch	1F., No.10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04) 22322922 (04) 22351018	CCBCTWTP402
●	Chung-Kang Branch	No.651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04) 23271717 (04) 23271700	CCBCTWTP981
◎	Shuinan Branch	No.447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04) 22969966 (04) 22961995	CCBCTWTP403
●	Nantun Branch	No.306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04) 23220011 (04) 23208260	CCBCTWTP404
●	Hsitun Branch	No.923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04) 23593435 (04) 23591264	CCBCTWTP933
●	Keelung Branch	1F., No.60, Ai 4th Rd., Ren' ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02) 24233933 (02) 24261673	CCBCTWTP410
◎	Jenai Branch	No.100, Xiao 2nd Rd., Ren' ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02) 24233941 (02) 24278642	CCBCTWTP411
◎	Tung-Keelung Branch	1F., No.57, Xin 1st Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02) 24233861 (02) 24239760	CCBCTWTP412
◎	Ilan Branch	1F., No.16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03) 9352511 (03) 9329224	CCBCTWTP420
◎	Lotung Branch	No.194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03) 9551171 (03) 9552786	CCBCTWTP421
◎	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
◎	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	
	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

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
●	Taipei Branch	No.27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02) 23617211 (02) 23816585	CCBCTWTP501
◎	Chengnei Branch	1F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23113791 (02) 23112853	CCBCTWTP301
●	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
◎	Wanhua Branch	No.304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02) 23060201 (02) 23064761	CCBCTWTP502
◎	Shuangyuan Branch	No.312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02) 23042141 (02) 23025300	CCBCTWTP516
◎	Hsimen Branch	No.169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02) 23719271 (02) 23121417	CCBCTWTP503
●	Peimen Branch	1F., No.19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25586271 (02) 25553451	CCBCTWTP500
◎	Yunglo Branch	1F., No.120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02) 25585151 (02) 25568821	CCBCTWTP504
●	Chiencheng Branch	1F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25555121 (02) 25567172	CCBCTWTP505
●	Tatung Branch	No.199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02) 25919113 (02) 25926402	CCBCTWTP506
●	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
●	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
◎	Ching-Kuang Branch	No.609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02) 25950551 (02) 25974734	CCBCTWTP972
●	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
●	Chilin Branch	1F., No.98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02) 25626151 (02) 25315616	CCBCTWTP300
●	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
◎	Tungmen Branch	1F., No.139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02) 23921241 (02) 23927678	CCBCTWTP510
●	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
●	Kuting Branch	No.25, Sec. 2, Roosevelt Rd., Da' an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02) 23517211 (02) 23928702	CCBCTWTP511
●	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
◎	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
●	Taan Branch	No.177, Sec. 1, Heping E. Rd., Da' an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 23213214 (02) 23943842	CCBCTWTP513
◎	Heping Branch	No.106, Sec. 3, Heping E. Rd., Da' an Dist., Taipei City 10675, Taiwan (R.O.C.)	(02) 33169009 (02) 27331551	CCBCTWTP540

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
●	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
◎	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
●	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
●	Guanglong Branch	1F., No.78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02) 27207678 (02) 27208766	CCBCTWTP534
●	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
●	Chunglun Branch	1F., No.201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02) 27312211 (02) 27529492	CCBCTWTP515
●	Fu-Hsing Branch	No.367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02) 27173222 (02) 27187905	CCBCTWTP525
●	Sung-Chiang Branch	No.261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02) 25024923 (02) 25024931	CCBCTWTP975
◎	Chengde Branch	1F., No.81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02) 28868989 (02) 28866969	CCBCTWTP507
●	Shihlin Branch	No.21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02) 28822354 (02) 28829151	CCBCTWTP517
◎	Tienmu Branch	1F., No.33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02) 28333232 (02) 28333131	CCBCTWTP530
●	Sungshan Branch	No.165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02) 27625242 (02) 27692414	CCBCTWTP519
◎	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
●	Tung-Taipei Branch	No.126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02) 25704567 (02) 25702577	CCBCTWTP522
◎	Dongxing Branch	1F., No.88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02) 21711115 (02) 25288180	CCBCTWTP541
●	Hsi-Neihu Branch	1F., No.26, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02) 27978966 (02) 27971399	CCBCTWTP979
●	Tachih Branch	No.589, Bei' an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02) 25337861 (02) 25334835	CCBCTWTP973
◎	Nei-Hu Branch	No.19, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 26590766 (02) 26590767	CCBCTWTP529
◎	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
◎	Sinhu Branch	No.180, Xinhua 2nd Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 27931616 (02) 27956889	CCBCTWTP536
●	Nankang Branch	No.48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02) 27833456 (02) 27885313	CCBCTWTP980
●	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
◎	Wufenpu Branch	1F., No.92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02) 27852787 (02) 27852757	CCBCTWTP512

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
◎	Mucha Branch	No.48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02) 86617377 (02) 86617399	CCBCTWTP535
●	Bei Tou Branch	1F., No.6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02) 28968585 (02) 28968282	CCBCTWTP539
◎	Hsi-Chih Branch	No.93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02) 26947878 (02) 26941292	CCBCTWTP566
◎	Xike Branch	1F., No.217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02) 21653111 (02) 86921598	CCBCTWTP543
◎	Tanshui Branch	No.67, Sec. 1, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25174, Taiwan (R.O.C.)	(02) 26219998 (02) 26255235	CCBCTWTP568
◎	Juifang Branch	No.38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02) 24972860 (02) 24972848	CCBCTWTP554
◎	Sanchungpu Branch	No.89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02) 29733450 (02) 29752527	CCBCTWTP550
◎	Pei-Sanchungpu Branch	1F., No.68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02) 29823111 (02) 29848411	CCBCTWTP551
●	Tung-Sanchung Branch	No.303, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24146, Taiwan (R.O.C.)	(02) 29821100 (02) 29883597	CCBCTWTP561
◎	Hsi-Sanchung Branch	No.22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02) 29820221 (02) 29820358	CCBCTWTP565
◎	Nan-Sanchung Branch	No.82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02) 29771234 (02) 29769550	CCBCTWTP563
◎	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
◎	Luchou Branch	1F., No.86, Sanmin Rd., Luzhou Dist., New Taipei City 24760, Taiwan (R.O.C.)	(02) 22851000 (02) 22850518	CCBCTWTP983
◎	Hsintien Branch	No.135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02) 29141650 (02) 29141656	CCBCTWTP552
●	Pei Hsin Branch	1F., No.11, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02) 29131071 (02) 29110251	CCBCTWTP562
●	Chicheng Branch	No.98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02) 22189001 (02) 22180542	CCBCTWTP965
◎	Yungho Branch	1F., No.69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02) 29243334 (02) 29235245	CCBCTWTP553
◎	Fuho Branch	No.139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02) 29221171 (02) 29254971	CCBCTWTP559
●	Chungho Branch	1F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22492711 (02) 22452337	CCBCTWTP564
◎	Shuangho Branch	No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02) 22259988 (02) 22252821	CCBCTWTP567
◎	Lide Branch	1F., No.142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02) 22239888 (02) 22233277	CCBCTWTP546
●	Hsinchuang Branch	No.119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02) 29937101 (02) 29969440	CCBCTWTP555
◎	Wugu Industrial Park Branch	No.3-1, Wugong 5th Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02) 22993311 (02) 22997099	CCBCTWTP548
●	Nan-Hsinchuang Branch	No.657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02) 29066599 (02) 29085252	CCBCTWTP549

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
◎	Sy Yuan Branch	No.228, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02) 29967137 (02) 29978513	CCBCTWTP926
◎	Sinshu Branch	1F., No.266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02) 22086767 (02) 22086787	CCBCTWTP545
◎	Taishan Branch	1F., No.111, Quanxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02) 22970809 (02) 22970307	CCBCTWTP547
●	Linkou Branch	1F., No.46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02) 26010711 (02) 26010716	CCBCTWTP968
◎	New Linkou Branch (106.4.25 Open)	1F., No.399, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02) 26085185 (02) 26085559	CCBCTWTP936
◎	Shulin Branch	No.135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02) 26813621 (02) 26821787	CCBCTWTP556
●	Panchiao Branch	No.22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02) 29628161 (02) 29546254	CCBCTWTP557
●	Kuang-Fu Branch	No.62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02) 29619181 (02) 29530154	CCBCTWTP560
◎	Chiang Tsui Branch	No.9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02) 22591001 (02) 22526591	CCBCTWTP969
●	Tucheng Branch	No.45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02) 22691155 (02) 22691153	CCBCTWTP928
◎	Sanhsia Branch	No.89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02) 26711261 (02) 26732421	CCBCTWTP558
●	Taoyuan Branch	No.73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03) 3346130 (03) 3346136	CCBCTWTP570
◎	Ba De Branch	No.135, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03) 3711222 (03) 3711777	CCBCTWTP577
◎	Pei-Taoyuan Branch	No.189, Yong'an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03) 3320743 (03) 3384238	CCBCTWTP929
◎	Nankan Branch	No.7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03) 3213666 (03) 3213377	CCBCTWTP579
◎	Tung-Linkou Branch	No.235, Fuxing 1st Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03) 3975555 (03) 3181150	CCBCTWTP935
●	Chungli Branch	1F., No.95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03) 4252101 (03) 4253601	CCBCTWTP571
◎	Pei-Chungli Branch	No.155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03) 4636688 (03) 4352476	CCBCTWTP576
◎	Hsin-Ming Branch	No.2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03) 4941571 (03) 4942100	CCBCTWTP930
◎	Longtan Branch	1F., No.240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03) 4891238 (03) 4891519	CCBCTWTP542
◎	Yangmei Branch	No.158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03) 4783391 (03) 4754930	CCBCTWTP569
◎	Puhsin Branch	No.82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03) 4824935 (03) 4828924	CCBCTWTP931
●	Hsinchu Branch	No.63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03) 5253151 (03) 5263840	CCBCTWTP572
◎	Pei-Hsinchu Branch	No.110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03) 5339651 (03) 5339460	CCBCTWTP962

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
●	Hsinchu Science-based Industrial Park Branch	2F., No. 5, Gongye E. 6th Rd., Science-based Industrial Park, East Dist., Hsinchu City 30077, Taiwan (R.O.C.)	(03) 5770780 (03) 5770996	CCBCTWTP575
●	Jhubei Branch	1F., No.26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03) 5526898 (03) 5526896 (03) 5526806	CCBCTWTP598
◎	Chutung Branch	No.43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03) 5962280 (03) 5958365	CCBCTWTP573
◎	Miaoli Branch	No.636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037) 326455 (037) 334590	CCBCTWTP574
◎	Yuanli Branch	No.35, Weigong Rd., Yuanli Township, Miaoli County 35843, Taiwan (R.O.C.)	(037) 861501 (037) 869242	CCBCTWTP580
◎	Zhunan Branch	1F., No.110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037) 551751 (037) 551910	CCBCTWTP578
●	Tachia Branch	No.405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04) 26878711 (04) 26878754	CCBCTWTP581
◎	Chingshui Branch	1F., No.196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04) 26225151 (04) 26227461	CCBCTWTP582
◎	Shalu Branch	No.52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04) 26358599 (04) 26358577	CCBCTWTP587
◎	Tatu Branch	1F., No.780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04) 26983711 (04) 26983719	CCBCTWTP596
●	Fengyuan Branch	1F., No.220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04) 25269191 (04) 25246694	CCBCTWTP583
◎	Daya Branch	1F., No.1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04) 25665500 (04) 25671878	CCBCTWTP586
◎	Tantzu Branch	No.199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04) 25322234 (04) 25322035	CCBCTWTP960
◎	Tungshih Branch	No.456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04) 25877160 (04) 25884371	CCBCTWTP584
●	Wufeng Branch	No.900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04) 23393567 (04) 23325941	CCBCTWTP585
◎	Taipin Branch	No.89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04) 22736789 (04) 22737890	CCBCTWTP589
◎	Tsaotun Branch	No.23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049) 2338101 (049) 2353116	CCBCTWTP590
◎	Nantou Branch	No.72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049) 2226171 (049) 2235855	CCBCTWTP591
◎	Puli Branch	No.73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049) 2983983 (049) 2983989	CCBCTWTP592
◎	Shuilikeng Branch	No.226, Minquan Rd., Shuli Township, Nantou County 55343, Taiwan (R.O.C.)	(049) 2772121 (049) 2770375	CCBCTWTP593
●	Changhua Branch	1F., No.57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04) 7242101 (04) 7256294	CCBCTWTP600
◎	Dali Branch	1F., No.20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04) 24181558 (04) 24181518	CCBCTWTP607
●	Lukang Branch	No.137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04) 7773311 (04) 7777447	CCBCTWTP601
●	Hemei Branch	1F., No.428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04) 7579696 (04) 7579292	CCBCTWTP606

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
●	Yuanlin Branch	No.495, Zhongzheng Rd., Yuanlin Township, Changhua County 51041, Taiwan (R.O.C.)	(04) 8322101 (04) 8320045	CCBCTWTP602
●	Hsihu Branch	No.158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04) 8853471 (04) 8853476	CCBCTWTP603
◎	Peitou Branch	No.172, Sec. 1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04) 8882811 (04) 8882816	CCBCTWTP604
●	Erlin Branch	1F., No.67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04) 8950011 (04) 8950211	CCBCTWTP609
◎	Hsiluo Branch	1F., No.225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05) 5863611 (05) 5868035	CCBCTWTP605
◎	Touliu Branch	No.70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05) 5324116 (05) 5321542	CCBCTWTP610
◎	Tounan Branch	No.100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05) 5974191 (05) 5961601	CCBCTWTP611
◎	Huwei Branch	No.35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05) 6322561 (05) 6321655	CCBCTWTP612
◎	Tukoo Branch	1F., No.308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05) 6621116 (05) 6622811	CCBCTWTP952
◎	Peikang Branch	No.51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05) 7836121 (05) 7835460	CCBCTWTP613
◎	Talin Branch	No.246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05) 2653221 (05) 2650121	CCBCTWTP620
●	Chiayi Branch	1F., No.386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05) 2278141 (05) 2225870	CCBCTWTP621
◎	Tung-Chiayi Branch	1F., No.832, Xinsheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05) 2712811 (05) 2716031	CCBCTWTP622
◎	Pei-Chiayi Branch	No.290, You' ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05) 2342166 (05) 2815459	CCBCTWTP961
◎	Hsinying Branch	1F., No.150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06) 6323871 (06) 6323810	CCBCTWTP623
◎	Yungkang Branch	No.839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06) 2545386 (06) 2544750	CCBCTWTP624
◎	Chung-Hua Road Branch	No.473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06) 3125318 (06) 3138790	CCBCTWTP984
◎	Guiren Branch	No.218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06) 2391711 (06) 2391336	CCBCTWTP626
●	Tainan Branch	1F., No.88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06) 2221281 (06) 2223317	CCBCTWTP640
◎	Yenping Branch	No.151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06) 2254161 (06) 2267813	CCBCTWTP641
●	Hsi-Tainan Branch	No.94, Sec. 3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06) 2235141 (06) 2205441	CCBCTWTP642
●	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
◎	Nan-Tainan Branch	1F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2263181 (06) 2204810	CCBCTWTP644
◎	Pei-Tainan Branch	No.367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06) 2523450 (06) 2512839	CCBCTWTP956

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
◎	An-Nan Branch	1F., No.330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06) 3556111 (06) 3557222	CCBCTWTP645
◎	Chishan Branch	1F., No.102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07) 6615481 (07) 6615490	CCBCTWTP650
●	Kangshan Branch	No.293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07) 6216111 (07) 6214801	CCBCTWTP651
◎	Fengshan Branch	No.264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07) 7470101 (07) 7426262	CCBCTWTP652
◎	Luchu Branch	No.835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07) 6972151 (07) 6974491	CCBCTWTP954
◎	Ta-Fa Branch	No.539, Fenglin 3rd Rd., Daliao Dist., Kaohsiung City 83152, Taiwan (R.O.C.)	(07) 7824356 (07) 7826225	CCBCTWTP934
●	Kaohsiung Branch	No.59, Minquan 1st Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07) 3361620 (07) 3358484 (07) 3333096	CCBCTWTP811
●	Chi-Hsien Branch	1F., No.456, Zhongxiao 1st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2361191 (07) 2369229	CCBCTWTP812
◎	Yencheng Branch	1F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5313181 (07) 5514151	CCBCTWTP813
●	Tung-Kaohsiung Branch	1F., No.109, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07) 2217741 (07) 2824862	CCBCTWTP814
◎	Nan-Kaohsiung Branch	No.13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07) 7158000 (07) 7173514	CCBCTWTP815
◎	Pei-Kaohsiung Branch	No.720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07) 3662566 (07) 3663710	CCBCTWTP816
◎	Zuoying Branch	1F., No.280, Bo' ai 4th Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07) 3436269 (07) 3432178	CCBCTWTP825
◎	Sanmin Branch	No.157, Hebei 2nd Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07) 2918131 (07) 2918137	CCBCTWTP817
◎	Hsinhsing Branch	No.139, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07) 2222200 (07) 2222208	CCBCTWTP821
◎	Chanchen Branch	No.155, Sanduo 3rd Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07) 3344121 (07) 3328241	CCBCTWTP819
◎	Chiu-Ju Lu Branch	No.7, Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07) 3123101 (07) 3120191	CCBCTWTP820
◎	Chienhsing Branch	1F., No.1, Yihua Rd., Sanmin Dist., Kaohsiung City 80770, Taiwan (R.O.C.)	(07) 3896789 (07) 3896767	CCBCTWTP963
◎	Po-Ai Branch	No.517, Bo' ai 1st Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07) 5545151 (07) 5553202	CCBCTWTP824
◎	Lingya Branch	No.2, Siwei 4th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07) 3353171 (07) 3353393	CCBCTWTP822
◎	Ta-Shun Branch	No.109, Jianguo 1st Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07) 7715101 (07) 7133512	CCBCTWTP823
◎	Pingtung Branch	1F., No.117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08) 7342705 (08) 7338190	CCBCTWTP830
◎	Chaozhou Branch	No.38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08) 7883911 (08) 7880144	CCBCTWTP832
◎	Tungkang Branch	No.74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08) 8351521 (08) 8351528	CCBCTWTP831

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

	DOMESTIC OFFICES	ADDRESS	Tel/Fax	SWIFT CODE
◎	Hengchun Branch	No.22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08) 8899665 (08) 8882514	CCBCTWTP834
◎	Hualien Branch	No.191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03) 8323961 (03) 8337215	CCBCTWTP840
◎	Taitung Branch	1F., No.226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089) 324311 (089) 318806	CCBCTWTP850
	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	
	Commercial Regional Center Two	2F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25521010 (02) 25503003	
	Commercial Regional Center Three	3F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22401223 (02) 22455153	
	Commercial Regional Center Four	12F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22601588 (04) 22606061	
	Commercial Regional Center Five	5F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2218666 (06) 2213636	
	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 1st 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 