

2018

ANNUAL REPORT

CHB



CHANG HWA BANK

ANNUAL REPORT 2018



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.

Published date : April, 2019

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- Taiwan Ratings Corporation
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Names of Exchanges Where Overseas Securities Are Listed and Methods of Inquiry :
None.

Website : <https://www.bankchb.com>

Our Glories

- ◆ TWSE Corporate Governance 100 Index for the 3rd year in a row
~Taiwan Futures Exchange
- ◆ FTSE4Good Emerging Index for the 2nd year in a row
~FTSE Russell & Taiwan Index Plus Corporation
- ◆ Taiwan High Compensation 100 Index for the 5th consecutive years
~ Taiwan Stock Exchange
- ◆ Taiwan Employment Creation Index 99 for the 2nd consecutive years
~ Taiwan Stock Exchange
- ◆ 2018 FTSE4Good TIP for the 1st year
~ Taiwan ESG Index
- ◆ 2018 TCSA Taiwan Corporate Sustainability Awards - Corporate Sustainability Report Awards(Silver)
~ Taiwan Institute for Sustainable Energy
- ◆ 2018 BSI Excellence in Sustainability Award
~ British Standards Institution (BSI)
- ◆ Bank of Excellence for Small and Medium Enterprise Loans 2017 (12th)
~Financial Supervisory Commission (FSC)
- ◆ 2018 Excellent Credit Guarantee Partner Award
~Ministry of Economic Affairs (MOEA)
- ◆ e - Money Service - Best Service Innovation Award, & Best System Stability Award
~ Financial Information Service Co., Ltd (FISC)
- ◆ 2018 Golden Quality Award - Credit Card Data
~Joint Credit Information Center(JCIC)
- ◆ 2018 Golden Shield Award ~information security governance
~British Standards Institution (BSI)
- ◆ 2018 Outstanding Green Procurement Organization
~Department of Environmental Protection of Taipei City Government.
- ◆ Healthy Workplace Certification
~Health Promotion Administration, Ministry of Health and Welfare.
- ◆ The Global TOP 500 Banks (For years 2010 ~ 2013 and 2015 ~ 2019)
~The Brand Finance
- ◆ Top 5% Listed Company in Corporate Governance (Session 3)
~ Taiwan Stock Exchange Corporation
- ◆ 2017 Annual Best Service Innovation of Electronic Cash Flow Business Award & Best Stable System Award
~Financial Information Service Co., Ltd
- ◆ 2017 Sustainability Excellence Award
~British Standards Institution (BSI)
- ◆ 2017 The Excellent Green Procurement Enterprise Award
~ Department of Environmental Protection, Taipei City Government
- ◆ Futures Diamond Award (Session 3) - The Excellence Market Maker for Futures of RMB Exchange Rate Award
~Taiwan Futures Exchange
- ◆ 2017 Securities Broker ETF Trading Competition-Improvement Step by Step Award in March
~Taiwan Stock Exchange Corporation
- ◆ Futures Diamond Award (Session 2) - The Excellence Market Maker for Futures of RMB Exchange Rate Award
~Taiwan Futures Exchange
- ◆ 2016 Excellent Credit Guarantee Partner Award
~Ministry of Economic Affairs (MOEA)
- ◆ 2016 Annual Best Operation System of Electronic Cash Flow Business Award & Best Innovation Excellence Award
~Financial Information Service Co., Ltd
- ◆ 2015 Excellent Credit Guarantee Partner Award & Guaranteed Financing Growth Award
~Ministry of Economic Affairs (MOEA)
- ◆ 2015 Top-Performing Bank in SME Lending (Session 10)
~Financial Supervisory Commission
- ◆ 2015 Annual Best Innovation of Mobile Pay and Mobile ATM Business Excellence Award
~Financial Information Service Co., Ltd
- ◆ 2015 Annual Best Business Development of Electronic Finance Award - Credit Card Business and Visa Financial Card Business
~Financial Information Service Co., Ltd
- ◆ 2015 ITeS Award - Outstanding Technology Service Management Project Award
~ IT-enabled Services Management Association
- ◆ 2015 The Market Risk Technology Implementation of the Year
~The Asian Banker Magazine
- ◆ Futures Diamond Award - 2015 Annual Contribution Award (The Excellence Market Maker for Futures of RMB Exchange Rate Award)
~Taiwan Futures Exchange
- ◆ 2014 Excellent Credit Guarantee Partner Award
~Ministry of Economic Affairs (MOEA)
- ◆ 2014 Top-performing Bank in SME Lending/Special Award in E-business Lending (Session 9)
~Financial Supervisory Commission
- ◆ 2014 Electronic Banking Excellence Award - Issuing Credit Card (through Financial Information Service) with Interbank Business
~Financial Information Service Co., Ltd.
- ◆ 2014 Electronic Banking Business Innovation Excellence Award
~Financial Information Service Co., Ltd.
- ◆ 2014 Securities Broker ETF Trading Competition-Transaction Improvement Award in April
~Taiwan Stock Exchange Corporation

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I | Letter to Shareholders



Chairperson *Joanne Ling*

Although the global economy continued to expand in 2018, the growth momentum in major economies such as United States, Eurozone, Japan and China has gradually slowed down due to aggravating global debt risk, trade protectionism, emerging market currency crisis and geopolitical risks. In domestic economy, benefited by stable growth of domestic employment, the positive wage adjustment in corporations and increase in basic wages, it was still able to maintain the growth momentum of domestic demand; as for foreign trade, affected by the factors such as cooling of overseas machinery investment demand and being conservative in traditional industry orders, foreign net requirements has been dragging down the economic growth. As the global economy slowed down and trade tension heated up, the overall economy has shown signs of weakening since the second half of the year.

The Bank managed to deliver exceptional results in 2018, owing to the contribution of all employees, with cumulative pre-tax earnings amounting to TWD 14.71 billion, making 2018 the 9th consecutive year in which the Bank has earned more than TWD 10 billion, increasing year by year. The Bank has been selected as part of the TWSE Corporate Governance 100 Index by Taiwan Stock Exchange for the past three years which represented the recognition to the Bank's sound management practices in a number of aspects including corporate governance, finance, business growth, and solid operation. We would like to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.

A. 2018 Results of Operations

a. Organization Changes

“Legal Affairs and Compliance Division” was restructured as “Compliance Division”; “E-Business Division” was restructured as “Digital Banking Division”; “Information Security Center” was established; six Commercial Regional Centers were consolidated into four.

b. Accomplishments

1. Deposit:

Launched financial blockchain confirmations inquiry service; optimized digital deposit products to provide diversified digital financial services for customers.

2. Lending:

Launched project loans for Taiwanese entrepreneurs who returned to Taiwan to purchase and build factory plants, and reconstruction loans of unsafe and old housing. Positively activated the syndicated loan cases; a total of 87 syndicated loan cases were completed by domestic business units in 2018.

3. Foreign Exchange:

Launched digital foreign currency deposit business and promoted international accounts receivable linked to credit insurance business.

4. Wealth Management:

(1) Eight investment seminars of distinctive themes were organized in 2018 to raise customers' satisfaction towards the Bank. (2) Set up the high asset team to assist high-end customers in family wealth succession and asset allocation planning.

5. Trust:

In 2018, the Bank added 94 new domestic funds, 64 new offshore funds, 16 foreign bonds and 15 overseas ETF to the product portfolio. As of the end of 2018, the Bank had a total of 910 domestic funds, 1,216 offshore funds, 63 foreign bonds and 74 overseas ETF, distributed to the market, giving investors a broad range of selections.

6. Credit Card:

Launched Google Pay mobile credit card service and added QR code payment service.

7. E-banking:

Actively promoted Taiwan Pay service; added new mobile App for enterprises and ChatBot customer service, used biometrics to provide the Bank's digital wallet service on its mobile App and created the Bank's LINE official account.

8. New Overseas Branches:

Opened Mainland China subsidiary on December 11, 2018 and Manila branch in the Philippines on July 9, 2018; prepared for establishment of a Houston branch in Texas, the United States.

c. Budget Execution

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,679,003,402 thousand or 98.70% of the original budget target.

2. The total loans volume was NT\$1,373,828,076 thousand or 97.61% of the original budget target.

3. The total investment business (securities) volume was NT\$355,412,697 thousand or 100.71% of the original budget target.

4. The foreign exchange transactions totaled US\$139,533,282 thousand amounting to 101.41% of the original budget target.

5. The securities brokerage transactions totaled NT\$99,180,816 thousand or 109.11% of the original budget target.

6. Trust fund subscription business totaled 36,274,998 thousand or 74.24% of the original budget target.

7. The assets under custody totaled NT\$146,108,922 thousand or 99.42% of the original budget target.

8. The insurance agency transactions totaled NT\$27,886,778 thousand or 121.25% of the original budget target.

9. The total card transaction volume (retail spend) reached NT\$17,129,456 thousand representing 100.76% of the original target.

d. Financial Highlights

1. Net interest income: NT\$23,189,644 thousand.
2. Net income other than net interest income: NT\$9,918,545 thousand.
3. Net revenue and gains: NT\$33,108,189 thousand.
4. Provisions for bad debts expenses, commitment and guarantee liability: NT\$2,203,252 thousand.
5. Total operating expenses: NT\$16,194,853 thousand.
6. Income before income tax: NT\$14,710,084 thousand.
7. Income tax expenses: NT\$2,063,549 thousand.
8. Net income after income tax: NT\$12,646,535 thousand.
9. Other comprehensive income (loss), net of tax: NT\$109,534 thousand.
10. Total comprehensive income: NT\$12,756,069 thousand.
11. After tax EPS: NT\$1.29.
12. Return on Assets (ROA): 0.61%.
13. Return on Equity (ROE): 8.39%.

e. Research and Development

1. Active development of digital finance service with patent registration:

In 2018, the Bank has taken pro-active steps to develop Fin-Tech: (1) In terms of patented proprietary, applications of 24 utility model patents and 5 invention patents were filed, of which 20 utility model patents have been approved. (2) In respect to customer services, the Bank provided digital service application functions on ATM, launching ChatBot customer service, and reward points program by Boa-Coin. (3) In respect of digital finance, the Bank built a brand new mobile App for enterprises, used biometrics to provide its digital wallet service and added Google Pay mobile credit card service. (4) As for blockchain applications, the Bank had established a confirmation system, which was officially launched afterwards.

2. Business research with the idea of innovation:

In order to encourage the innovation and development of the Bank's business, the Bank identified subjects on the current business operations and financial related issues, studied by all employees. In 2018, a total of 22 business research reports were completed as reference for units' business operation.



President *Jui-Mu Huang*

B. 2019 Highlights of Business Plans

a. Business Directions and Operational Policies

1. Deposits:

Through digitalization and technology applications, continue to develop cloud financial products, and promote various types of payment platform services to strengthen customer willingness in business.

2. Lending:
Following government policy, deepen the cultivation of small and medium enterprises loan, develop high-quality industries, foster innovative key industries, creative industries and green industries to assist their developments and fulfill social responsibilities.
 3. Investment:
Make use of the product line, weigh the risks and rewards for financial operations, coordinate the investment portfolio in a timely manner, and effectively manage and allocate funds of the Bank.
 4. Foreign Exchange:
Provide diversified foreign exchange financial products, implement cross-marketing and increase market share.
 5. Securities Brokerage:
Explore opportunities in the securities market by increasing market share of the Bank's online securities trading service. Strive for high quality customer underwriting opportunities.
 6. Wealth Management:
Wealth management with more comprehensive financial products through integration; implement the well customer-oriented business model for serving customers via the high asset team.
 7. Trust:
Build a stock system to offer customers to purchase foreign stocks and ETFs; provide customers with trust services including senior nursing trust and disability trust.
 8. Insurance Agency Business:
Introduce diversified insurance products to different target groups.
 9. Cards:
Raise the card issued volume and collaborate with acquiring authorized stores of distinction. Promote mobile payment products.
 10. E-commerce/Online Banking:
Utilize AI (Artificial Intelligence) to know about customer needs through data analysis so as to strengthen digital service innovation. Run the social media platform to deepen customer relationships.
- b. Business Operational Targets
1. Deposit Volume: NT\$1,737,420,500 thousand.
 2. Loans Volume: NT\$1,423,376,620 thousand.
 3. Investment Business (Securities): NT\$378,949,001 thousand.
 4. Foreign Exchange Transactions: US\$144,502,513 thousand.
 5. Securities Brokerage Transactions: NT\$101,000,000 thousand.
 6. Trust Fund Application Transactions: NT\$40,924,739 thousand.
 7. Assets under Custody: NT\$146,500,000 thousand.
 8. Insurance Agency Transactions: NT\$28,654,867 thousand.
 9. Credit Card (Transaction Amount): NT\$18,002,621 thousand.

C. Future Development Strategy

- a. Deepen customer service
Following government policy, develop five-plus-two innovative industries, green finance and long-term care industry chain products. Continue to support small and medium enterprises, and provide active capital channels. Make use of financial technology to improve customer experience and enhance digital financial competitiveness.
- b. Sound financial allocation
On the basis of national economic development policies and industrial strategies, enhance relevant investment to pursue long-term remuneration, and dynamically adjust bond investment positions according to economic situation to create interest income with balance of liquidity and stability as well as follow-up capital gains.

c. Expand Overseas Operation Scale

Expand overseas operational locations in line with diversified layout. Enter local financial markets rapidly through setting up offices, local branches and subsidiaries. Newly establish a Houston branch in Texas, the United States, planned to act as the regional integrated risk management and syndicated loan coordination centers in the United States.

d. Strengthen the Foundation of Sustainable Development

Strengthen internal control, risk management and information security protection mechanism; develop digital finance and international finance talent and improve the quality of employees' core training to accumulate human capital; advance corporate governance, fulfill social responsibility, and enhance brand value.

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

a. External Competitive Environment

1. Financial Supervisory Commission (FSC) announced the allowance of applying internet-only banks license, and the team that intended to compete for qualification was composed of e-commerce, social community platform or telecommunications company combined with financial industry, with non-traditional business model and establishment of a new-type financial ecosystem, making already approaching saturated domestic financial market more competitive.
2. The European Union revised the Payment Service Directive² (PSD2) in 2016, stipulating that the European banking industry, with the consent of the client, have had to disclosure the transaction data to specific participants from payment markets (Open Banking) since January 13, 2018. Countries such as Australia, Singapore, and the United Kingdom, are also planning to launch financial data sharing plans. In the future, the third-party service providers will be able to directly participate in financial services. Banks will face the risk of losing some of their existing customers under the trend of promoting "customer data portability" mechanism.
3. In recent years, financial industry has been highly competitive in recruiting talents. In order to motivate employees, the Bank adjusted salary structure and adopted market-oriented salary mechanism. Through annual salary adjustment to differentiate rewards, the discriminatory compensation mechanism was established to strengthen recruitment and retention of high-quality staff.

b. Regulatory Environment

1. On March 31, 2018, FSC amended the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," emphasizing the dedicated responsibility of the compliance office, clearly stated that the bank with total assets reaching or above a certain scale should establish a bank-wide risk-based management and supervision framework for legal compliance and set up the whistleblower system.
2. "Money Laundering Control Act" was amended and promulgated on November 7, 2018. In accordance with Article 6 of the said Act, FSC enacted "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission" on November 9, 2018 to require financial institutions to set up internal audit and internal control system of anti-money laundering and countering terrorism financing on the basis of risks of money laundering and financing terrorism and the scale of business.
3. In response to the mutual evaluation by the Asia/Pacific Group on Money Laundering (APG) and being fully compatible with the FATF 40 Recommendations, FSC revised "Regulations Governing Anti-Money Laundering of Financial Institutions" and "Regulations Governing Reporting on the Properties or Property Interests and Locations of Designated Sanctioned Individuals or Entities by Financial Institutions," including provisions in undertaking customer due diligence measures, as well as relating to the method of identifying PEPs and the filing schedule for suspicious activity of money laundering or financing terrorism transactions.

c. Macroeconomic Environment

An outlook for the world's economy in 2019, due to the rising global trade protectionism and debt risks, the comprehensive leading indicators from OECD shows that all major economies are facing the risk of slowing economic growth, while emerging market countries face not only pressure of currency depreciation but economic problems such as huge amount of dollar debt repayment and deterioration of imported inflation. Economic outlook still confronts many uncertainties in the future.

In view of the global economy, many challenges will arise this year. The Bank will be continuing to monitor the market trend and respond with caution, deeply engage in four main operation directions of "Focus on legal compliance and information security at first with continuous internal control reinforcement," "Intensive corporate governance enhances brand value," "Solid capital preparation as well as asset quality optimization" and "Accumulation of human capital and fulfillment of social responsibility" while maintaining a sound business philosophy, and become one of the best trusted banks with providing customers more innovative and diversified financial services.

E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2018/12	-	-	twAA	twA-1+	Positive
S&P	2018/12	BBB+	A-2	-	-	Positive
Moody's	2019/2	A2	P-1	-	-	Stable

Chairperson *Joanne Ling*

President *Jui-Mu Huang*



II | Bank Overview

A. Registered Date

Registered Date: July 1950

ID: 51811609

B. The Bank's Development History

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

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

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

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

In 2005, the Bank carried out a 1.4 billion Type-B preferred shares cash capital increase via private placement. Taishin Financial Holdings Co., Ltd. (TSFHC) won the bidding in the competition, with the cash capital increase date of record set for October 3, 2005. After the capital increase, the Bank had registered capital of NT\$63,594,756,000. On October 3, 2008, the shares were fully converted to common stocks at the expiry of 3 years after issued date in accordance with the Bank's articles of incorporation.

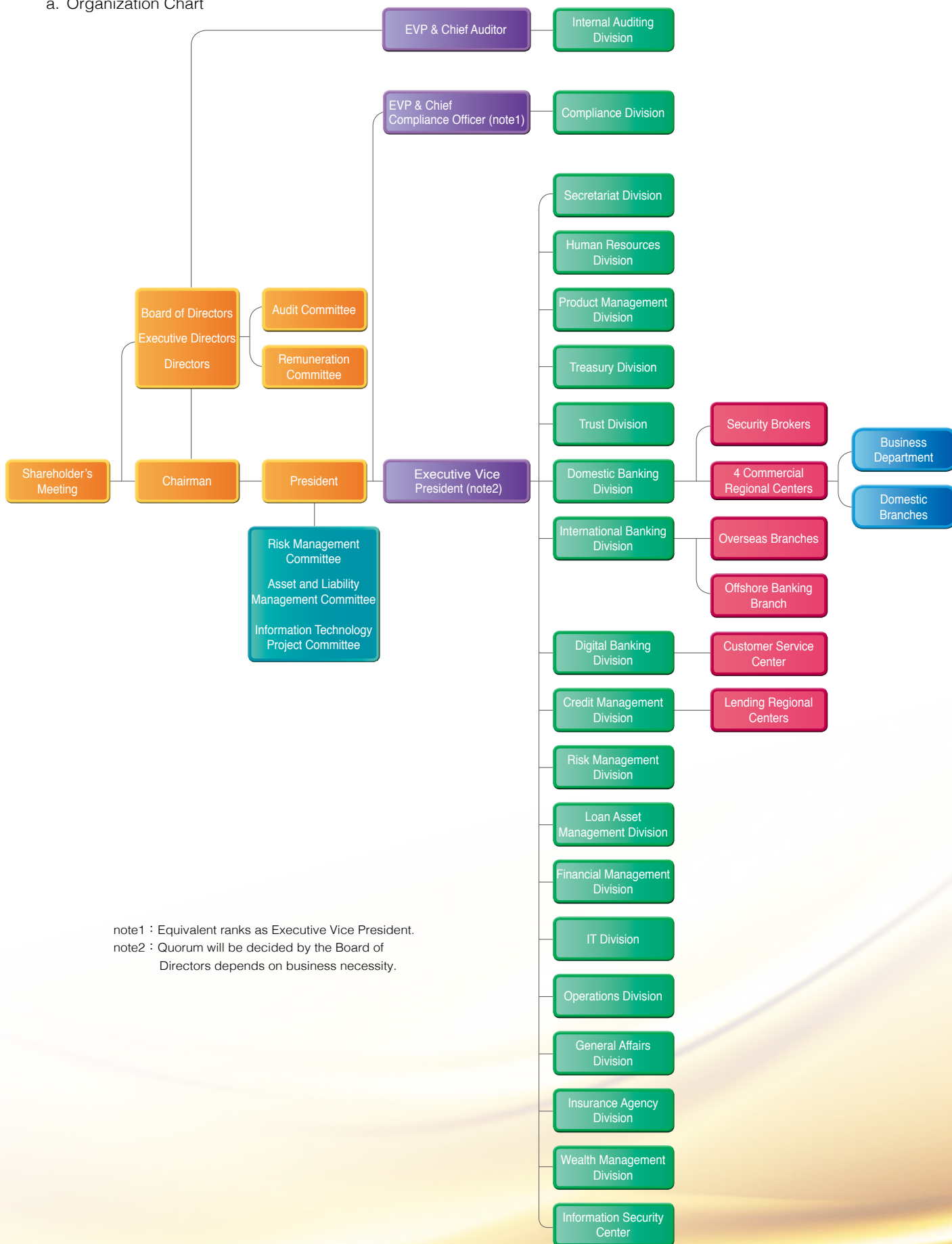
In order to provide more comprehensive financial services in China, the Bank established the subsidiary "Chang Hua Commercial Bank, Ltd." which was approved by China Banking and Insurance Regulatory Commission. The headquarter was based in Nanjing, Jiangsu Province, with the existing Kunshan branch, Kunshan Huaqiao sub-branch, Dongguan branch and Fuzhou branch, and Nanjing branch was additionally set up. Nanjing subsidiary officially opened for business on December 11, 2018.

At the end of 2018, the Bank's authorized capital stood at NT\$110,000,000,000, and the Bank's registered capital stood at NT\$97,895,207,460. The Bank is one of the leading banks in Taiwan in terms of paid-in capital and sound financial structure.

III | Corporate Governance Report

A. Organization

a. Organization Chart



note1 : Equivalent ranks as Executive Vice President.
 note2 : Quorum will be decided by the Board of Directors depends on business necessity.

Management Team of CHB



A Chairperson | Joanne Ling

C EVP | Horng-Yao Tu

E EVP | Bin Chen

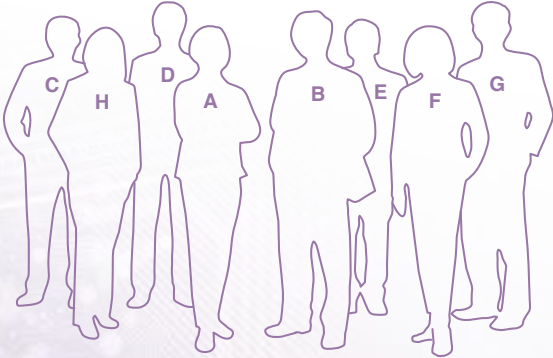
G EVP & Chief Compliance Officer | Jih-Cheng Yang

H EVP & Chief Auditor | Ya-Ling Lin

B President | Jui-Mu Huang

D EVP | Hom-Gang Wang

F EVP | Chang-Hua Cheng



b. Major Business of Each Division

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

B. Directors, Major Managers and Consultants

a. Board of Directors

1. Board of 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	%
Chairperson	The Republic of China (R.O.C)	Joanne Ling (Delegate of Ministry of Finance(MOF))	F	Apr. 2019	3	Apr. 2019 Feb. 1947	1,093,072,201	12.19	1,193,634,843	12.19
Managing Director	The Republic of China (R.O.C)	Cheng Ching Wu (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	M	Jun. 2017	3	Nov. 2005 Nov. 2005	2,021,212,165	22.55	2,207,163,683	22.55
Managing Director (Independent Director)	The Republic of China (R.O.C)	Kuo-Yuan Liang	M	Jun. 2017	3	Nov. 2008	0	0	0	0
Director	The Republic of China (R.O.C)	Julius Chen (Delegate of TSFHC)	M	Jun. 2017	3	Mar. 2006 Nov. 2005	2,021,212,165	22.55	2,207,163,683	22.55
Director	The Republic of China (R.O.C)	Chia-Chi Hsiao (Delegate of MOF)	M	Oct. 2018	3	Oct. 2018 Feb. 1947	1,093,072,201	12.19	1,193,634,843	12.19
Director	The Republic of China (R.O.C)	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	M	Jun. 2018	3	Jun. 2018 Nov. 2008 (Note)	246,494,217	2.75	269,171,684	2.75
Director	The Republic of China (R.O.C)	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	M	Jun. 2017	3	Jun. 2017 Jun. 2017	88,402,140	0.99	96,535,136	0.99
Director (Independent Director)	The Republic of China (R.O.C)	Jung-Chun Pan	M	Jun. 2017	3	Dec. 2014	0	0	0	0
Director (Independent Director)	The Republic of China (R.O.C)	Chi-Chang Yu	M	Jun. 2017	3	Jun. 2017	0	0	0	0

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

	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	Relation
	0	0	0	0	Master of Public Finance, National Chengchi University Department of Public Administration, National Chengchi University Chairperson, Land Bank of Taiwan Chairperson, The Export-Import Bank of the Republic of China Director-General, National Treasury Administration, MOF Director-General, National Taxation Bureau of Taipei, MOF Director-General, National Taxation Bureau of the Northern Area, MOF Chief Secretary, MOF Director, Taxation Administration, MOF Deputy-Director, Taxation Agency, MOF	Director, CDIB & Partners investment Holding Corp.	None	None	None
	868,380	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 Ho-Shin 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 Shun Li Tung Logistics Company Director of TSFHC	None	None	None
	0	0	0	0	Ph.D., Economics, Duke University, U.S.A Honorary Professor, College of Technology Management, National Tsing Hua University Professor, Department of Economics, National Tsing Hua University Adjunct Professor, Department of Economics, National Taiwan University Commissioner, Fair Trade Commission, Executive Yuan	Chairman, Yuanta-Polaris Research Institute Director, San Fu Chemical Co., Ltd	None	None	None
	157,651	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	Master of Management Science, National Chiao Tung University Director, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan Deputy Director-general, National Treasury Administration, MOF Chief Accountant, MOF Senior BAS personnel & Executive Manager of Accounting Management Center, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Director, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Chief Accountant, Environmental Protection Administration, Executive Yuan Chief Accountant, Research, Development and Evaluation Commission, Executive Yuan	Director-General, National Treasury Administration, MOF Supervisor of Bank Taiwan Insurance Brokers Vice Chairman, Institute of Internal Auditors-Chinese	None	None	None
	0	0	0	0	Ph.D, Economics, National Taipei University Deputy Director, Research Division II, Taiwan Institute of Economic Research. Associate Research Fellow, Taiwan Institute of Economic Research.	President, Taiwan Institute of Economic Research. Director, Research Division II, Taiwan Institute of Economic Research. Research Fellow, Taiwan Institute of Economic Research. Asia Pacific Emerging Industry Venture Capital Co., Ltd. Director, YangMing Marine Transport Corp. Member, Wholesale and Retail	None	None	None
	0	0	0	0	Shunde Senior Family Business Vocational School Chairman of Lungyen Life Service Corp. President, Rifu Electronic Co., Ltd.	Group President of Lungyen Life Service Corp. Chairman of Lee Shih Investment Co., Ltd. Chairman of Lee Chi Investment Co., Ltd. Chairman of Fu Yuan Co., Ltd. Chairman of Fu He Investment Co., Ltd. Chairman of Lung Wei International Co., Ltd. Chairman of Cheng Chang Investment Co., Ltd. Chairman of Bai Rwei Investment Co., Ltd. Chairman of Fu Yuan International Development Co., Ltd. Director of Lung Ting Life Sciences Co., Ltd. Director of Jin Huang Construction Co., Ltd	None	None	None
	0	0	0	0	Bachelor of Bank & Insurance, Feng Chia University Supervisor of Key Ware Electronics Co., Ltd. Director & President of Mega Asset Management Co. Director & COO of Concord ASIA Finance Ltd..	None	None	None	None
	0	0	0	0	J.S.D, J.S.M, Stanford University LL.M., LL.B., National ChengChi University Managing Director (Independent Director), Agricultural Bank of Taiwan Members of the Board of Examiners for Bar Examination, Examination Yuan Commissioner, Complaint Review Board for Government Procurement of Public Construction Commission, Executive Yuan Partner of Lee and Li, Attorneys-at-Law Judge of Taiwan Bangqiao District Court, Taiwan Ilan District Court, Taiwan Hualien District Court	Adjunct Associate Professor, Department of Industrial and Business Management, Chang Gung University Adjunct Associate Professor, Department of Accounting, National Taiwan University Adjunct Associate Professor, School of Law, Soochow University Director, Mytrex Health Technologies, Inc	None	None	None

2. Major Shareholders of Juristic Person Shareholders:

April 16, 2019

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
Taishin Financial Holding Co., Ltd.	Tasco Chemical Co., Ltd. (3.47%) Taishin Leasing & Financing Co., Ltd. (2.95%) Pau Jar Asset Management Co., Ltd. (1.80%) Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.43%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.42%) China Life Insurance Co, Ltd.(1.39%) CitiBank Taiwan was commissioned and management investor account of Norway Central Bank (1.20%) Shinkong Synthetic Fibers Corporation (1.18%) Tung Hsien Invest Co., Ltd. (1.18%) Farglory Life Insurance Inc.(1.15%)
Ministry of Finance	N/A
National Development Fund, Executive Yuan	N/A
Lee Investment Co., Ltd.	Cheng Chang Investment Co., Ltd. (98.92%) Shih-Tsung Lee (1.08%)

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

April 16, 2019

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
Tasco Chemical Co., Ltd.	Tai-He Enterprise Invest Co., Ltd. (58.20%) Fong-He Development Co., Ltd. (9.32%) He-Fong Invest Co., Ltd. (1.16%) Cheng-Ching Wu (0.99%) Pei-Jyuan Wu (0.95%) He-Cheng Invest Co., Ltd. (19.55%) Da-Jan Invest Development Co., Ltd. (1.68%) Fong-He Invest Co., Ltd. (1.01%) Shang-Bin Wu (0.99%) Pei-Rong Wu (0.93%)
Taishin Leasing & Financing Co., Ltd.	Yun Ten Co., Ltd. (40.60%) Pan Asian Plastics Corp. (22.20%) Ruey-Shiang Invest Co., Ltd. (4.07%) Tung Hsien Invest Co., Ltd. (26.00%) Ruey-Shin Enterprise Co., Ltd. (7.06%) Jau-Heng Co., Ltd. (0.07%)
Pau Jar Asset management Co., Ltd.	Ho Yang Consultant Co., Ltd. (94.95%) Ho Tsu Investment Ltd. (5.05%)
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	N/A
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	N/A
China Life Insurance Co, Ltd.	China Development Financial Holding Corporation(25.33%) Cathay Life Insurance Co.,Ltd. (3.34%) Government of Singapore (1.73%) Lin-Lang Chan (1.27%) JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency (1.13%) KGI Securities Co., Ltd.(9.63%) Videoland Inc. (2.35%) New Labor Pension Fund (1.34%) Norges Bank (1.19%) Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.08%)
CitiBank Taiwan was commissioned and management investor account of Norway Central Bank	N/A
Shinkong Synthetic Fibers Corporation	Shin Kong Life Insurance Co., Ltd. (5.81%) Shin Sheng invest Co., Ltd. (4.99%) Shin Kong Spinning Co., Ltd. (3.47%) Julian invest Co., Ltd. (2.37%) Yuan-Bau Co.,Ltd. (2.18%) Shin Kong Company Ltd. (5.22%) Trust property account managed by HwaTai Bank (4.66%) Shin Kong Fire & Marine Insurance Co., Ltd. (3.04%) Toray Industries, Inc. (2.20%) Ruey-Shin Enterprise Co., Ltd. (1.98%)
Tung Hsien Invest Co., Ltd.	Ruey-Shin Enterprise Co., Ltd. (78.75%) Eugene Wu (3.125%) Thomas T.L. Wu (3.125%) Ruo-Nan Sun (2.50%) Eric Wu (1.875%) Guei-lan Wu (3.125%) (Note) Anthony Wu (3.125%) Hsien Hsien Hsu (2.50%) Hsing Hua Ho (1.875%)
Farglory Life Insurance CO., LTD.	Shin Yu Investment Ltd. (19.00%) Yuan Jian Invest Co., Ltd.(8.91%) Harvard International Invest Co., Ltd.(6.71%) Farglory International Invest Co., Ltd.(6.43%) Yu-Nu Chao (5.77%) Far East Co., LTD. (12.48%) Teng-Hsiung Chao (8.49%) Ruei Ji International Invest Co., Ltd.(6.43%) Chun-Yao Yeh (5.96%) Tung Yuan Construction Engineering Co., Ltd.(5.63%)
Cheng Chang Investment Co., Ltd.	Fuho Investment Co.,Ltd. (94.65%) Yong-Ting Chen (2.5%) Shih-Tsung Lee (2.85%)

Note : Mrs. Guei-lan Wu passed away on Mar. 30, 2016.

4. Board of Directors (2):

Apr. 12, 2019

Qualifications Name	Qualifications (Note 1)			Independent Status (Note 2)										Number of Serving as an Independent Director of Other Public Companies
	A	B	C	1	2	3	4	5	6	7	8	9	10	
Joanne Ling			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng-Ching Wu			✓	✓	✓	✓	✓				✓	✓	✓	0
Kuo-Yuan Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Julius Chen			✓	✓	✓	✓	✓	✓			✓	✓	✓	0
Chia-Chi Hsiao	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chien-Yi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih-Tsung Lee			✓	✓	✓	✓	✓				✓	✓	✓	0
Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year 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/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. With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

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

- (1) Neither employees of the 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) Individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the bank or natural persons who rank among the top 10 shareholders in terms of the share volume held are excluded.
- (4) The spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs are excluded.
- (5) Directors, supervisors, or employees of a juristic person shareholder that directly hold 5% or more of the total outstanding shares of the bank or ranks among the top 5 juristic person shareholders in the terms of share volume held are excluded.
- (6) Directors, supervisors, the managerial officer, or the shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank are excluded.
- (7) A professional, owner, partner, director, supervisor, or the managerial officer and his/her spouse of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the bank or its affiliates is excluded. However, members of the Remuneration Committee that implement the authority according to the Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are included without the abovementioned limitation.
- (8) A spouse or relative within the second degree of kinship among directors is excluded.
- (9) Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't happen.
- (10) It isn't in the capacity of a government agency, a juristic person or its representative, as provided in the Article 27 of the Company Act, that has been elected.



b. Major Managers

Based on April 12, 2019

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Head Office	President	Jui-Mu Huang	M	R.O.C	20190412	0	0%	0	0%	0	0%	Dept.of Technology Mechanical Engineering,Ming Chi Institute of Technology	None	None	None	None
Head Office	Executive Vice President	Hong-Yao Tu	M	R.O.C	20150201	86,720	0%	0	0%	0	0%	IMBA International Business,Tamkang University	Director of Trust Association of R.O.C	None	None	None
Head Office	Executive Vice President	Hong-Gang Wang	M	R.O.C	20151101	110,541	0%	0	0%	0	0%	Cooperative Economics,Tamkang University	1) Director of Taiwan Asset Management Corporation 2) Director of Taiwan Financial Joint Urban Renewal Service Co., Ltd	None	None	None
Head Office	Executive Vice President	Carol Sun	F	R.O.C	20160201 (Note 1)	31,720	0%	0	0%	0	0%	Accounting,Fu Jen University	Taipei Forex Inc. Director	None	None	None
Head Office	Executive Vice President	Bin Chen	M	R.O.C	20170301	111,000	0%	0	0%	0	0%	1.Institute of Information Management,National Central University 2.Institute of Computer Science and Information Engineering,National Chiao Tung University	1.Director of Taiwan Mobile Payment Co., Ltd. 2.Supervisor of Financial eSolution Co., Ltd.	None	None	None
Legal Affairs and Compliance Division	EVP & Chief Compliance Officer	Jih-Cheng Yang	M	R.O.C	20150201	15,459	0%	0	0%	0	0%	Economics,National Taiwan University	Director of Lien-An Service Corp.	None	None	None
Head Office	EVP& Chief Auditor	Ya-Ling Lin	F	R.O.C	20160726	1,391	0%	0	0%	0	0%	EMBA,National Chengchi University	None	None	None	None
Internal Auditing Division	SVP & Division Head	Nell-H. Tseng	F	R.O.C	20190325	0	0%	0	0%	0	0%	Business Administration,National Chengchi University	None	None	None	None
Secretariat Division	SVP & Division Head	Hsueh-Ni Hsieh	F	R.O.C	20181004 (Note 2)	39,913	0%	0	0%	0	0%	LLM,National ChengChi University	Director of Chang Hua Commercial Bank, Ltd.	None	None	None
Human Resources Division	SVP & Division Head	Yu-Hsueh Liu	F	R.O.C	20180301 (Note 3)	26,204	0%	0	0%	0	0%	MBA,National Sun Yat-sen University	None	None	None	None
Product Management Division	SVP & Division Head	Chiou-Yueh Chen	F	R.O.C	20160523	22,287	0%	0	0%	0	0%	EMBA,National Chengchi University	None	None	None	None
Treasury Division	SVP & Division Head	Chih-Chen Hsu	M	R.O.C	20150416	0	0%	0	0%	0	0%	Department of Economics,National Taiwan University	None	None	None	None
Trust Division	SVP & Division Head	Rueih-Hwa Cheng	F	R.O.C	20161121 (Note 1)	211,600	0%	0	0%	0	0%	Computer Science,PACE University	None	None	None	None
Domestic Banking Division	SVP & Division Head	Chang-Hua Cheng	F	R.O.C	20190325 (Note 1)	101,923	0%	0	0%	0	0%	Cooperative Economics,National Chung Shing University	None	None	None	None
International Banking Division	SVP & Division Head	Chen-Yu Chen	M	R.O.C.	20091208 (Note 1)	148,599	0%	2,107	0%	0	0%	MBA,University of Texas USA	None	None	None	None
Digital Banking Division	SVP & Division Head	Hsiu-Hsia Tsai	F	R.O.C	20181001	14,037	0%	1,872	0%	0	0%	Master of Banking & Finance,Tamkang University	None	None	None	None
Credit Management Division	SVP & Division Head	Hsiu-Luan Hsieh	F	R.O.C	20190325	13,347	0%	0	0%	0	0%	Master of Banking & Finance,Tamkang University	None	None	None	None
Risk Management Division	SVP & Division Head	Shwu-Fang Wang	F	R.O.C	20190325	175,138	0%	0	0%	0	0%	Department of Business Administration,Soochow University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Loan Asset Management Division	SVP & Division Head	Mei-Fang Wu	F	R.O.C	20171101	0	0%	0	0%	0	0%	Law,Fu Jen Catholic University	None	None	None	None
Financial Management Division	SVP & Division Head	Tsai-Feng Lin	F	R.O.C	20070801	26,808	0%	2,111	0%	0	0%	Business,National Taiwan University	Taiwan Financial Asset Service Corporation	None	None	None
IT Division	SVP & Division Head	Hsien-Lung Chen	M	R.O.C	20171201	0	0%	0	0%	0	0%	Department of Physics,Chung Yuan Christian University	None	None	None	None
Operations Division	SVP & Division Head	Yi-Jung Chan	M	R.O.C	20190102	208	0%	0	0%	0	0%	Science of Insurance,Tamkang University	None	None	None	None
General Affairs Division	SVP & Division Head	Hsiang-Chun Wu	F	R.O.C	20161201	0	0%	0	0%	0	0%	Department of Law,National Chengchi University	None	None	None	None
Wealth Management Division	SVP & Division Head adjunct SVP & Division Head of Insurance Agency Division	Hui-Yu Chen	F	R.O.C	20160401 (Note 4)	0	0%	0	0%	0	0%	MBA,Tulane University	None	None	None	None
Information Security Center	VP & GM	Yao-Ju Lu	F	R.O.C	20180928	47	0%	0	0%	0	0%	Graduate Institute of Computer Science,National Chengchi University	None	None	None	None
Regional Center Northern Area 1	SVP & Division Head	Hui-Jen Wu	F	R.O.C	20190102	56,681	0%	0	0%	0	0%	International Trade,Soochow University	None	None	None	None
Regional Center Northern Area 2	SVP & Division Head	Yu-Chin Fan	F	R.O.C	20190201	8,941	0%	0	0%	0	0%	Institute of Management,National Taiwan University of Science and Technology	None	None	None	None
Regional Center Central Area	SVP & Division Head	Hsiu-Ching Hsu	F	R.O.C	20190102	0	0%	637,146	0%	0	0%	Master of Science in Business Administration,Chung Hua University	None	None	None	None
Regional Center Southern Area	SVP & Division Head	Kuo-Hsiang Lin	M	R.O.C	20190102	0	0%	0	0%	0	0%	Statistics,National Cheng Kong University	None	None	None	None
Offshore Banking Branch	VP & GM	Hsiao-Hua Yin	F	R.O.C	20180914	11,145	0%	0	0%	0	0%	International Trade,Ming Chuan Commercial College for Girls	None	None	None	None
Business Department	VP & GM	Tse-Tsang Tso	M	R.O.C	20160401	109,422	0%	77,206	0%	0	0%	Economics,National Chung Hsing University	None	None	None	None
Tzungbu Branch	VP & GM	Fang-Yuan Wu	F	R.O.C	20180301	42,751	0%	0	0%	0	0%	Department of Cooperative Economics,Tamkang University	None	None	None	None
Taipei Securities Broker	VP & GM	Shun-Hung Huang	M	R.O.C	20160501	111,092	0%	0	0%	0	0%	EMBA,National Chengchi University	None	None	None	None
Taichung Securities Broker	VP & GM	Shuo-Hung Huang	M	R.O.C	20160501	42,360	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	M	R.O.C	2017210	4,927	0%	0	0%	0	0%	Cooperative Economics,Tamkang College	None	None	None	None
Taichung Branch	VP & GM	Rong-Hong Way	M	R.O.C	20190311	18,431	0%	0	0%	0	0%	Institute of Business and Management,Asia University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Pei-Taichung Branch	VP & GM	Yen-Chun Chen	F	R.O.C	20190311	26,924	0%	0	0%	0	0%	Department of Foreign Languages and Literature, Providence University	None	None	None	None
Nan-Taichung Branch	VP & GM	You-Chen Lee	M	R.O.C	20190311	20,571	0%	0	0%	0	0%	IMBA, National Changhua University of Education	None	None	None	None
Peitun Branch	VP & GM	Shiu-Hwa Chang	F	R.O.C	20181201	14,184	0%	0	0%	0	0%	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None
Chung-Kang Branch	VP & GM	Mei-Ling Chiu	F	R.O.C	20171101	11,841	0%	0	0%	0	0%	Executive Master's Program of Business Administration School of Management Development, Feng Chia University	None	None	None	None
Shuinan Branch	VP & GM	Ching-Hsiang Liu	F	R.O.C	20170901	23,732	0%	0	0%	0	0%	EMBA, National Changhua University Department of Accounting	None	None	None	None
Nantun Branch	VP & GM	Shu-Lin Liu	F	R.O.C	20181201	43,050	0%	0	0%	0	0%	Executive Master of Business Administration, National Changhua University	None	None	None	None
Hsitun Branch	VP & GM	Su-Min Hsin	F	R.O.C	20180709	12,053	0%	23,152	0%	0	0%	Executive Master of Business Administration, Tunghai University	None	None	None	None
Keelung Branch	VP & GM	Der-Ho Chen	M	R.O.C	20150608	1,393	0%	0	0%	0	0%	Department of Shipping and Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None
Jenai Branch	VP & GM	Shan-Shin Shen	M	R.O.C	20170501	54,959	0%	148,140	0%	0	0%	Finance & Banking, Chihlee Institute of Technology	None	None	None	None
Tung-Keelung Branch	VP & GM	Su-Jane Lin	F	R.O.C	20170601	0	0%	0	0%	0	0%	Master of Business and Management, Lunghwa University of Science and Technology	None	None	None	None
Ilan Branch	VP & GM	Hsi-Lung Wu	M	R.O.C	20170901	436	0%	0	0%	0	0%	Accounting, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Lotung Branch	VP & GM	Kao-Jung Hsu	M	R.O.C	20170901	10,120	0%	967	0%	0	0%	Master of Institute of Law, Chinese Culture University	None	None	None	None
Suao Branch	VP & GM	Don-Y.T. Wang	M	R.O.C	20170601	335	0%	0	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Taipei Branch	VP & GM	Yu-Shan Chen	F	R.O.C	20180914	49,883	0%	0	0%	0	0%	MS Banking & Finance, Tamkang University	None	None	None	None
Chengnei Branch	VP & GM	Yu-Hui Lin	F	R.O.C	20160901	13,851	0%	902	0%	0	0%	EMBA Business Management, National Taipei University of Technology	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Tunhwa Branch	VP & GM	Shu-Ju Tsai	F	R.O.C	20180901	40,487	0%	0	0%	0	0%	Master of Business Management, Yuan Ze University	None	None	None	None
Wanhua Branch	VP & GM	Cheng-I Huang	M	R.O.C	20180301	0	0%	0	0%	0	0%	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None
Shuangyuan Branch	VP & GM	Chien-Long Kuo	M	R.O.C	20190311	1,155	0%	0	0%	0	0%	Department of Statistics, Tamkang University	None	None	None	None
Hsimen Branch	VP & GM	Feng-Tsung Chang	M	R.O.C	20160901	1,345	0%	0	0%	0	0%	Agricultural Economics, National Taiwan University	None	None	None	None
Peimen Branch	VP & GM	Li-Feng Shen	F	R.O.C	20190311	23,644	0%	0	0%	0	0%	Department of Shipping & Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None
Yunglo Branch	VP & GM	Zhen-Dong Jian	M	R.O.C	20181008	736	0%	78	0%	0	0%	Accounting, Tamkang University	None	None	None	None
Chiencheng Branch	VP & GM	Shey-Lin Chang	F	R.O.C	20180301	197	0%	0	0%	0	0%	International Trading, National Taichung College of Business	None	None	None	None
Tatung Branch	VP & GM	Chi-Min Chung	M	R.O.C	20170801	5,200	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Min-Sheng Branch	VP & GM	I-Hsin Weng	M	R.O.C	20190201	484	0%	0	0%	0	0%	Department of Republic Administration, National Chung Hsing University	None	None	None	None
Chungshan North Rd. Branch	VP & GM	Li-Ling Lan	F	R.O.C	20170901 (Note 1)	40,011	0%	0	0%	0	0%	Department of Statistics, Tamkang University	None	None	None	None
Ching-Kuang Branch	VP & GM	Lih-Lan Yang	F	R.O.C	20160901	180	0%	1,398	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Jianguo Branch	VP & GM	Mel-Li Chiu	F	R.O.C	20180914	6,470	0%	0	0%	0	0%	Commercial, Shilin High School of Commerce	None	None	None	None
Jilin Branch	VP & GM	Shyh-Chau Lin	M	R.O.C	20190401	56,869	0%	0	0%	0	0%	IMBA, Tamkang University	None	None	None	None
Changan E. Road Branch	VP & GM	Huey-Wen Chang	F	R.O.C	20180709	0	0%	0	0%	0	0%	Department of Finance, National Taipei College of Business	None	None	None	None
Dongmen Branch	VP & GM	Chiu-Ling Chen	F	R.O.C	20190305	0	0%	0	0%	0	0%	MBA, Tamkang University	None	None	None	None
Zhongzheng Branch	VP & GM	Ming-Hua Huang	M	R.O.C	20160401	59	0%	22,856	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	VP & GM	Lin Li Ku	Spouse
Guting Branch	VP & GM	Szu-Yen Lin	F	R.O.C	20171101	102,783	0%	1,995	0%	0	0%	Department of Accounting, Takming University of Science and Technology	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Chung-Hsiao Tung Lu Branch	VP & GM	Ruei-Jan Chen	F	R.O.C	20180301	54,273	0%	0	0%	0	0%	Master of Finance & Banking, Fu Jen Catholic University	None	None	None	None
Yongchun Branch	VP & GM	Kuei-Mei Wu	F	R.O.C	20190311	12,389	0%	0	0%	0	0%	Public Finance & Taxation, Feng Chia University	None	None	None	None
Wufenpu Branch	VP & GM	Chun-Jen Tsai	M	R.O.C	20190311	15,820	0%	0	0%	0	0%	Department of International Trade, Soochow University	None	None	None	None
Daan Branch	VP & GM	Yu-Ling Tang	F	R.O.C	20190311	677	0%	0	0%	0	0%	International Trade, Tunghai University	None	None	None	None
Xinyi Branch	VP & GM	Shu-Hsuan Lin	F	R.O.C	20180709	1,261	0%	0	0%	0	0%	Department of Economics, National Chung Hsing University	None	VP&GM	Ming Hsun Lin	younger brother
Renhe Branch	VP & GM	Kui-Min Hsiao	F	R.O.C	20171101	1,105	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Taipei World Trade Center Branch	VP & GM	Shu-Hua Tsai	F	R.O.C	20181201	48,873	0%	0	0%	0	0%	Department of Cooperative Economics, Tamkang University	Director of Chen Chung & Chen Ye Ruei Culture and Education Foundation	None	None	None
Guanglong Branch	VP & GM	Hsiu-Chu Tseng	F	R.O.C	20190304	0	0%	0	0%	0	0%	Accounting & Statistics, Ming Chuan College	None	None	None	None
Chengdong Branch	VP & GM	Kuei-Mei Hsu	F	R.O.C	20150316	15,283	0%	0	0%	0	0%	Accounting, Fu Jen Catholic University	None	None	None	None
Zhonglun Branch	VP & GM	Ming-Hsun Lin	M	R.O.C	20181201	14,141	0%	0	0%	0	0%	Master of Business Administration, Tamkang University	None	VP&GM	Shu Hsuan Lin	sister
Fuxing Branch	VP & GM	Chi-Tsung Shih	M	R.O.C	20190311	0	0%	0	0%	0	0%	Agricultural Economics, National Taiwan University	None	None	None	None
Songjiang Branch	VP & GM	Shu-Chung Chen	F	R.O.C	20180301	11,567	0%	0	0%	0	0%	Department International Trading, Fu Jen Catholic University	None	None	None	None
Chende Branch	VP & GM	Chia-Chen Shen	F	R.O.C	20171101	11,440	0%	0	0%	0	0%	Department of Banking and Finance, Tamkang University	None	None	None	None
Shihlin Branch	VP & GM	Alec-Lin Hsiang	M	R.O.C	20171121	123,854	0%	7,229	0%	0	0%	Department International Trade, Feng Chia College of Engineering & Business	None	None	None	None
Beitou Branch	VP & GM	Chin-Li Lin	F	R.O.C	20180301	3,276	0%	0	0%	0	0%	Financial Management, Ming Chuan University	None	None	None	None
Tianmu Branch	VP & GM	Lin-Li Ku	F	R.O.C	20171101	22,856	0%	59	0%	0	0%	EMBA in Department of Finance, Ming Chuan University	None	VP & GM	Ming Hua Huang	Spouse
Songshan Branch	VP & GM	Chun-Feng Lee	F	R.O.C	20190311	10,920	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	(%)			Title	Name	Relationship
Xisung Branch	VP & GM	Li-Hsien Huang	F	R.O.C	20170103	5,827	0%	0	0%	0	0%	Msc in International Banking and Finance, London Guildhall University	None	None	None	None
Dong-Taipei Branch	VP & GM	Huei-Jin Lin	F	R.O.C	20190201	6,240	0%	0	0%	0	0%	Master of Business Administration for Executive, National Taipei University	None	None	None	None
Dongsing Branch	VP & GM	Hueih-Rur Shy	F	R.O.C	20170313	2	0%	0	0%	0	0%	Economics, Chinese Culture University	None	None	None	None
Hsi-Nei-Hu Branch	VP & GM	Mei-Ching Chang	F	R.O.C	20190311	79,359	0%	0	0%	0	0%	Master Program of Business Administration in Practicing, Chinese Culture University	None	None	None	None
Dazhi Branch	VP & GM	Cheng-Chi Chuang	M	R.O.C	20161121	702	0%	0	0%	0	0%	Institute of Economics, Feng Chia University	None	None	None	None
Nei-Hu Branch	VP & GM	Chien-Fa Chen	M	R.O.C	20160901	36	0%	0	0%	0	0%	Economics, Chinese Culture University	None	None	None	None
Tung-Hu Branch	VP & GM	Shu-Fen Liu	F	R.O.C	20160901	12,608	0%	0	0%	0	0%	Department of Business Administration College of Management, National Taipei University of Business	None	None	None	None
Sinhu Branch	VP & GM	Jinn-Sheng Wu	M	R.O.C	20190311	554	0%	29	0%	0	0%	Department of Business, National Open University	None	None	None	None
Nankang Branch	VP & GM	Hui-Ling Lee	F	R.O.C	20181201	0	0%	427	0%	0	0%	Master of Business Administration, Tamkang University	None	None	None	None
Mucha Branch	VP & GM	Lan-Zu Lin	F	R.O.C	20180101	14,510	0%	0	0%	0	0%	Banking & Insurance, Taiwan Provincial Taichung Institute Commerce	None	None	None	None
Nankang Science Industrial Park Branch	VP & GM	Ying-Hui Hung	F	R.O.C	20190201	60,428	0%	0	0%	0	0%	International Trade, TamKang University	None	None	None	None
Heping Branch	VP & GM	Shr-Jan Tzeng	M	R.O.C	20190311	0	0%	0	0%	0	0%	Department of International Trade, Soochow University	None	None	None	None
Hsi-Chih Branch	VP & GM	Chang-Cheng Chu	M	R.O.C	20180901	98,024	0%	0	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Xike Branch	VP & GM	Yao-Shen Hsieh	M	R.O.C	20180301	0	0%	0	0%	0	0%	Shih Hsin University Print And Photography	None	None	None	None
Tanshui Branch	VP & GM	Chin-Hsuan Lee	M	R.O.C	20190311	4,037	0%	0	0%	0	0%	Master of Business Administration in Department of Finance, Ming Chuan University	None	None	None	None
Juifang Branch	VP & GM	Chun-Yuan Chen	M	R.O.C	20170901	756	0%	0	0%	0	0%	Department Business Administration, Fu Jen Catholic University	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Sanchungpu Branch	VP & GM	Pao-Hua Hsu	F	R.O.C	20160711	2,288	0%	26,905	0%	0	0%	Business, National Taiwan University	None	None	None	None
Pei-Sanchungpu Branch	VP & GM	Chun-Nu Yeh	F	R.O.C	20181201	962	0%	0	0%	0	0%	Finance, China institute of technology	None	None	None	None
Tung-Sanchung Branch	VP & GM	Ching-Fu Lin	M	R.O.C	20160901	0	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Hsi-Sanchung Branch	VP & GM	Tzy-Yun Chen	F	R.O.C	20160401	421	0%	0	0%	0	0%	Department of Banking, Tankang University	None	None	None	None
Nan-Sanchung Branch	VP & GM	Mei-Hwa Huang	F	R.O.C	20170313	0	0%	0	0%	0	0%	Associate of Business Administration, Open Business College Affiliated with Cheng Kung University	None	None	None	None
San Ho Rd. Branch	VP & GM	Chi-Hsiang Chen	M	R.O.C	20150608	1,037	0%	840	0%	0	0%	Master of Management & Sciences, Aletheica University	None	None	None	None
Lu Chou Branch	VP & GM	Li-Min Cheng	F	R.O.C	20160901	3,556	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Hsintien Branch	VP & GM	Quei-Ying Ho	F	R.O.C	20180709	67,722	0%	0	0%	0	0%	Department of Banking, Tankang University	None	None	None	None
Pei Hsin Branch	VP & GM	Shu-Fen Cheng	F	R.O.C	20180101	5	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Chi Cheng Branch	VP & GM	Ai-Ling Wang	F	R.O.C	20190311	37,732	0%	0	0%	0	0%	Department of International Trade, National Taipei University of Business	None	None	None	None
Yongho Branch	VP & GM	Mei-Chun Tsou	F	R.O.C	20171101	0	0%	0	0%	0	0%	Master of Business Administration, Tamkang University	None	None	None	None
Fuho Branch	VP & GM	Su-Chen Cheng	F	R.O.C	20161201	367	0%	0	0%	0	0%	Banking & Insurance, National Taichung Institute of Commerce	None	None	None	None
Chungho Branch	VP & GM	Su-Man Hsueh	F	R.O.C	20190311	13,718	0%	0	0%	0	0%	Department of Applied Business, National Taichung University of Science and Technology	None	None	None	None
Shuangho Branch	VP & GM	Chyi-Ying Yeh	F	R.O.C	20181008	29,491	0%	0	0%	0	0%	Economics, Fu Jen Catholic University	None	None	None	None
Lide Branch	VP & GM	Shu-Chen Shih	F	R.O.C	20171101	13,088	0%	0	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Hsinchuang Branch	VP & GM	Pi-Chin Shao	F	R.O.C	20190201	3,150	0%	0	0%	0	0%	Shipping & Transportation Management, National Taiwan Ocean University	None	None	None	None
Xinshu Branch	VP & GM	Jui-Hung Weng	M	R.O.C	20161011	5,200	0%	0	0%	0	0%	Department of Finance, Chaoyang University of Technology	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Wugu Industrial Park Branch	VP & GM	Yi-Huei Chiu	F	R.O.C	20180901	15,304	0%	0	0%	0	0%	Department of International Business Administration, Finance Management Section/ Master of Business Administration, Chinese Culture University	None	None	None	None
Nan-Hsinchuang Branch	VP & GM	Mei-Hsing Lin	F	R.O.C	20181008	16,008	0%	0	0%	0	0%	Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Sy Yuan Branch	VP & GM	Wei-Shuo Luo	M	R.O.C	20181008	28,927	0%	0	0%	0	0%	Department of International Trade, Chung Yuan Christian University	None	None	None	None
Taishan Branch	VP & GM	Hui-Fang Chen	F	R.O.C	20180301	0	0%	0	0%	0	0%	Feng Chia University Department of Public Finance	None	None	None	None
Linkou Branch	VP & GM	Jiin-Chour Liu	M	R.O.C	20160901	3,320	0%	0	0%	0	0%	Business Administration, Fu Jen Catholic University	None	None	None	None
New Linkou Branch	VP & GM	Hsiu-O Hsieh	F	R.O.C	20170313	546	0%	10,920	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Shulin Branch	VP & GM	Jui-Hui Hsu	F	R.O.C	20180901	12,537	0%	7,400	0%	0	0%	Public Finance, China University of Technology	None	None	None	None
Panchiao Branch	VP & GM	Kui-Fang Tsai	M	R.O.C	20160901	9,284	0%	12,608	0%	0	0%	Business Administration, Chung Yuan Christian University	None	None	None	None
Kuang-Fu Branch	VP & GM	Mei-Fen Shieh	F	R.O.C	20190311	908	0%	200	0%	0	0%	IEMBA, National Taipei University	None	None	None	None
Chiang Tsui Branch	VP & GM	Ming-Thur Chen	M	R.O.C	20180301	27,983	0%	16,348	0%	0	0%	Master's Program in Department of Business Administration, Lughwa University of Science and Technology	None	None	None	None
Tucheng Branch	VP & GM	Pei-Fen Shieh	F	R.O.C	20180501	167,367	0%	445	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Sanhsia Branch	VP & GM	Ai-Hsiu Lai	F	R.O.C	20190311	3,172	0%	0	0%	0	0%	Department of Shipping & Transportation Management, National Taiwan Ocean College	None	None	None	None
Taoyuan Branch	VP & GM	Jia-Jen Hou	M	R.O.C	20160307	70,288	0%	0	0%	0	0%	Department of Finance, China University of Science and Technology	None	None	None	None
Pei-Taoyuan Branch	VP & GM	Yueh-Chiu Lai	F	R.O.C	20160401	40,549	0%	0	0%	0	0%	Department Accounting, Tunghai University	None	None	None	None
Ba De Branch	VP & GM	Shiow-Ling Kao	F	R.O.C	20180301	1,111	0%	0	0%	0	0%	Department of Banking, Tankang University	None	None	None	None
Longtang Branch	VP & GM	Tzu-Chiung Huang	F	R.O.C	20160101	127,866	0%	0	0%	0	0%	Business Administration, National Cheng Kong University	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Nankan Branch	VP & GM	Shu-Chen Yang	F	R.O.C	20171218	1,363	0%	0	0%	0	0%	Department of Business Administration, Tamkang University Executive Master's Program of Business Administration (EMBA)	None	None	None	None
Tung-Linkou Branch	VP & GM	Ting-Feng Cho	F	R.O.C	20180501	22,458	0%	0	0%	0	0%	Department of International Trade, Chihlee Institute of Technology	None	None	None	None
Chungli Branch	VP & GM	Shun-Feng Lo	M	R.O.C	20170901	13,817	0%	27,101	0%	0	0%	MS in Logistics, National Defense University	None	None	None	None
Pei-Chungli Branch	VP & GM	Yung-Ping Lin	F	R.O.C	20180501	16,446	0%	0	0%	0	0%	Department of Banking and Finance, Tamkang University	None	None	None	None
Hsin-Ming Branch	VP & GM	Hsueh-Wen Wang	M	R.O.C	20170502	1,398	0%	0	0%	0	0%	Department of Financial & Economic Law, Chung Yuan Christian University	None	None	None	None
Yangmei Branch	VP & GM	Fu-Jinn Chiou	M	R.O.C	20170901	449	0%	0	0%	0	0%	Business Administration, Chinese Culture University	None	None	None	None
Pushin Branch	VP & GM	Su-Ming Cheng	F	R.O.C	20171101	17,780	0%	0	0%	0	0%	Master of Finance, Chang Gung University	None	None	None	None
Hsinchu Branch	VP & GM	Chin-Huang Chuang	M	R.O.C	20170901	102,213	0%	3,150	0%	0	0%	Accounting & Statistics, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Pei-Hsinchu Branch	VP & GM	Feng-Fuh Chang	M	R.O.C	20180301	932	0%	0	0%	0	0%	Department of Electronic Data Processing, National Taichung College of Business	None	None	None	None
Hsinchu Science-based Industrial Park BR	VP & GM	Lin-Ling Chen	F	R.O.C	20180709	19,324	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Jhubei Branch	VP & GM	Chia-Yu Chang	F	R.O.C	20171101	44,779	0%	0	0%	0	0%	Department of Foreign Languages and Literature, Providence University	None	None	None	None
Chutung Branch	VP & GM	Jui-Yueh Wu	M	R.O.C	20170313	0	0%	0	0%	0	0%	Department of Construction Management, Chung Hua University	None	None	None	None
Zhunan Branch	VP & GM	Chiu-Min Shen	F	R.O.C	20180301	1,912	0%	0	0%	0	0%	Master of Business Administration, Tamkang University	None	None	None	None
Miaoli Branch	VP & GM	Shao-Mao Wang	M	R.O.C	20161121	93,298	0%	55,041	0%	0	0%	EMBA Business Management Group, National Chung Hsing University	None	None	None	None
Yuanli Branch	VP & GM	Tsuey-Shya Chang	F	R.O.C	20181201	12,686	0%	0	0%	0	0%	Master of Science in Technology Management, Chung Hua University	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Tachia Branch	VP & GM	Pei-Chung Yang	M	R.O.C	20171101	45,515	0%	0	0%	0	0%	Executive Master's Program of Business Administration(Senior Business Administration),Feng Chia University	None	None	None	None
Chingshui Branch	VP & GM	Chun-Hong Yeh	M	R.O.C	20190311	504	0%	0	0%	0	0%	Master of Business,National Changhua University of Education Executive	None	None	None	None
Shalu Branch	VP & GM	Kuen-Shan Wang	M	R.O.C	20190311	3,293	0%	0	0%	0	0%	Department of International Trade,Tunghai University	None	None	None	None
Tatu Branch	VP & GM	Li-Fen Tzeng	F	R.O.C	20180709	20,800	0%	0	0%	0	0%	Republic of Finance,National Chung Hsing University	None	None	None	None
Tai ping Branch	VP & GM	Wen-Ching Chen	M	R.O.C	20180709	39,265	0%	0	0%	0	0%	Master of Finance,National Yunlin University of Science & Technology	None	None	None	None
Fengyuan Branch	VP & GM	Jin-Yu Yeh	F	R.O.C	20161121	122,679	0%	0	0%	0	0%	EMBA,Feng Chia University	None	None	None	None
Daya Branch	VP & GM	Li-Mei Chang	F	R.O.C	20170601	23,242	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
Tantzu Branch	VP & GM	Chiung-Hsiao Hung	F	R.O.C	20160401	69,973	0%	0	0%	0	0%	International Trade,National Taichung Institute of Commerce	None	None	None	None
Tungshih Branch	VP & GM	Tain-Maw Chang	M	R.O.C	20170801	5,787	0%	0	0%	0	0%	Business Administration,Open Junior College Affiliated with National Taichung Institute of Technology	None	None	None	None
Wufeng Branch	VP & GM	Yuan-Fen Chen	F	R.O.C	20181201	13,230	0%	0	0%	0	0%	Master of Finance,Chaoyang University of Technology	None	None	None	None
Dali Branch	VP & GM	Yi-Chen Wang	F	R.O.C	20190311	99,830	0%	0	0%	0	0%	International Trade,Chung Yuan University	None	None	None	None
Tsotun Branch	manager	Jiunn-Hong Lin	M	R.O.C	20180401	35,600	0%	0	0%	0	0%	Dpartment Of Banking And Insurance,National taichung College of Business	None	None	None	None
Nantou Branch	VP & GM	Li-Hwa Lee	F	R.O.C	20160201	103,696	0%	0	0%	0	0%	Master of Business Administration,National Changhua University Education Executive	None	None	None	None
Puli Branch	VP & GM	Ching-Yuan Wu	M	R.O.C	20160201	22,423	0%	0	0%	0	0%	Administrative,National Chengchi University administrative specialist attached to the air	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Shuilikeng Branch	VP & GM	Ming-Chuan Lin	F	R.O.C	20170801	94,686	0%	5,308	0%	0	0%	Department of Business, National Open University	None	None	None	None
Changhwa Branch	VP & GM	A-R Liu	F	R.O.C	20190311	52,517	0%	11,688	0%	0	0%	Master of Business Administration, National Changhua University of Education Executive	None	None	None	None
Lukang Branch	VP & GM	Chih-Hao Lo	M	R.O.C	20180709	933	0%	1,442	0%	0	0%	EMBA, Feng Chia University	None	None	None	None
Hemei Branch	VP & GM	Kuo-Heng Hsu	M	R.O.C	20180301	10,661	0%	0	0%	0	0%	Executive Master of Business Administration, Feng Chia University	None	None	None	None
Yuanlin Branch	VP & GM	Ji-Ming Huang	M	R.O.C	20190311	1,373	0%	0	0%	0	0%	Department of Business, National Open University	None	None	None	None
Hsihu Branch	VP & GM	Ti-Tien Liao	M	R.O.C	20181126	2,196	0%	23,664	0%	0	0%	Business Administration, Fu Jen University	None	None	None	None
Peitou Branch	VP & GM	Chin-Ping Lai	F	R.O.C	20160901	71,679	0%	0	0%	0	0%	IMBA, National Changhua University of Education	None	None	None	None
Erlin Branch	VP & GM	Weng-Chung Chen	M	R.O.C	20170901	48,679	0%	0	0%	0	0%	EMBA Seminar on Finance, National Chung Hsing University	None	None	None	None
Hsiluo Branch	VP & GM	Wen-Ling Tsai	M	R.O.C	20181008	1,941	0%	1,739	0%	0	0%	Department of Business Management, Chinese Culture University	None	None	None	None
Touliu Branch	VP & GM	Shu-Hui Lin	F	R.O.C	20180301	0	0%	0	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Touan Branch	VP & GM	Lih-Lan Kuo	F	R.O.C	20180401	0	0%	0	0%	0	0%	Department of Accounting, Chinese Culture University	None	None	None	None
Huwei Branch	VP & GM	Kung-Ming Chang	M	R.O.C	20181008	50,954	0%	0	0%	0	0%	Department of Business Administration, Chaoyang University of Technology	None	None	None	None
Tukoo Branch	VP & GM	Tung-Sheng Huang	M	R.O.C	20181126	3,738	0%	0	0%	0	0%	Department of Finance, National Chung Cheng University	None	None	None	None
Peikang Branch	VP & GM	Shinn-Huei Leu	M	R.O.C	20170901	12,308	0%	0	0%	0	0%	Finance, National Formosa University of Science and Technology	None	None	None	None
Talin Branch	VP & GM	Shu-Chuan Lin	F	R.O.C	20180709	1,049	0%	0	0%	0	0%	Department of Business Administration, National Cheng Kung University	None	None	None	None
Chiayi Branch	VP & GM	Yueh-Ying Lai	F	R.O.C	20151201	0	0%	0	0%	0	0%	Department of Living Sciences, National Open University	None	None	None	None
Tung-Chiayi Branch	VP & GM	Hsui-Chin Hsu	F	R.O.C	20171201	0	0%	0	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Pei-Chiayi Branch	VP & GM	Hsiu-Chih Huang	F	R.O.C	20180501	51,828	0%	0	0%	0	0%	Executive Master of Business Administration, Southern Taiwan University of Science and Technology	None	None	None	None
Hsinying Branch	VP & GM	Chung-Shing Ho	M	R.O.C	20170901	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Yungkang Branch	VP & GM	Chen-Ying Wu	F	R.O.C	20181126	3,635	0%	0	0%	0	0%	EMBA Administration, Southern Taiwan University of Science and Technology	None	None	None	None
Chung-Hua Road Branch	VP & GM	Wen-Ko Ho	M	R.O.C	20180401	0	0%	0	0%	0	0%	Cooperative Economics, National Chung Hsing University	None	None	None	None
Tainan Branch	VP & GM	Mei-Hui Wu	F	R.O.C	20171201	10,768	0%	65,926	0%	0	0%	EMBA, National Chiayi University	None	VP & GM	Chun Hung Tung	Spouse
Yenping Branch	VP & GM	Cheng-Chi Chen	M	R.O.C	20160401	167,559	0%	186,987	0%	0	0%	Institute of Finance & Insurance, Shu-Te University of Science & Technology	None	None	None	None
Hsi-Tainan Branch	VP & GM	Chun-Hung Tung	M	R.O.C	20181126	65,926	0%	10,768	0%	0	0%	EMBA, National Cheng Kung University	None	VP&GM	Mei Hui Wu	Spouse
Tung-Tainan Branch	VP & GM	Fen-Lan Lu	F	R.O.C	20181126	35,873	0%	18,882	0%	0	0%	Department of Business Administration, National Cheng Kung University	None	None	None	None
Nan-Tainan Branch	VP & GM	Wang-Ming Lee	M	R.O.C	20160401	1,572	0%	0	0%	0	0%	Department of Business Administration, Tamkang College of Arts and Sciences	None	None	None	None
Pei-Tainan Branch	VP & GM	Yen-Yu Liu	F	R.O.C	20171201	595	0%	0	0%	0	0%	EMBA, National Chiayi University	None	None	None	None
Guiren Branch	VP & GM	Chien-Tai Ping	M	R.O.C	20160706	0	0%	0	0%	0	0%	Statistics, Tamkang University	None	None	None	None
AnNan Branch	VP & GM	Shiou-Yann Lin	F	R.O.C	20170801	1,472	0%	303	0%	0	0%	Master of Financial Operation, National Kaohsiung First University of Science and Technology	None	None	None	None
Chishan Branch	VP & GM	Chen-Huan Liu	F	R.O.C	20181008	0	0%	5,000	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Kangshan Branch	VP&GM	Cheng-Lin Cheng	M	R.O.C	20190311	281	0%	0	0%	0	0%	National Taiwan Ocean University Shipping & Transportation Management	None	None	None	None
Fengshan Branch	VP & GM	Su-Chuan Wang	F	R.O.C	20170901	2,707	0%	0	0%	0	0%	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None
Luchu Branch	VP&GM	Shu-Li Chang	F	R.O.C	20170101	14,184	0%	50,619	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None
TaFa Branch	VP & GM	Feng-Yuan Shia	M	R.O.C	20190311	113,490	0%	0	0%	0	0%	International Trade, Feng Chia University	None	None	None	None
Kaohsiung Branch	VP & GM	Wen-Chung Huang	M	R.O.C	20160523	434	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation- ship
Chi-Hsien Branch	VP & GM	Shwu-Ruu Lee	F	R.O.C	20181126	55,176	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Yencheng Branch	VP & GM	Su-Wei Liang	F	R.O.C	20180901	23,518	0%	0	0%	0	0%	Department of Banking and Insurance, Feng Chia University	None	None	None	None
Tung-Kaohsiung Branch	VP & GM	Chih-Ming Kuo	M	R.O.C	20181126	37,315	0%	0	0%	0	0%	Cooperative Economics, Tamkang College of Arts and Sciences	None	None	None	None
Nan-Kaohsiung Branch	VP & GM	Shu-Fen Wu	F	R.O.C	20180901	17,365	0%	0	0%	0	0%	Department of International Trade, National Chengchi University	None	None	None	None
Pei-Kaohsiung Branch	VP & GM	Hsu-Lin Huang	F	R.O.C	20180521	182,720	0%	0	0%	0	0%	Department of International Trade, International Business College	None	None	None	None
Sanmin Branch	Manager	Shyh-Maw Wang	M	R.O.C	20190102	11,675	0%	0	0%	0	0%	Department of Applied Business, Open College Affiliated with National Taipei University of Business	None	None	None	None
Hsinhsing Branch	VP & GM	Shu-Hei Chang	F	R.O.C	20190201	49,472	0%	0	0%	0	0%	International Trade, Providence College of Arts and Sciences for Women	None	None	None	None
Chanchen Branch	VP & GM	Yung-Sheng Chen	M	R.O.C	20180401	1,180	0%	0	0%	0	0%	Department of Administration, Tamkang University	None	None	None	None
Chiu-Ju Lu Branch	VP & GM	Wan-Ling Chen	F	R.O.C	20170901	35,323	0%	0	0%	0	0%	Department of Economics, Feng Chia University	None	None	None	None
Chienhsing Branch	VP & GM	Shu-Mei Yeh	F	R.O.C	20190218	0	0%	0	0%	0	0%	Department of International Trade, National Chengchi University	None	None	None	None
Po-Ai Branch	VP & GM	Show-Ching Chen	F	R.O.C	20190102	41	0%	0	0%	0	0%	Studies Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business	None	None	None	None
Lingya Branch	VP & GM	Li-Chu Shu	F	R.O.C	20180501	0	0%	0	0%	0	0%	Business Administration, Fu Jen Catholic University	None	None	None	None
Ta-Shun Branch	VP & GM	Chiang-An Chang	M	R.O.C	20180501	91,436	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Zuoying Branch	VP & GM	Ching-Chung Chen	M	R.O.C	20180806	934	0%	0	0%	0	0%	Institute of Human Resource Management, National Sun Yat-sen University	None	None	None	None
Pingtung Branch	VP & GM	Hui-Ju Lee	F	R.O.C	20170801	46,672	0%	0	0%	0	0%	Department of International Trade, National Taichung College of Business	None	None	None	None
Chaochou Branch	VP & GM	Shu-Fen Lee	F	R.O.C	20170801	74,068	0%	0	0%	0	0%	Department of International Business, National Kaohsiung University of Science and Technology	None	None	None	None
Tungshang Branch	VP & GM	Lun-Jan Lan	M	R.O.C	20170313	11,821	0%	4,724	0%	0	0%	Industrial Management Section, Southern Taiwan University of Science and Technology	None	None	None	None
Hengchun Branch	VP & GM	Ming-Jer Lin	M	R.O.C	20190201	4,589	0%	0	0%	0	0%	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None
Hualien Branch	VP & GM	Wen-Ching Chang	M	R.O.C	20170502	3,574	0%	0	0%	0	0%	Department of International Business, Soochow University	None	None	None	None
Taitung Branch	Manager	Shu-Yun Hsu	F	R.O.C	20180806	3,484	0%	0	0%	0	0%	Department of Business Administration, National Taiwan University Of Science and Technology	None	None	None	None
New York Branch	VP & GM	Chien-Shan Liu	M	R.O.C	20180301	0	0%	0	0%	0	0%	Department of Finance, National Chung Cheng University	None	None	None	None
Los Angeles Branch	VP & GM	Wan-Chin Chang	F	R.O.C	20161201	166,482	0%	0	0%	0	0%	MBA in Banking and Finance, Tamkang University	None	None	None	None
Tokyo Branch	VP & GM	Li-Fang Liu	F	R.O.C	20190311	0	0%	0	0%	0	0%	Department International trade, Tunghai University	None	None	None	None
London Branch	VP & GM	Cheng-Yi Hsieh	M	R.O.C	20170818	0	0%	57	0%	0	0%	Department of Insurance, National Chengchi University	None	None	None	None
Hong Kong Branch	VP & GM	Chien-Mei Yu	F	R.O.C	20181023	16,349	0%	0	0%	0	0%	EMBA in International Business, Tamkang University	None	None	None	None
Singapore Branch	VP & GM	Chin-Lung Pan	M	R.O.C	20170113	5,909	0%	0	0%	0	0%	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Manila Branch	VP & GM	Kwang-Wu Liu	M	R.O.C	20170818 (Note 5)	0	0%	0	0%	0	0%	Department of Information Management, Tamkang University	None	None	None	None

Note 1: Application of Retirement for Executive Vice President of Head Office Carol Sun was effective on May 1, 2019. Assignment and Promotion for SVP & Division Head of Domestic Banking Division Chang-Hua Cheng to Executive Vice President was effective on May 6, 2019. Mandatory Retirement for SVP & Division Head of International Banking Division Chen-Yu Chen was effective on May 1, 2019. SVP & Division Head of Trust Division Rueih-Hwa Cheng was assigned as SVP & Division Head of International Banking Division on May 1, 2019. VP & GM of Zhongshan N. Rd. Branch Li-Ling Lan was assigned as SVP & Division Head of Trust Division on May 1, 2019.

Note 2: Assigned as the Acting SVP & Division Head of Secretariat Division on October 4, 2018 as well as reassigned and promoted to SVP & Division Head of Secretariat Division on March 25, 2019.

Note 3: Assigned as the Acting SVP & Division Head of Human Resources Division on March 1, 2018 as well as reassigned and promoted to SVP & Division Head of Human Resources Division on July 9, 2018.

Note 4: Adjunct SVP & Division Head of Insurance Agency Division since May 1, 2018.

Note 5: Assigned as Manila Branch (Preparatory Office) VP & GM on August 18, 2017. Reassigned as Manila Branch VP & GM on July 9, 2018.

c. Chairman and President retired from the Bank or related companies returned to consultants: None.

C. Compensation

a. Compensation for Directors

Title	Name	Compensation							
		Rewards (A)		Pension and Separation Pay (B)		Earning Distribution (C) (Note)		Business Affair Expense (D)	
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement
Chairman	Ming-Daw Chang (Delegate of MOF) Retired on Apr. 8, 2019								
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)								
Managing Director (Independent Director)	Kuo-Yuan Liang								
Director	Julius Chen (Delegate of TSFHC)								
Director	Ching-Hwa Juan (Delegate of MOF) The term ended on Aug. 2, 2018								
Director	Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan) The term ended on Jun. 19, 2018								
Director	Chia-Chi Hsiao (Delegate of MOF) The term became effective on Oct. 3, 2018	14,478,800	14,478,800	0	0	62,186,136	62,186,136	0	0
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan) The term became effective on Jun. 20, 2018								
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)								
Director (Independent Director)	Jung-Chun Pan								
Director (Independent Director)	Chi-Chang Yu								
	MOF								
	National Development Fund, Executive Yuan								
	TSFHC								
	Lee Investment Co., Ltd.								

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

Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees									Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Salary, Bonus and Special Disbursement (E)		Pension and Separation Pay (F)		Employee Bonus Distribution (G)							
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB		All the companies in the financial statement			
Cash dividends	Stock dividends							Cash dividends	Stock dividends				
0.61	0.61	0	0	0	0	0	0	0	0	0	0.61	0.61	79,000

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 financial statement	CHB	All the companies in the financial statement
~ NT\$2,000,000	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu
NT\$2,000,000 ~ NT\$5,000,000				
NT\$5,000,000 ~ NT\$10,000,000	Ming-Daw Chang National Development Fund, Executive Yuan Lee Investment Co., Ltd	Ming-Daw Chang National Development Fund, Executive Yuan Lee Investment Co., Ltd	Ming-Daw Chang National Development Fund, Executive Yuan Lee Investment Co., Ltd	Ming-Daw Chang National Development Fund, Executive Yuan Lee Investment Co., Ltd
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000	MOF TSFHC	MOF TSFHC	MOF TSFHC	MOF TSFHC
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
NT\$100,000,000 ~				

b. Compensation for President and Executive Vice Presidents

January 1, 2018 ~ December 31, 2018 Unit: NTD; %

Title	Name	Salary (A)		Pension and Separation Pay (B)		Bonus and Special Disbursement (C)		Employee Bonus of Earning Distribution (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB		All the companies in the financial statement		CHB	All the companies in the financial statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Chien-An (James) Shih (Application for retirement effective on Mar. 20, 2018)													
President	Hong-Chi Chang (Appointed on Mar. 23, 2018. Retired on Apr. 8, 2019)	19,399,660	19,399,660	13,972,627	13,972,627	12,857,519	12,857,519	2,890,299	0	2,890,299	0	0.39	0.39	730,000
Executive Vice President	Hong-Yao Tu													
	Hom-Gang Wang													
	Carol Sun													
	Bin Chen													
EVP & Chief Compliance Officer	Jih-Cheng Yang													
EVP & Chief Auditor	Ya-Ling Lin													

Note 1: Actual paid amount of pension and separation pay in 2018: NT\$12,391,879.

Note 2: Appropriated amount of pension and separation pay expense in 2017 (10% under the old system and 6% contribution under the new rules): NT\$1,580,748.

Note 3: The remuneration for drivers of senior officers: The Bank paid the 8 drivers in total of NT\$7,120,792 a year. They are not assigned to senior officers only; The Bank can assign them for other business needs.

Classification of Compensation for President and Executive Vice President	Name of President and Executive Vice President	
	CHB	All investee companies
~ NT\$2,000,000		
NT\$2,000,000 ~ NT\$5,000,000	Hong-Chi Chang Bin Chen	Hong-Chi Chang Bin Chen
NT\$5,000,000 ~ NT\$10,000,000	Hong-Yao Tu Hom-Gang Wang Carol Sun Jih-Cheng Yang Ya-Ling Lin	Hong-Yao Tu Hom-Gang Wang Carol Sun Jih-Cheng Yang Ya-Ling Lin
NT\$10,000,000 ~ NT\$15,000,000	Chien-An (James) Shih	Chien-An (James) Shih
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, 2018 Unit: NTD; %

Title	Name				Stock	Cash Dividends Amount	Total	Total/After-tax Profit (%)
President	Hong-Chi Chang (Appointed on Mar. 23, 2018. Retired on Apr. 8, 2019)							
Executive Vice President	Horng-Yao Tu, Hom-Gang Wang, Carol Sun, and Bin Chen							
EVP & Chief Compliance Officer	Jih-Cheng Yang							
EVP & Chief Auditor	Ya-Ling Lin							
Division Heads and General Managers	Chang-Hua Cheng	Shiou-Yu Chang	Hsueh-Ni Hsieh	Yu-Hsueh Liu	0	60,209,146	60,209,146	0.48
	Chiou-Yueh Chen	Chih-Chen Hsu	Rueih-Hwa Cheng	Hsiu-Luan Hsieh				
	Chen-Yu Chen	Hsiu-Hsia Tsai	Shwu-Fang Wang	Nell-H. Tseng				
	Mei-Fang Wu	Tsai-Feng Lin	Hsien-Lung Chen	Hsiang-Chun Wu				
	Hui-Yu Chen	Yao-Ju Lu	Hsiao-Hua Yin	Hui-Jen Wu				
	Yi-Jung Chan	Pao-Sen Yu	Hsiu-Ching Hsu	Kuo-Hsiang Lin				
	Tse-Tsang Tso	Fang-Yuan Wu	Shun-Hung Huang	Shuo-Hung Huang				
	Fu-Rong Chiu	Yen-Chun Chen	Chi-Tsung Shih	Cheng-Fu Yang				
	Shiu-Hwa Chang	Mei-Ling Chiu	Ching-Hsiang Liu	Shu-Lin Liu				
	Su-Min Hsin	Der-Ho Chen	Shan-Shin Shen	Su-Jane Lin				
	Hsi-Lung Wu	Kao-Jung Hsu	Don-Y.T. Wang	Yu-Shan Chen				
	Yu-Hui Lin	Shu-Ju Tsai	Cheng-I Huang	Mei-Ching Chang				
	Feng-Tsung Chang	Jin-Kuei Chen	Zhen-Dong Jian	Shey-Lin Chang				
	Chi-Min Chung	Jung-Chien Hu	Li-Ling Lan	Lih-Lan Yang				
	Mel-Li Chiu	Yu-Yeh Lin	Huey-Wen Chang	Yi-Hwang Tzeng				
	Ming-Hua Huang	Szu-Yen Lin	Ruei-Jan Chen	Mei-Fen Shieh				
	Su-Man Hsueh	Chung-Long Tsai	Shu-Hsuan Lin	Kui-Min Hsiao				
	Shu-Hua Tsai	Ying-Hui Hung	Kuei-Mei Hsu	Ming-Hsun Lin				
	Yu-Shu Chen	Shu-Chung Chen	Chia-Chen Shen	Alec-Lin Hsiang				
	Chin-Li Lin	Lin-Li Ku	Chin-Hsuan Lee	Li-Hsien Huang				
	Pi-Chin Shao	Hueih-Rur Shy	Li-Feng Shen	Cheng-Chi Chuang				
	Chien-Fa Chen	Shu-Fen Liu	Kuen-Shan Wang	Hui-Ling Lee				
	Lan-Zu Lin	Huei-Jin Lin	Ai-Ling Wang	Chang-Cheng Chu				
	Yao-Shen Hsieh	Chun-Feng Lee	Chun-Yuan Chen	Pao-Hua Hsu				
	Chun-Nu Yeh	Ching-Fu Lin	Tzy-Yun Chen	Mei-Hwa Huang				
	Chi-Hsiang Chen	Li-Min Cheng	Quei-Ying Ho	Shu-Fen Cheng				
	Ai-Hsiu Lai	Mei-Chun Tsou	Su-Chen Cheng	Chun-Jen Tsai				
	Chyi-Ying Yeh	Shu-Chen Shih	I-Hsin Weng	Jui-Hung Weng				
	Yi-Huei Chiu	Mei-Hsing Lin	Wei-Shuo Luo	Hui-Fang Chen				
	Jiin-Chour Liu	Hsiu-O Hsieh	Jui-Hui Hsu	Kui-Fang Tsai				
	Kuei-Mei Wu	Ming-Thur Chen	Pei-Fen Shieh	Yu-Ling Tang				
	Jia-Jen Hou	Yueh-Chiu Lai	Shiow-Ling Kao	Tzu-Chiung Huang				
	Shu-Chen Yang	Ting-Feng Cho	Shun-Feng Lo	Yung-Ping Lin				
	Hsueh-Wen Wang	Fu-Jinn Chiou	Su-Ming Cheng	Chin-Huang Chuang				
	Feng-Fuh Chang	Lin-Ling Chen	Chia-Yu Chang	Jui-Yueh Wu				
	Chiu-Min Shen	Shao-Mao Wang	Jang-Tsuey Shya	Pei-Chung Yang				
	Ji-Ming Huang	You-Chen Lee	Li-Fen Tzeng	Wen-Ching Chen				
	Jin-Yu Yeh	Li-Mei Chang	Chiung-Hsiao Hung	Tain-Maw Chang				
	Yuan-Fen Chen	Rong-Horng Way	Jiunn-Horng Lin	Li-Hwa Lee				
	Ching-Yuan Wu	Ming-Chuan Lin	Chun-Hong Yeh	Chih-Hao Lo				
	Kuo-Heng Hsu	A-R Liu	Ti-Tien Liao	Chin-Ping Lai				
	Weng-Chung Chen	Wen-Ling Tsai	Shu-Hui Lin	Lih-Lan Kuo				
	Kung-Ming Chang	Tung-Sheng Huang	Shinn-Huei Leu	Shu-Chuan Lin				
	Yueh-Ying Lai	Hsui-Chin Hsu	Hsiu-Chih Huang	Chung-Shing Her				
	Chen-Ying Wu	Wen-Ko Ho	Mei-Hui Wu	Cheng-Chi Chen				
	Chun-Hung Tung	Fen-Lan Lu	Wang-Ming Lee	Yen-Yu Liu				
	Chien-Tai Ping	Shiou-Yann Lin	Chen-Huan Liu	Feng-Yuan Shia				
Su-Chuan Wang	Shu-Li Chang	Cheng-Lin Cheng	Wen-Chung Huang					
Shwu-Ruu Lee	Su-Wei Liang	Chih-Ming Kuo	Wu-Shu Fen					
Hsu-Lin Huang	Show-Ching Chen	Shiow-Jy Lee	Yung-Sheng Chen					
Wan-Ling Chen	Tzeng-Hurng Lee	Wan-Hwa Chien	Li-Chu Shu					
Chiang-An Chang	Ching-Chung Chen	Hui-Ju Lee	Shu-Fen Lee					
Lun-Jan Lan	Shu-Hei Chang	Wen-Ching Chang	Shu-Yun Hsu					
Chien-Shan Liu	Wan-Chin Chang	Shyh-Chau Lin	Cheng-Yi Hsieh					
Chien-Mei Yu	Chin-Lung Pan	Kwang-Wu Liu						

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

1. The ratio of total remuneration paid by the Bank and its related companies from the financial statements for the past two fiscal years to directors, president and vice presidents of the company, to the net income:

Unit: NT\$ 1,000,000

Items	2018				2017				Increase Decrease Amount		%	
	the Bank		Related companies from the financial statements		the Bank		Related companies from the financial statements		the Bank	Related companies from the financial statements	the Bank	Related companies from the financial statements
	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)				
Compensation for Directors	76,665	0.61	76,665	0.61	74,609	0.62	74,609	0.62	2,056	2,056	2.76	2.76
Compensation for President and Executive Vice Presidents	49,120	0.39	49,120	0.39	46,199	0.38	46,199	0.38	2,921	2,921	6.32	6.32

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

(1) Remunerations for directors:

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

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

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

3. Correlation to business performance and future risks:

(1) Remunerations for directors:

In accordance with Article 38 of our Articles of Incorporation, if the Bank make an annual profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), the Bank shall distribute 0.8% maximum of such profit to directors as remuneration. On the basis of the Bank's operating results and the director's performance of duties at the same time, reasonable remuneration will be paid to directors after review by the Remuneration Committee, resolution by the Board of Directors, and announcement in the Shareholders' Meeting.

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

In accordance with Article 38 of our Articles of Incorporation, if the Bank make an annual profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), the Bank shall distribute 1-6% of such profit to our employees, including the president and executive vice presidents,

as remuneration after review by the Remuneration Committee, resolution by the Board of Directors, and announcement in the Shareholders' Meeting.

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

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

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

D. Operations of Corporate Governance

a. Operations of the Board of Directors

The 25th Board of Directors convened 13 meetings in 2018, and the records of attendance by directors and independent directors are shown as follows:

The 25 th Board of Directors Operations (Jan.1, 2018 ~ Dec.31, 2018)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Note
Chairman	Ming-Daw Chang (Delegate of MOF)	13	0	100	
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)	13	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	13	0	100	
Director	Julius Chen (Delegate of TSFHC)	13	0	100	
Director	Ching-Hwa Juan (Delegate of MOF)	6	1	85.71	2018.8.3 Dismissal
Director	Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan)	4	1	80	2018.6.19 Dismissal
Director	Chia-Chi Hsiao (Delegate of MOF)	3	0	100	2018.10.3 Appointed
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	7	1	87.50	2018.6.20 Appointed
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	10	3	76.92	
Director (Independent Director)	Jung-Chun Pan	13	0	100	
Director (Independent Director)	Chi-Chang Yu	12	1	92.31	

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

【Other matters required to be recorded】

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

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

Please refer to I. 2.Important resolutions of the 2018 board of directors meeting.

(2) In addition to the foregoing, there were other matters to be resolved by director's board meetings about which an independent director expressed objections or reservations that were included in records or stated in writing: None.

2. Updates in avoiding motions involving conflict of interest on the part of members for the 25th Board of Directors

Updates in avoiding motions involving conflict of interest on the part of members for the 25 th Board of Directors (Jan.1, 2018 ~ Dec.31, 2018)			
Issues	Name	Reasons for Avoidance	Vote Results
The motion to stipulate the monthly compensation of managing Directors (excluding independent managing Directors) and Directors (excluding ordinary independent Directors).	Cheng-Ching Wu Julius Chen Chia-Chi Hsiao Chien-Yi Chang Director Shih-Tsung Lee appointed Chairman Ming-Daw Chang to attend the meeting as proxy.(Chairman Ming-Daw Chang did not exercise the voting right on behalf of Director Shih-Tsung Lee.)	In the event the content of a motion involves the personal interest of any Director, Article 178 of the Company Act shall apply for avoidance, in accordance with Article 206 of the Company Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.
The motion to stipulate the monthly compensation of independent Directors.	Kuo-Yuan Liang Jung-Chun Pan Chi-Chang Yu		
The motion to stipulate the compensation and benefit packages of the Chairman.	Ming-Daw Chang		
Remuneration of the 1 st Directors (Including Chairman and independent Directors) and supervisor of the Bank's subsidiary, Chang Hua Commercial Bank, Ltd.	Ming-Daw Chang		
Loan case for interested parties.	Shih-Tsung Lee	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 the Director who abstained on the ground of conflict of interest, all other Directors in attendance(Director Shih-Tsung Lee left the meeting) unanimously approved the motion as proposed.
Four loan cases for interested parties.	Chien-Yi Chang	In the event the content of a motion doesn't involve the personal interest of Director, avoidance shall be applied from a highly rigorous corporate governance perspective.	Except for Chien-Yi Chang who applied for avoidance, all other Directors in attendance unanimously approved the motion as proposed.

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

- (1) The Bank has installed 3 independent Directors, who, as professionals in economics, law and finance, provide independent and professional views to the Bank in terms of the supervision and management for operations. The Bank's 3 independent Directors established the audit committee, in addition to deliberating the Bank's material resolutions in accordance with the Securities and Exchange Act, which is conducive to improving the Bank's corporate governance.
- (2) The Bank set up "Directions for the Enforcement of the plan for on-the-job Education for Directors." The Bank's Directors attend courses and seminars from time to time relating to corporate governance such as finance, risk management, legal affairs, accounting and corporate social responsibility, etc. so that they can be more knowledgeable about professional know-how to enhance the duties of the Board of Directors.
- (3) The Bank set up "Rules governing the performance assessment on the Board of Directors at Chang Hwa Bank" in an effort to improve the functionality of the Bank's Board of Directors and establish performance objectives in order to enhance the operating efficiency of the Board. Five major criteria for the performance assessment on the Bank's Board of Directors include the "level of involvement in the Bank's operations," "improving the quality of policies by the Board of Directors," "composition and structure of the Board of Directors," "appointment of Directors as well as their sustained and advanced studies" and "internal control," which can be further broken down into 40 self-assessment indicators for a total score of 100. According to the performance self-assessment results on the Board of Directors for 2018, the Board scored full marks in the four angles of the "level of involvement in the Bank's operations," "improving the quality of policies by the Board of Directors," "composition and structure of the Board of Directors" and "appointment of Directors as well as their sustained advanced studies" for an aggregate score of 96.25.

b. Operations of the Audit Committee

The 2nd Audit Committee convened 13 meetings in 2018, and the records of attendance by Independent Directors are shown as follows:

Operations of 2 nd Audit Committee (Jan.1, 2018 ~ Dec.31, 2018)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Kuo-Yuan Liang	13	0	100	
Independent Director	Jung-Chun Pan	13	0	100	
Independent Director	Chi-Chang Yu	13	0	100	

【Other matters required to be recorded】

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

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

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

- ① The 8th meeting of the 2nd Audit Committee on Jan. 10, 2018 (submitting for review by the 8th session of the 25th Board of Directors on Jan. 19, 2018):
Approved the Bank's "Management Policy of Three Lines of Defense for Internal Control System."
- ② The 10th meeting of the 2nd Audit Committee on Feb. 8, 2018 (submitting for review by the 9th session of the 25th Board of Directors on Feb.12, 2018):
Approved the proposal to acknowledge the 2017 annual business report and annual report during the shareholders' meeting.
- ③ The 11th meeting of the 2nd Audit Committee on Mar. 12, 2018 (submitting for review by the 10th session of the 25th Board of Directors on Mar. 20, 2018):
 - I. Approved the Bank's 2017 "Internal Control System Declaration" and its insurance agent business "Internal Control System Declaration."
 - II. Approved the commissioning and fees for the Bank's 2018 annual financial and tax auditing accountant.
 - III. Approved the Bank's 2017 "Internal Control System Statements for AML/CFT."
 - IV. Approved "The Collective Agreement" agreed between the Bank and its corporate union.
- ④ The 12th meeting of the 2nd Audit Committee on Apr. 13, 2018 (submitting for review by the 11th session of the 25th Board of Directors on Apr. 23, 2018):
 - I. Approved the resolution to recognize the distribution of 2017 earnings during the shareholders' meeting.
 - II. Approved to propose earnings capitalization for discussion during the shareholders' meeting.
- ⑤ The 13th meeting of the 2nd Audit Committee on May 9, 2018 (submitting for review by the 12th session of the 25th Board of Directors on May. 15, 2018):
Approved the investment for establishing a new venture capital subsidiary.
- ⑥ The 14th meeting of the 2nd Audit Committee on Jun. 15, 2018 (submitting for review by the 13th session of the 25th Board of Directors on Jun. 29, 2018):
Adopted amendment to the Bank's "Internal Control System for Securities Broker."
- ⑦ The 15th meeting of the 2nd Audit Committee on Jul. 20, 2018 (submitting for review by the 14th session of the 25th Board of Directors on Jul. 30, 2018):
Approved amendment to the Bank's "Internal Control System for Securities Transactions Assistance Services of Securities Broker" case.

⑧ The 16th meeting of the 2nd Audit Committee on Aug. 15, 2018 (submitting for review by the 15th session of the 25th Board of Directors on Aug. 24, 2018):

I. Approved the Bank's 2018 semi-annual financial statement.

II. Adopted amendment to the Bank's "Internal Control System for Securities Broker."

⑨ The 16th meeting of the 2nd Audit Committee on Aug. 15, 2018 (submitting for review by the 16th session of the 25th Board of Directors on Sep. 28, 2018):

Approved the Bank's " Rules of Internal Whistle-blowing."

⑩ The 18th meeting of the 2nd Audit Committee on Oct. 17, 2018 (submitting for review by the 17th session of the 25th Board of Directors on Nov. 13, 2018):

Adopted amendment to the Bank's "Internal Control System for Securities Broker."

⑪ The 19th meeting of the 2nd Audit Committee on Nov. 27, 2018 (submitting for review by the 18th session of the 25th Board of Directors on Dec. 11, 2018):

Approved the Bank's auditing plan for fiscal year 2019.

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

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

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

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

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

① The Bank's internal audit and inspection report after perusal and approval by the Chairman shall be delivered to the Audit Committee and independent directors for perusal as required by regulations.

② The improvements of the external auditing examination opinions were proposed to the director's board meeting by the internal auditing division. And improvements indicated in such examination report have been actively supervised and followed up by the independent directors.

③ The chief auditor reports the implementation of audit affairs to the Board of Directors and the Audit Committee on a quarterly basis.

④ The independent directors have kept close contact and good communications with EVP & chief auditor and the internal auditing division head.

⑤ With respect to the deficiencies in the Bank's internal control system, the Bank's directors (including independent directors) have regularly held meetings with the internal auditors with discussions recorded for report to the Board of Directors.

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

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

4. Audit Committee's focal point of the work :

(1) Audit Committee assists the Board of Directors in making decisions, supervising fair presentation of the financial statements, the appointing/dismissing of CPAs, internal control, legal compliance and risk management control, and reviewing the major resolutions prescribed by the Bank or the competent authorities.

(2) As for the reports of managing department and internal auditing unit in relation to effectiveness of the Bank's internal control system, which includes the control operations of overseas subsidiary bank and reported major cases, Audit Committee provides specific suggestions for improvement and requires managing department to carry out these improvements.

(3) Audit Committee shall review the matter that the Bank's providing secured credit to interested parties with exceeding amount prescribed by the Central Competent Authority according to Article 33 of the Banking Act involves the directors' personal interests.

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

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

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

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
1. Structure of the bank's shareholders and equities				
1.1 Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		1.1 To serve the Bank's shareholders, there is a message box and a complaint hotline under the Customer Service Center on the Bank's official website. The Bank's has also designated contact person to specially handle shareholders' suggestions, inquiries and even disputes. In the event of litigation, it will be dealt with by the unit in charge according to the Bank's segregation of duties. In addition, the Bank has engaged a share administration agency to handle all share-related affairs; therefore, all shareholders' suggestions, doubts, or disputes shall be referred to the agency. For the Bank's subsequent actions, the agency will immediately notify the Bank's of such suggestions, doubts or disputes as deemed relevant to the Bank's operations.	1.1 No difference
1.2 Does the bank keep track of the major controlling shareholders as well as their ownership structures?	✓		1.2 Based on the Bank's shareholders' register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has grasped its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank's annual report and official website.	1.2 No difference
1.3 Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with the bank's related companies?	✓		1.3 The Bank has stipulated overseas Subsidiary Bank Management Guideline to regulate the business transactions between the Bank and overseas subsidiary banks. In case of transactions involving interested parties, it shall be conducted in accordance with the Bank's Operating Guideline for Interested Parties. Other Than Credit Extension Trading Guideline for Interest Parties and relevant regulations of the competent authorities.	1.3 No difference
2. Board of directors and its responsibilities				
2.1 Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?		✓	2.1 At present, the Bank has lawfully instituted the Remuneration Committee and Audit Committee.	2.1 In the future, the Bank will institute various other functional committees in accordance with its actual operations.
2.2 Does the bank regularly evaluate the independence of CPAs?	✓		2.2 When the Bank appoints the CPA for attestation on financial statements, the Bank has made sure that none of their audit team members has commercial relationships with the Bank for significant financial benefits, which will probably affect their independence. During the appointment period, the Bank also, on a regular basis (at least once a year), carefully assesses the CPA's independence by the following criteria and submit an assessment report to the Audit Committee and the Board of Directors for their deliberations: a. The CPA does not have in his/her possession of the Bank's shares or have any relation with the Bank in terms of monetary loans, joint investment or shared interests. b. The CPA does not assume the post as the Bank's person responsible, Director, manager or employee. c. The CPA's behavior does not violate the "Professional Ethical Guidelines Communique No. 10: Integrity; Fairness; Objectivity and Independence" of the Taiwan CPA Association, ROC.	2.2 No difference
3. In the event the bank is a publicly listed or OTC-listed company, has the bank instituted a dedicated (or concurrent) corporate governance unit or personnel to be in charge of affairs relating to corporate governance (including but not limited to the provision of necessary data for Directors and Supervisors to execute their duties, administering matters relating to the Board of Directors' meetings and shareholders' meetings in accordance with law, administering company incorporation and change in incorporation, and producing minute books for the Board of Directors' and shareholders' meetings)?	✓		After the Bank modulated the organizational structure on September 28, 2018, the Acting SVP and Division Head of Secretariat Division was appointed to supervise Secretariat Division in handling corporate governance (in accordance with March 27, 2003 Letter No. TAI-TSAI-CHENG-SAN 0920001301 of Securities and Futures Commission under Ministry of Finance, stipulating the manager's qualification of possessing management experience for more than 3 years in the public company engaging in legal, conference logistics affairs, etc), including the following: (1) Administering matters relating to Board of Directors and shareholders' meetings in accordance with law. (2) Producing minute books for Board of Directors and shareholders' meetings. (3) Assisting the directors in their assuming office and continuing education. (4) Providing the information required by the directors to execute business. (5) Assisting directors to follow the laws and regulations. (6) In charge of company registration and registration of change. (7) Other matters stipulated in the articles of incorporation or contract, etc The operation in 2018 was as follows: (1) Formulation and amendment of regulations relating to corporate governance. (2) Application for issuance of new shares on Sep. 14, 2018, registration of change in the location of juristic person shareholders, and registration of change in shares held by directors. (3) Conducting matters relating to the 2018 general shareholders' meeting in accordance with the law. (4) Produced minute book after the 2018 general shareholders' meeting and completed the report to the competent authority within the prescribed period. (5) Dealt with the relevant matters relating to Board of Directors, Board of Managing Directors, and Audit Committee, provided sufficient meeting materials, and produced meeting record before the deadline. (6) Assisted the directors in continuing education that all directors completed the required training hours in accordance with the rules. (7) Other matters stipulated in articles of incorporation.	No difference

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
4. Does the bank establish a channel to communicate with stakeholders (including but not limited to shareholders, employees and customers, etc.)?	✓		<p>4.1 The Bank set up "Stakeholders' Dedicated Section" on the Bank's official website and provided the contact person to communicate with the general public, shareholders, employees, customers and suppliers to serve as communication channels with related stakeholders, and also addresses material issues that stakeholders are concerned about by way of compiling and producing annual CSR reports.</p> <p>4.2 When extending credit to stakeholders stipulated in the Banking Act, the Bank administers it in full compliance with the Banking Act and related regulations by the governing body. Furthermore, the Bank has formulated specific operating guidelines for transactions with stakeholders beyond credit extension so that all units within the Bank can abide by.</p>	No difference
5. Information disclosure				
5.1 Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		5.1 The Bank has disclosed financial reports, information as well as corporate governance such as complete annual reports and quarterly reports in sections "Investor Relations" and "Corporate Governance" on its official website.	5.1 No difference
5.2 Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	✓		<p>5.2a. The Bank has installed an English version on its official webpage to disclose the Bank's related business operating information. The general public and investors can inquire and browse online at all times.</p> <p>b. The Bank has established a spokesperson system to make external announcements about information relating to the Bank's finance and business operations in a timely fashion. Regarding material information, the Bank also designates dedicated unit to conduct and dedicated person of Secretariat Division to be responsible for making simultaneous disclosure in both Chinese and English on the MOPS website as required by regulations.</p> <p>c. Related information about the Bank's investor conference is disclosed on MOPS as well as the Bank's official website.</p>	5.2 No difference
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.1 Related charters about corporate governance</p> <p>a. The Bank has formulated the "Corporate Governance Practical Guidelines of the CHB" as the basis for pushing forward with matters relating to corporate governance.</p> <p>b. With regard to the Bank's Article of Incorporation, organizational regulations, the accountability allocation chart for business operation items and operating guidelines for various operations, the Bank has specifically set forth the authorities and accountability of managers at all levels, so that accountability can be established across various levels within the scope of authorities and accountability of the managers.</p> <p>6.2 Matters and items relating to the Board of Directors</p> <p>a. The implementation of directors diversification policy:</p> <p>I. The Bank has stipulated the directors diversification policy in its item 2, article 29, Corporate Governance Practice Principles which is disclosed on the Bank's official website. The implementation of Directors diversification is shown in the attached list.</p> <p>II. The Bank's Board of Directors consists of 9 directors, including 1 female member (11.11%) and 3 independent directors (33.33%). The members have professional backgrounds in law, accounting, finance, marketing and technology with operational judgments, accounting and financial analysis, business management, risk management, crisis management, industrial knowledge, international market outlook and leadership and decision-making capabilities. These professional backgrounds and capabilities are effective in implementing the Bank's business operations and future development strategies.</p> <p>b. The situation with respect to the attendance of the Bank's Directors in Board of Directors' meetings and attendance of Independent Directors in the Audit Committee meetings has been disclosed on MOPS in accordance with regulations.</p> <p>c. The Bank's Directors proactively avoid Board of Directors' meeting agenda items involving his/her personal stake or the stake of the institution he/she represents, as well as refrain from taking part in related discussions and voting.</p> <p>d. The Bank has formulated the "Directions for the Enforcement of the Plan for On-the-job Education for Directors," and the on-the-job education status for the Directors is disclosed on MOPS and the Bank's official website in accordance with regulations.</p> <p>e. To further consummate the Bank's corporate governance and to reduce the risks assumed by the Bank, its Directors and managers associated with governance liability, the Bank has purchased the "Liability Insurance Policy for Directors, Supervisors and Managers" for its Directors and managers.</p>	No difference



Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.3 Employees rights and interests, and caring for employees: Please refer to "V. Operations Overview F. Labor Relations a. Benefits, Training and Pensions Offered by the Bank, Retirement Scheme and Implementation Status, and Policies on Employer-employee Negotiations and the Protection of Workers."</p> <p>6.4 Investor Relations The Bank discloses finance, business operation and corporate governance information on the official website in time; it has an "Investor Relations Section" to provide investors with relevant information. In addition, the Bank has established a spokesperson system to make external announcements about information relating to the Bank's finance and business operations in a timely fashion. Regarding material information, the Bank also makes simultaneous disclosure in both Chinese and English on the MOPS in time.</p> <p>6.5 Stakeholder Rights Please refer to this table "4. Does the bank establish a channel to communicate with stakeholders"</p> <p>6.6 Risk management policy and its implementation a. In order to build up more professional and complete risk management function, the Bank has instituted three risk management divisions in the Credit Management Division, Risk Management Division and Loan Asset Management Division: (1) Credit Management Division is in charge of reviewing credit extension cases, as well as managing and maintaining the e-Loan automated credit system (including the management system for credit checking, corporate/customer lending, collateral 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 integrated risks, credit risks, market risks and operational risks, as well as risk management; (3) With regard to the control and management of overdue loans, collections and bad debts as well as the management of the collecting operation for non-performing loans (including the loan asset management system), Loan Asset Management Division can faithfully enforce them in accordance with regulations. b. The Bank has instituted the Risk Management Committee, whose major duties include the assessment and supervision of the Bank's risk-bearing capacity and the current situation of assumed risks, deciding on the responding strategy to risks and compliance with risk management procedures, as well as submitting quarterly risk management reports to the Board of Directors. The Bank's risk management policy is subject to review and discussion by the Risk Management Committee, and shall be enforced after approval by the Board of Directors.</p> <p>6.7 Customer policy implementation a. In order to protect consumers' interests by treating them fairly and reasonably, and establish a corporate culture that values consumer protection, the Bank has formulated and implemented the "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and "Guidelines for CHB to Conduct Protection for Financial Consumers" in accordance with the "Principles for Fair Treatment to Customers by Financial Service Providers," "Financial Consumer Protection Act" and its relevant subordinate laws, which have been promulgated by FSC. The Bank has also requested by letter all its personnel to follow and put into practice the abovementioned guidelines and policies when providing financial products and services to customers to strengthen the consumers' interests and benefit the Bank's sustainable development. b. The Bank has established a customer call center providing consumers 24/7 consulting service. In addition, a channel for the filing of grievances has also been established to handle various inquiries and demands from consumers to protect their rights.</p> <p>6.8 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 "V. Operations Overview C. Corporate Responsibility and Moral Behavior b. Actively participated in charity activities and continuously supporting underprivileged groups."</p>	No difference
7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Bank was evaluated as 6%-20% among Taiwan listed companies of the 4 th Corporate Governance Evaluation in 2018. To strengthen corporate governance, the Bank has conducted an active review and improvements of the failed indicators as shown in the results of the 4 th Corporate Governance Evaluation. The improvements are as follows: a. The policy on the diversity of board members has been established and the diversification policy implementation has been disclosed in the annual report and the official website of the Bank. b. The Bank continued to strengthen the relevant internal control system operations, and strived to comply with relevant laws and regulations.				

Attached list:

Qualifications	Professional Background					Professional Ability							
	Law	Accounting	Finance	Marketing	Technology	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct risk management	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead and make policy decisions
Name													
Joanne Ling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Ching Wu		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Kuo-Yuan Liang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julius Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chia-Chi Hsiao		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Chien-Yi Chang		✓	✓			✓	✓	✓	✓		✓	✓	✓
Shih-Tsung Lee	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓
Jung-Chun Pan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chi-Chang Yu	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

e. Members and Operation Status of the Remuneration Committee

1. Members of the Remuneration Committee:

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

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

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

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

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

2. The Duties of the Remuneration Committee:

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

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

3. Operation Status of the Remuneration Committee

- The Bank's Remuneration Committee consists of 3 members.

(2) The 4th Audit Committee (Jul.21, 2017 ~ Jun.15, 2020) convened 9 meetings in 2018 and the records of attendance of members are shown as follows:

The Operation of 4 th Remuneration Committee (Jan.1, 2018 ~ Dec.31, 2018)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Kuo-Yuan Liang	9	0	100	
Member	Jung-Chun Pan	9	0	100	
Member	Chi-Chang Yu	9	0	100	

4. The Remuneration Committee's 2018 meeting date, period, the content of the proposal, the outcome of the resolution, and the Bank's dealing with the opinions of the Remuneration Committee:

(1) The 5th meeting of the 4th Remuneration Committee on Jan. 10, 2018 (submitting for review by the 8th session of the 25th Board of Directors on Jan. 19, 2018):

- ① Approved the Bank's 2017 employee performance bonus issue.
- ② Approved the Bank's 2017 special incentive fund allocation ratio and the ratio of business units to other units.
- ③ Approved the Bank's 2018 annual salary adjustment.

(2) The 6th meeting of the 4th Remuneration Committee on Feb. 8, 2018 (submitting for review by the 9th session of the 25th Board of Directors on Feb. 12, 2018):

Approved the Bank's 2017 proposal to distribute the amount and ratio of directors' and employees' compensation.

(3) The 7th meeting of the 4th Remuneration Committee on Mar. 20, 2018 (submitting for review by the 10th session of the 25th Board of Directors on Mar. 20, 2018):

Approved the proposal of related matters such as the remuneration and benefits of the Bank's president Hong-Chi Chang.

(4) The 8th meeting of the 4th Remuneration Committee on May. 9, 2018 (submitting for review by the 12th session of the 25th Board of Directors on May. 15, 2018):

Approved the proposal of the amount of the 2017 special incentives issued to the President, the EVP & Chief Auditor, the Executive Vice Presidents, the EVP & Chief Compliance Officer, and the Supervisors of head office, commercial regional centers, and business units.

(5) The 9th meeting of the 4th Remuneration Committee on Jun. 15, 2018 (submitting for review by the 13th session of the 25th Board of Directors on Jun. 29, 2018):

Approved the proposal of 2018 Director's remuneration distribution.

(6) The 10th meeting of the 4th Remuneration Committee on Oct. 17, 2018 (submitting for review by the 17th session of the 25th Board of Directors on Nov. 13, 2018):

- ① Approved the amendments of the "Chang Hwa Bank's current staff salary scale" and "The targets and standards of the supervisory differential pay by Chang Hwa Bank."
- ② Approved the amendments of the "the rules to issue salaries ceiling staff's incentive payments"

(7) The 11th meeting of the 4th Remuneration Committee on Nov. 27, 2018 (submitting for review by the 18th session of the 25th Board of Directors on Dec. 11, 2018)

- ① Approved the amendments of the "The Rule of Management of Chang Hwa Bank's overseas staff treatment and subsidies standards."
- ② Approved the amendments of the "the Rule of pension preferential deposit"

(8) The 12th meeting of the 4th Remuneration Committee on Dec. 11, 2018 (submitting for review by the 19th session of the 25th Board of Directors on Dec. 28, 2018)

- ① Approved the regular assessment of the monthly remuneration of the Bank's managing directors (excluding managing independent directors) and directors (excluding general independent directors).
- ② Approved the regular assessment of the Bank's chairman's remuneration, benefits and other related matters.

(9) The 13th meeting of the 4th Remuneration Committee on Dec. 19, 2018 (submitting for review by the 19th session of the 25th Board of Directors on Dec. 28, 2018)

- ① Approved the remuneration of the 1st director of the subsidiary-Chang Hua Commercial Bank, Ltd. (including the chairman, independent director) and supervisors.

- ② Approved the compensation and welfare of the president of the subsidiary-Chang Hua Commercial Bank, Ltd..
- ③ Approved the subsidiary-Chang Hua Commercial Bank, Ltd.'s management salary scale, non-administrative salary scale and secondment of salary and other allowances during the secondment period of the parent company.
- ④ Approved the subsidiary-Chang Hua Commercial Bank, Ltd. to set the rule of issue employee awards.
- ⑤ Approved the remuneration and welfare of the chief compliance officer and the chief risk control officer of Chang Hua Commercial Bank, Ltd..

【The Bank's handling of the opinions expressed by the Remuneration Committee】 The bank has done as suggested.

【Other matters required to be recorded】

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

f. Performing Social Responsibility

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

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
2. Fostering the Sustainable Environment				
2.1 Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		2.1 a.The Bank has adopted the use of environmentally-friendly hand towels in its Taipei office building. Furthermore, the Bank has commissioned U-Color (an association for the physically and mentally challenged in New Taipei City) to recycle all used toners, ink cartridges, and redundant printers. b. The Bank adopts the use of "green building materials" to renovate its business premises. c. The Bank's respective operating units purchase all types of heat-sensing paper rolls. Before purchasing, they would require that vendors furnish their product test reports to ensure that such products conform to national standards.	2.1 No difference
2.2. Does the bank establish proper environmental management systems based on the characteristics of their industries?	✓		2.2. The Bank's environment management system has passed the ISO14001:2015, and its energy management system has passed the ISO50001:2011, Greenhouse gases inventory has passed the ISO 14064-1:2006. The information is disclosed on the Bank's official website.	2.2 No difference
2.3 Does the bank monitor the impact of climate changes on its operating activities, implement greenhouse gas emission-checks, formulate energy-saving and carbon-emission reduction as well as greenhouse gas-reduction strategies?	✓		2.3 a. Response measures for energy saving and carbon-emission reduction, and reduction of greenhouse gas include: (1) Replace old power-consuming air-conditioners to enhance energy-efficiency; (2) Set indoor temperature to more than 26 degrees to reduce the air-conditioning burden; (3) Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting; (4) Manage lighting use to reduce unnecessary power usage for lighting. b. In 2017, the amount of power used in the Bank's Taipei office building was equivalent to CO ₂ emissions of 1,682,055 KgCO ₂ e; the amount of power used in abovementioned building was equivalent to CO ₂ emissions of 1,568,928 KgCO ₂ e in 2018, reduced 113,127 KgCO ₂ e. The information is available on the "MOPS" section of the website for the Taiwan Stock Exchange. c. In 2018, the Bank has replaced about 556 lamps in its Taipei office building with LED lighting, thus reducing CO ₂ emission by about 59,972kgCO ₂ e. For 2019, the Bank plans to change into LED lighting for 1-2 floors each year. This amounts to about 300-600 lighting fixtures. It is expected to reduce CO ₂ emission by 33,000 kgCO ₂ e to 60,000 kgCO ₂ e.	2.3 No difference
3. Preserving Public Welfare				
3.1 Does the bank develop its policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		3.1 The Bank has implemented its work rules in accordance with the Labor Standards Act and other relevant laws. The work rules not only outline employees' rights and obligations, but are structured in such a way that enhances work efficiency and establishes common goals between the employer and employees. The Bank recruits employees based on matching talents, and ensures equal opportunities regardless of race, gender, partisan, or religion.	3.1 No difference
3.2 Does the bank have avenues through which employees may raise complaints? Are employee complaints being handled properly?	✓		3.2 The Bank has also instituted the "Employee Grievance Announcement" on the Bank's official website. An Employee Grievance Line, employee grievance system and employee communication mailbox to provide employees the means to raise complaints has been created on the Bank's official website. The grievance is held with strict confidentiality maintained for all relevant information of the complainant. The Bank will carry out understanding and investigation of the reports by complaints. If the respondent is proved to be in breach of laws and regulations, he/she will be referred to the "Personnel Review Committee," whereupon the matter will be reviewed in an objective and detached manner in accordance with the Regulations on Incentives and Penalties for Employees and the severity of such breach.	3.2 No difference
3.3 Does the bank provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?	✓		3.3 a. The Bank holds the Occupational Safety and Health Committee every quarter to review the safety and health of the working environment. It also monitors the indoor carbon dioxide and lighting operation environment of each unit every six months to provide employees with a safe and healthy work environment. The Bank irregularly holds seminars on occupational safety and health to implement safety and health education; it also appoints professional institutions to provide psychological counseling and protect mental health for employees. b. The Bank has safety and health work rules, and also has the Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks, the Program to Prevent Employee Ailments Brought on by Exceptional Workload, the Program to Protect Maternal Employee's Health, and the Program to Prevent Employee Infringement Happened in Workplace to prevent occupational disasters and diseases. And the Bank has Automatic Safety and Health Inspection Plan to ensure that equipment remains in normal operation and reduces accident rates.	3.3 No difference

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
3.4 Does the bank have a communication channel between the bank and its employees, and the means through which employees are notified of material changes in the bank's operations?	✓		3.4 The Bank convenes an Employer-Employee Meeting every three months and uses it as a communication channel to resolve issues pertaining to employee interests. The various heads of business units under the Head Office have been assigned to supervise several business sectors within the Bank; resolutions made from board of directors' and managing directors' meetings and the President's instructions are distributed by the heads to all employees within the Bank.	3.4 No difference
3.5 Does the bank implement an effective training program that helps employees develop skills over the course of their career?	✓		3.5 Employee education and training is carried out according to employee hierarchy and job responsibilities. Basic and advance courses are planned according to employees' responsibilities, with employees obtaining the corresponding certificates for the Bank to map out professional training for employees in order to raise their competence; The said map also serves as reference for persons in charge to cultivate talents as well as for employees to undertake their career development.	3.5 No difference
3.6 Does the bank implement consumer protection policies and grievance procedures with regards to its research, development, procurement, operation and service activities?	✓		3.6 a.To ensure fair and reasonable protection of consumers' interests, the Bank has established and implemented "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and "Guidelines for CHB to Conduct Protection for Financial Consumers." b.The Bank also has "CHB Consumer Complaint Handling Guidelines" in place for resolving consumers' complaints and major consumption incidents. Whenever a consumer files a complaint, the issue in question is referred immediately to an appropriate department within the Head Office and related units to protect the consumers' interests. c.To improve the efficiency and quality of financial dispute resolution, the Bank has defined numerous details such as the scope and procedures of consumer disputes, turnaround time, progress inquiries, audit trail, training and regular reviews in "Policies to Protect CHB's Financial Consumers" and "Guidelines for CHB to Conduct Protection for Financial Consumers." They provide the foundation for the Bank's "Financial Consumer Dispute Resolution Policy (and SOP)," for better protection of financial consumers' interests. d.The Bank also review consumers' disputes on a regular basis and revise procedures so that similar occurrences can be prevented, corrected and managed in the future, which ultimately improve consumers' protections and the Bank's service quality.	3.6 No difference
3.7 Does the bank comply with laws and international standards with regards to the marketing and labeling of products and services?	✓		3.7 The Bank complies with relevant regulations and international guidelines for the marketing and labeling of goods and services.	3.7 No difference
3.8 Does the bank evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		3.8 The Bank requires every supplier to sign a "Supplier Social Responsibility Commitment" before commencing business activities. The commitment calls for compliance with several regulations such as occupational safety and health, workers' rights, and environmental protection. The Bank also has "Supplier CSR Policy" in place to evaluate suppliers for adverse environmental and social conducts, and to avoid dealing with those that operate in contradiction to the Bank's corporate social responsibility policies.	3.8 No difference
3.9 Is the bank entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?	✓		3.9 The Bank signed contracts with its suppliers which stipulate the corporate social responsibilities the two parties are bound to comply.The Bank may terminate its contract at any time if suppliers commit any violation that causes significant impact on the environment or society from which product or service is sourced.	3.9 No difference
4. Enhancing Information Disclosure Does the bank disclose relevant and reliable information relating to their corporate social responsibility on its website and the "MOPS" section of the website for the Taiwan Stock Exchange?	✓		The Bank has disclosed its "Corporate Social Responsibility Report" and "Corporate Social Responsibility Practice Principles," which are available on "Corporate Social Responsibility" section of the Bank's official website and the "MOPS" section of the Taiwan Stock Exchange's website. The information about the Bank's CSR specific promotion plans and implementation results is also available on "Corporate Social Responsibility" section of the Bank's official website.	No difference

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
5. If the bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Bank has set up "Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles" for execution of related routines. As a result, no discrepancy between the principles and their implementation exists.				
6. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices:				
6.1 The Bank has accomplished its "2017 Corporate Social Responsibility Report" on May 25, 2018 to show the efforts to fulfill the Bank's corporate social responsibility.				
6.2 To take care of disadvantaged groups, the Bank has provided the elderly and disability trust services and offered fee discounts or fee waivers for beneficiaries who are senior citizens or persons with disabilities. Through fee reductions, the Bank hopes to provide dignified and satisfied care plan for those in need.				
6.3 The Bank launched health management insurance of Taiwan Life Insurance Co.,Ltd. which automatically calculates the customer's daily steps via the health watch/bracelet and reduces insurance fee by steps to encourage customers to continue exercise and decrease illness rate so as to lower social medical expenditure.				
6.4 The Bank signed "Project to enhance the financial competitiveness for SMEs" with Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF) to assist SMEs to improve their financial structures, make operating status sound and enhance their competitiveness.				
6.5 The Bank followed the government's policy in expediting reconstruction for unsafe and old housing to launch "reconstruction loan of unsafe and old housing" to help rebuilders get funds they need.				
6.6 The Bank launched "Loan of dreams come true for SMEs in Keelung city" to assist SMEs in Keelung city to get the funds needed for operation and launched "Young Farmers Entrepreneurship and Agricultural Enterprise Loans in Taichung city" to assist young farmers and agricultural enterprise to get the funds needed for starting a business.				
6.7 The Bank will adhere to the principle of equator, and abide by the Guidelines for Members of the Bankers Association of the Republic of China on Credit Authorization. When handling project financing, it will determine if the borrower has fulfilled its duties for environmental-protection, corporate integrity and social responsibility to form the basis for the approval or rejection of applications.				
6.8 The Bank served as a seed consultant in "Going into the Campus and Community Financial Knowledge Propaganda Activity" held by Banking Bureau, FSC and actively participated in financial education activities which helped students and the public establish correct financial consumption and wealth management concepts.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: The Bank's 2017 corporate social responsibility report has passed (BSI) AA1000.				

g. Implementation of Business Integrity

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
1. Policies and strategies established to ensure business integrity				
1.1 Has the bank stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		1.1 To implement the policy of business integrity, and actively guard against dishonest behavior, the Bank has formulated the "Ethical Management Guidelines," stipulating that the Bank's personnel (including directors, managerial persons, employees, appointees, etc.) shall stick to principles of fairness, honesty, trustworthiness, and transparency, when conducting business and commercial activities, and shall establish a good corporate governance and risk control mechanism, so as to create a business environment for sustainable development; the Code also requires the Board of Directors and top management to actively realize business doing with integrity as a code of conduct for the internal management and external commercial activities to actually follow.	1.1 No difference
1.2 Does the bank have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	✓		1.2 a.The Bank has formulated the "Ethical Management Guidelines" and the relevant regulations to guard against dishonest behavior, which include the "Code of Ethical Conduct," "Rules of Procedure for Board of Directors Meetings," "Employee Code of Conduct," "Work Rules," "Directions for Treasury Division to Conduct Financial Transactions," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension,"etc., in order to actually prevent dishonest behavior. b. The Bank has also adopted the "Implementation Regulations of Employees Reward and Punishment" as a basis for rewards and punishments; any employee who is found and proved to have committed a dishonest act will be transferred to the Personnel Review Committee for punishment. If the abovementioned employee refuses to accept the disciplinary disposition, he/she has to file an appeal with the reasons and the relevant evidence to such committee for a new review.	1.2 No difference

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
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?	✓		<p>1.3 a. In response to the various subparagraphs under paragraph 2, article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or business operation activities with higher risks for unethical behavior within the scope other operations, the Bank has formulated related precautionary measures at the supervisory units of various operations, including the Bank's "Ethical Management Guidelines" which stipulate: that the Bank's personnel shall not provide or receive, either directly or indirectly, any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank's guidelines and contract regulations; that they shall comply with the "Securities and Exchange Act" and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. In 2018, Dongguan branch of the Bank received payment from the property appraisal firm, and Personnel Review Committee of the Bank punished the suspects. Related business units have taken relevant improvement, preventive measures, and the internal audit conducted on-site inspection to check the improvement measures and report to the authority.</p> <p>b. The Bank's "Employee Code of Conduct" stipulates the following related guidelines:</p> <ul style="list-style-type: none"> (a) Employees need to obtain the Bank's permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-for-profit activities or volunteer activities in the name of the Bank. (b) Employees shall refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity of executing duties. (c) Employees shall protect the Bank's assets as well as other assets under his/her dutiful custody. (d) Employees shall provide premium customer service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities. <p>c. The Bank has formulated the "Regulations for External Donation," as all external donations and grants shall comply with related laws, regulations and the aforementioned Rules. The Bank does not engage in matters involving the provision of illegal political donations, charitable donations or briberies camouflaged in the form of donation; all donations to political parties, stakeholders and public interest groups shall be publicly disclosed in accordance with regulations. For related donations, please refer to (5) operation, corporate responsibility and ethical behavior.</p>	1.3 No difference
2. Actions to ensure business integrity				
2.1 Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		2.1 The Bank's "Ethical Management Guidelines" stipulate that prior to the establishment of commercial relations with any third party, the Bank shall review whether the parties have been implicated in prior incidents of unethical behavior in accordance with the Bank's related rules and regulations (for example: "Guidelines for Suppliers' Corporate Social Responsibility"), and formulate terms with respect to good faith in contracts (for example: related activity contracts of retail channel, etc.)	2.1 No difference
2.2 Does the bank have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	✓		2.2 The Bank has instituted a dedicated unit for ethical management (i.e. Compliance Division) for handling matters relating to the "Ethical Management Guidelines," as well as supervising the enforcement of the Bank's related guidelines against unethical behavior. The unit shall also assess compliance and report to the Board of Directors on a regular basis annually.	2.2 No difference
2.3 Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		2.3 a. The Bank's "Ethical Management Guidelines" specifically stipulate articles for avoiding conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by related regulations such as the Bank's "Code of Ethical Conduct," "Procedural Rules for the Board of Directors," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," and "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension," in order to prevent conflict of interest. Board Directors shall also exercise self-discipline and refrain from coming to each other's rescue improperly.	2.3 No difference

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
2.3 Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		<p>b.The Bank's "Procedural Rules for the Board of Directors" specifically stipulates that in the event a director, or a corporate entity represented by a director, is considered a stakeholder to the discussed agenda, the said director must state important facts about his/her stakes involved during the current meeting session and shall disassociate from all discussions and voting if it contradicts the Bank's interests, in which case, the director may not exercise voting rights on behalf of other directors.</p> <p>c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his/her post.</p>	2.3 No difference
2.4 Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	✓		<p>2.4 a.The Bank revises its accounting policies at appropriate times in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith.</p> <p>b.The Bank's "Ethical Management Guidelines" stipulate: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance on a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit shall regularly audit compliance with regard to the accounting system and the internal control system, and report to the Bank's Board of Directors.</p>	2.4 No difference
2.5 Does the bank organize internal or external training on a regular basis to maintain business integrity?	✓		<p>2.5 a.The Bank regularly holds educational training relating to ethical management, including "Regulatory Compliance & Employee Code of Conduct (sexual harassment prevention and remedies included)," "Bank Employees' Knowledge in Financial Laws," "Financial Anti-money Laundering and Compliance Practice (including the Principle to Treat Clients Fairly" and "Important Regulations and Administrative Operational Guidance for Insurance Salesman",etc. The Bank held "Newest Development and Practice of AML/CFT Advanced Courses" for senior executives and conducted training in regulatory compliance, money laundering control, the "Knowing Your Customers" (KYC) policy and the employee code of conduct to new hires and manager/VP & GM trainees for 32 hours in 2018. A total of 342 employees participated; a video for courses pertaining to the "Promotion of Regulatory Compliance in 2018 (first & second halves)" was also shot to raise the awareness among all employees. A total of 6,125 and 5,938 employees took part in these training courses in the first half and second half, respectively.</p> <p>b.The Bank collects material sanction cases among competitors in the banking industry promulgated by the Financial Supervisory Commission, as written notices are sent to notify the supervisory units of related business operations for compliance review of their operations. Through various promotional campaigns, the Bank aims to elevate employees' professional ethical standards, enhance employees' regulatory compliance awareness, while sending them to participate in timely external training courses pertaining to ethical management.</p> <p>c. Educational training is conducted on the responsible persons of business operation units to enhance their ability to guard against corruption. Training courses include the discussion of corruption control highlights, in addition to delving deep into reviewing the reasons behind the occurrence of corruption in financial institutions and explaining the Bank's related internal control operations. Furthermore, the Bank regularly holds courses such as "Training for Self-audit Personnel in Domestic Business Operation Units," in order to effectively enforce self-audit, enhance internal control at business operation units to guard against the occurrence of unethical behavior.</p>	2.5 No difference
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?	✓		<p>3.1 The Bank has formulated the "Ethical Management Guidelines"and "Rules of Internal Whistle-blowing," in addition to setting up mailboxes and hotlines for complaints. In the circumstances unethical behavior is identified, the whistle-blower shall submit a "Complaint Report," or specify the matter to be reported which shall be handled by appropriate personnel designated by the receiving unit.</p>	3.1 No difference

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

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

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

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

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



j. Execution of Internal Control System

1. INTERNAL CONTROL SYSTEM STATEMENT:

Chang Hwa Commercial Bank, Ltd.
Internal Control System Statement

March 15, 2019

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

I .On behalf of Chang Hwa Commercial Bank, Ltd. (the "Bank"), we hereby declare that from January 1, 2018 to December 31, 2018, the Bank has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" 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 Audit Committee.

II .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.

III .Regarding insurance agent business:

A.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" (the "Regulations"). 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.

B.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.

C.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) during the said period is effective, and the goals listed above is reasonably confirmed to have been achieved.

IV.After prudent evaluation, except for items listed in the table attached below, the internal control and legal compliance systems of each department have been in effect during the year. *

V.This Statement will be included as the main content of the Bank's annual report and prospectus and make 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 or aforementioned Regulations will be involved.

VI.This Statement has been approved by the Board Meeting of the Bank on March 15, 2019.

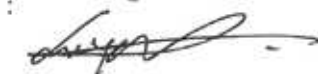
Chairman

: 

President

: 

Executive Vice President &
Chief Auditor

: 

Executive Vice President &
Chief Compliance Officer

: 

[Attached list]

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

(Base Date: December 31, 2018)

Items to be improved	Countermeasure	Estimated time of completion
FSC conducted a full-scope examination on the Bank's Yuanlin and Shuangyuan Branches and found the improper operation which is in violation of relevant rules on Money Laundering Control Act. As a result, FSC issued a reprimand letter on May 29, 2018 and imposed an administrative fine of NTD 400 thousand.	<ol style="list-style-type: none"> 1. The Bank implemented the examination of transaction monitoring reports completely and held the relevant training. 2. The Bank amended the directions of "Certificate of Account Balance." 	The review and improvement has been done.
The Bank's former employees of Dong Guan Branch received improper funds from property appraisal firm, which is in violation of Paragraph 1, Article 45-1 of the Banking Act. FSC punished the Bank with the penalty of NTD 3 million on July 3rd, 2018, based on Subparagraph 7, Article 129 of the Banking Act. For the same case, China Banking Regulatory Commission of Dongguan imposed a fine of CNY300 thousand on June 8, 2018, according to Article 46 of The Law of the People's Republic of China on Banking Regulation and Supervision.	<ol style="list-style-type: none"> 1. The Bank reiterated that all staffs are prohibited from breaching the laws and regulations. 2. The Bank has strengthened and improved the supervision of branches. 3. The Bank has strengthened and implemented the reporting process regarding the crisis management and related incident response activities. 4. According to the instructions of the Competent Authorities, the Bank has established and revised its related internal control policies to compliance. 5. The Bank has established the more complete internal whistleblowing system to accept and investigate the reported issues effectively. 6. The Bank has developed its crisis management and resilience mechanism for major cases. 7. CHB overseas branches have formulated the management guideline for business related to the property appraisal companies. In order to evaluate and monitor the appraisal companies, the selection criterial and annual reviews are included in the guideline. 8. The Bank has implemented employee abnormal behavior investigations and employee home visits. 	The review and improvement has been done.

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

Independent Auditors' Report on Applying Agreed-Upon Procedures

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

Pursuant to the agreed-upon procedures, we have performed CHB's the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, the appropriateness of policies for loan loss reserves, and the execution status of personal information protection in 2018. Your company made the final decision in these procedures; therefore, we do not express our opinions regarding whether these procedures were sufficient. This work is conducted in accordance with the Statement on Auditing Standard No.34 "Perform Agreed-Upon Procedures Regarding Financial Information," and its purpose is to assist your company in evaluating the compliance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," promulgated by the Financial Supervisory Commission. Complying with the aforementioned regulation is the responsibility of your company's management. We have provided the procedures and the associated findings in the attachments herein, respectively.

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

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

Deloitte & Touche
March 18, 2019



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

1. Legal Action Involving Bank Executives or Employees:

None.

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

Major malfeasant cases and operational improprieties	Countermeasure
<p>On January 24, 2017, based on Paragraph 3, Article 7 of the "Money Laundering Control Act," FSC imposed a fine of 1.8 million dollars on the Bank for failure to report large amount transactions to the Bureau of Investigation of the Ministry of Justice, which is in violation of Paragraph 1, Article 7 of the "Money Laundering Control Act" and Article 4 of the "Regulations Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions."</p>	<ol style="list-style-type: none"> 1. Improve report system and computer system. 2. Improve legal compliance. 3. Improve training for bank employees.
<p>With respect to insurance agency business of the Bank, the significant gap of the same customer's financial suitability among the different solicitor reports filled by solicitors on the same day was found. As a result, an administrative fine of 100 thousand dollars was imposed and a request for the rectification within one month shall be completed on Jun. 2, 2017, based on Subparagraph 24, Article 49 of "Regulations Governing Insurance Agents" authorized establishment under Paragraph 4, Article 163 of the Insurance Act.</p>	<ol style="list-style-type: none"> 1. Correction of the computer system to check customer data for any errors or inconsistencies automatically. 2. The verification mechanism for monitoring purpose has been implemented.
<p>Without obtaining the insurance applicant's consent, the Bank's insurance solicitor discretionarily changed the insurance originally taken out by the applicant to household comprehensive insurance, inconsistent with the relevant provisions of the Insurance Act. Based on Paragraph 3, Article 167 of the Insurance Act, the violation was required to be rectified within one month, and a fine of 3 million dollars was imposed on Nov. 17, 2017.</p>	<ol style="list-style-type: none"> 1. The mechanisms of confirmation for verifying the customer's signatures on insurance policies and telephone interviews have been established. 2. Trainings about the relevant insurance regulations and financial penalty case studies.
<p>A full-scope examination on the Bank's Yuanlin and Shuangyuan Branches and the improper operation that was found violated Paragraph 1, Article 8 of the Money Laundering Control Act, causing the Bank's unsound operation. As a result, FSC issued a reprimand letter on May 29, 2018 and imposed an administrative fine of NTD 400 thousand for violating Paragraph 4, Article 8 of the Money Laundering Control Act and Paragraph 1, Article 61-1 of the Banking Act.</p>	<ol style="list-style-type: none"> 1. The Bank implemented the examination of transaction monitoring reports completely and held the relevant training. 2. The Bank amended the directions of "Certificate of Account Balance".
<p>The Bank's former employees of Dong Guan Branch received improper funds from property appraisal firm, which is in violation of Paragraph 1, Article 45-1 of the Banking Act approved by FSC on July 3rd, 2018. On the same day, FSC punished the Bank with the penalty of NTD 3 million based on Subparagraph 7, Article 129 of the Banking Act. For the same case, China Banking Regulatory Commission of Dongguan imposed a fine of CNY300 thousand on June 8, 2018, according to Article 46 of The Law of the People's Republic of China on Banking Regulation and Supervision.</p>	<ol style="list-style-type: none"> 1. The Bank reiterated that all staffs are prohibited from breaching the laws and regulations. 2. The Bank has strengthened and improved the supervision of branches. 3. The Bank has strengthened and implemented the reporting process regarding the crisis management and related incident response activities. 4. According to the instructions of the Competent Authorities, the Bank has established and revised its related internal control policies to compliance. 5. The Bank has established the more complete internal whistle-blowing system to accept and investigate the reported issues effectively. 6. The Bank has developed its crisis management and resilience mechanism for major cases. 7. CHB overseas branches have formulated the management guideline for business related to the property appraisal companies. In order to evaluate and monitor the appraisal companies, the selection criterial and annual reviews are included in the guideline. 8. The Bank has implemented employee abnormal behavior investigations and employee home visits.

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

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

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

None.

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

None.

I. Major resolutions passed at General Shareholders' Meeting (GSM) & Extraordinary GSM & Board of Meeting in 2018

1. Decisions made at the 2018 GSM:

Date	Agenda	Results	Implementation Status
June 8, 2018	Recognition of the Bank's 2017 Business Report and Financial Statements.	Voted and acknowledged as proposed.	Compliant with the Company Act and Securities Exchange Act, related documents have been submitted to regulators for recordkeeping and proclamation.
	Approved the 2017 earnings appropriation proposal.	Voted and acknowledged as proposed.	The annual shareholders' meeting decided to issue 4,235,850,323 dollars (0.45 dollars per share) of common stock cash dividends and 3,765,200,280 dollars (0.4 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 September 10, 2018; the dividends have been allocated on September 28, 2018.
	The issuance of new shares via earned surplus-turned capital increase.	Voted and acknowledged as proposed.	The annual shareholders' meeting has decided to issue new stock and list new stock on the market for sale on September 28, 2018 after the report to FSC is effective on August 13, 2018, and the approval for the registration change by MOEA on September 14, 2018.

2. Important resolutions of the 2018 board of directors meeting:

(1) The 8th Meeting of the 25th Board of Directors was held on January 19, 2018:

① Approved the Bank's "Management Policy of Three Lines of Defense for Internal Control System."

② Adopted amendment to the Bank's "Directions Governing Anti-Money Laundering and Countering Terrorism Financing."

(2) The 9th Meeting of the 25th Board of Directors was held on February 12, 2018:

Approved the proposal to acknowledge the 2017 annual business report and annual report during the shareholders' meeting.

(3) The 10th Meeting of the 25th Board of Directors held on March 20, 2018 :

① Approved the Bank's 2017 "Internal Control System Declaration" and its insurance agent business "Internal Control System Declaration."

- ② Approved the case of the “2018 Chang Hwa Bank Risk Appetite Declaration.”
 - ③ Approved the commissioning and fees for the Bank’s 2018 annual financial and tax auditing accountant.
 - ④ Approved the Bank’s 2017 “Internal Control System Statements for AML/CFT.”
 - ⑤ Approved the convening of the Bank’s 2018 General Shareholders’ Meeting.
 - ⑥ Approved “The Collective Agreement” agreed between the Bank and the its corporate union.
 - ⑦ Approved the retirement case of the Bank’s President Mr. James Shih and the appointment of Mr. Chang Hong-Chi as the Bank’s President.
- (4) The 11th Meeting of the 25th Board of Directors was held on April 23, 2018:
- ① Approved the resolution to recognize the distribution of 2017 earnings during the shareholders’ meeting.
 - ② Approved to propose earnings capitalization for discussion during the shareholders’ meeting.
- (5) The 12th Meeting of the 25th Board of Directors was held on May 15, 2018:
Approved the investment for establishing a new venture capital subsidiary.
- (6) The 13th Meeting of the 25th Board of Directors was held on June 29, 2018:
- ① Adopted amendment to the Bank’s “Internal Control System for Trust Enterprises.”
 - ② Approved the Bank’s 2017 remuneration resolution of directors.
 - ③ Adopted amendment to the Bank’s “Internal Control System for Securities Broker.”
 - ④ Approved the Bank’s “Directions for Management of Overseas Subsidiary Banks.”
 - ⑤ Adopted amendment to the Bank’s “Management Directions of Long-Term Equity Investment Business and Subsidiaries.”
- (7) The 14th Meeting of the 25th Board of Directors was held on July 30, 2018:
- ① Adopted amendment to the Bank’s “Financial Consumer Protection Policy.”
 - ② Adopted amendment to the Bank’s “Implementation Rules of Legal Compliance System.”
 - ③ Approved amendment to the Bank’s “Internal Control System for Securities Transactions Assistance Services of Securities Broker” case.
- (8) The 1st Interim Meeting of the 25th Board of Directors was held on August 15, 2018:
Approved the baseline date for the Bank’s 2017 cash and stock dividends, and capitalization of earnings as well as the distribution date for the Bank’s 2017 cash dividends.
- (9) The 15th Meeting of the 25th Board of Directors was held on August 24, 2018:
- ① Approved the Bank’s 2018 semi-annual financial statement.
 - ② Adopted amendment to the Bank’s “Organizational Regulation.”
 - ③ Adopted amendment to the Bank’s “Internal Control System for Securities Broker.”
- (10) The 16th Meeting of the 25th Board of Directors was held on September 28, 2018:
- ① Adopted amendment to the Bank’s “Internal Control System for Trust Enterprises.”
 - ② Adopted amendment to the Bank’s “Policy of Information Security. ”
 - ③ Approved the Bank’s “ Rules of Internal Whistle-blowing.”
 - ④ Adopted amendment to the Bank’s “Accounting System.”
 - ⑤ Passed to report the Bank’s 2018 business plan, the evaluation of capital adequacy, and self-assessment of risk indicators.
- (11) The 17th Meeting of the 25th Board of Directors was held on November 13, 2018:
Adopted amendment to the Bank’s “Internal Control System for Securities Broker.”
- (12) The 18th Meeting of the 25th Board of Directors was held on December 11, 2018:
Approved the Bank’s auditing plan for fiscal year 2019.
- (13) The 19th Meeting of the 25th Board of Directors was held on December 28, 2018:
- ① Adopted amendment to the Bank’s “Internal Control System for Trust Enterprises.”
 - ② Approved the regular evaluation of the monthly salary of the managing directors (excluding independent managing directors), and directors (excluding regular independent directors).
 - ③ Approved the regular evaluation of the monthly salaries for independent directors.
 - ④ Approved the regular evaluation of salary, benefits, etc. of the Chairman of the Board.
3. Important Resolutions of Board of Directors (From Jan. 1, 2018 to the date of annual report publication):
For details please visit the Bank’s official website (<https://www.bankchb.com>).

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

None.

n. Disclosures the resignation or dismissal of managerial officer

April 12, 2019

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
President	Chien-An (James) Shih	January 8, 2015	March 20, 2018	Application for Retirement
Internal Auditing Division SVP & Division Head	Chang-Hua Cheng	October 1, 2015	March 25, 2019	Job relocation
Chairman	Ming-Daw Chang	December 10, 2014	April 8, 2019	Dismissal
President	Hong-Chi Chang	March 23, 2018	April 8, 2019	Application for Retirement

E. Information of Accountant's Fee

Unit: NT\$ 1,000

Accounting Firm	Name of Accountant		Auditing Fee	Non-Auditing Fee					Period of Inspection by Accountant Covering A Complete Fiscal Year	Note
				System Design	Corporate Registration	Human Resources	Other	Subtotal		
Deloitte & Touche	Jerry Gung	Titan Lee	9,310				3,225	3,225	From Jan. 1, 2018 to Dec. 31, 2018	Other services of non-auditing fee include: anti-money laundering and counter-terrorism mechanism project inspection, the assurance report, personal information protection assurance examination.

a. When change of accounting firm happens and the audit fee of the said year is less than that of previous year that shall be disclosed.

None.

b. A decrease over 15% compared to the previous year for audit fee shall be disclosed.

None.



F. Changes of Accountants

a. Former Accountants

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

b. Successor Accountants

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

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

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

None.

H. The Changes in Shareholding

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

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairperson (Delegate of Ministry of Finance (MOF))	Joanne Ling (New appointment accepted on Apr. 8, 2019)	-	-	-	-
Managing Director (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	Cheng-Ching Wu	0	0	0	0
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0	0	0
Director (Delegate of TSFHC)	Julius Chen	6,063	0	0	0
Director (Delegate of MOF)	Chia-Chi Hsiao	0	0	0	0
Director (Delegate of National Development Fund, Executive Yuan)	Chien-Yi Chang	0	0	0	0
Director (Delegate of Lee Investment Co., Ltd.)	Shih-Tsung Lee	0	0	0	0
Director (Independent Director)	Jung-Chun Pan	0	0	0	0
Director (Independent Director)	Chi-Chang Yu	0	0	0	0
President	Jui-Mu Huang (New appointment accepted on Apr. 12, 2019)	-	-	-	-
Executive Vice President	Hong-Yao Tu	3,335	0	0	0
	Hom-Gang Wang	4,251	0	0	0
	Carol Sun	1,220	0	0	0
	Bin Chen	11,000	0	0	0
EVP & Chief Compliance Officer	Jih-Cheng Yang	594	0	0	0
EVP& Chief Auditor	Ya-Ling Lin	53	0	0	0

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
SVP & Division Head	Chang-Hua Cheng	3,920	0	0	0
	Hsueh-Ni Hsieh (New appointment of Acting SVP&Division Head accepted on Oct. 4, 2018;as SVP&Division Head on Mar. 25, 2019)	0	0	0	0
	Yu-Hsueh Liu	1,007	0	0	0
SVP & Division Head	Chiou-Yueh Chen	857	0	0	0
	Chih-Chen Hsu	0	0	0	0
	Rueih-Hwa Cheng	8,138	0	0	0
	Hsiu-Luan Hsieh	513	0	0	0
	Chen-Yu Chen	5,715	0	0	0
	Hsiu-Hsia Tsai	539	0	0	0
	Shwu-Fang Wang	6,736	0	0	0
	Nell-H. Tseng	0	0	0	0
	Mei-Fang Wu	0	0	0	0
	Tsai-Feng Lin	1,031	0	0	0
	Hsien-Lung Chen	0	0	0	0
	Yi-Jung Chan	8	0	0	0
	Hsiang-Chun Wu	0	0	0	0
	Hui-Yu Chen	0	0	0	0
	Hui-Jen Wu	2,180	0	0	0
	Yu-Chin Fan (New appointment accepted on Feb. 1, 2019)	-	-	0	0
	Hsiu-Ching Hsu	0	0	0	0
	Kuo-Hsiang Lin	0	0	0	0
	VP & GM	Yao-Ju Lu (New appointment accepted on Sep. 28, 2018)	0	0	0
Shun-Hung Huang		4,272	0	0	0
Shuo-Hung Huang		1,629	0	0	0

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Fu-Rong Chiu	189	0	0	0
	Hsiao-Hua Yin	428	0	0	0
	Tse-Tsang Tso	4,208	0	0	0
	Fang-Yuan Wu	1,644	0	0	0
	Rong-Horng Way	5,708	0	0	0
	Yen-Chun Chen	1,035	0	0	0
	You-Chen Lee	791	0	0	0
	Shiu-Hwa Chang	545	0	0	0
	Mei-Ling Chiu	455	0	0	0
	Ching-Hsiang Liu	912	0	0	0
	Shu-Lin Liu	1,655	0	0	0
	Su-Min Hsin	463	0	0	0
	Der-Ho Chen	53	0	0	0
	Shan-Shin Shen	2,113	0	0	0
	Su-Jane Lin	0	0	0	0
	Hsi-Lung Wu	16	0	0	0
	Kao-Jung Hsu	389	0	0	0
	Don-Y.T. Wang	12	0	0	0
	Yu-Shan Chen	1,995	0	0	0
	Yu-Hui Lin	532	0	0	0
	Shu-Ju Tsai	1,557	0	0	0
	Cheng-I Huang	0	0	0	0
	Chien-Long Kuo (New appointment accepted on Mar. 11, 2019)	-	-	0	0
	Feng-Tsung Chang	51	0	0	0
	Li-Feng Shen	909	0	0	0
	Zhen-Dong Jian	28	0	0	0
	Shey-Lin Chang	7	0	0	0
Chi-Min Chung	200	0	0	0	

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	I-Hsin Weng	18	0	0	0
	Li-Ling Lan	1,538	0	0	0
	Lih-Lan Yang	6	0	0	0
	Mel-Li Chiu	248	0	0	0
	Shyh-Chau Lin	2,187	0	0	0
	Huey-Wen Chang	0	0	0	0
	Chiu-Ling Chen (New appointment accepted on Mar. 4, 2019)	-	-	0	0
	Ming-Hua Huang	2	0	0	0
	Szu-Yen Lin	3,953	0	0	0
	Ruei-Jan Chen	(15,913)	0	0	0
	Kuei-Mei Wu	(17,524)	0	0	0
	Chun-Jen Tsai	608	0	0	0
	Yu-Ling Tang	26	0	0	0
	Shu-Hsuan Lin	48	0	0	0
	Kui-Min Hsiao	42	0	0	0
	Shu-Hua Tsai	1,879	0	0	0
	Hsiu-Chu Tseng	0	0	0	0
	Kuei-Mei Hsu	587	0	0	0
	Ming-Hsun Lin	543	0	0	0
	Chi-Tsung Shih	0	0	0	0
	Shu-Chung Chen	444	0	0	0
	Chia-Chen Shen	440	0	0	0
	Alec-Lin Hsiang	4,763	0	0	0
	Chin-Li Lin	126	0	0	0
	Lin-Li Ku	879	0	0	0
	Chun-Feng Lee	420	0	0	0
	Li-Hsien Huang	224	0	0	0
	Huei-Jin Lin	4,240	0	0	0

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Hueih-Rur Shy	0	0	0	0
	Mei-Ching Chang	3,052	0	0	0
	Cheng-Chi Chuang	27	0	0	0
	Chien-Fa Chen	1	0	0	0
	Shu-Fen Liu	484	0	0	0
	Jinn-Sheng Wu (New appointment accepted on Mar. 11, 2019)	-	-	0	0
	Hui-Ling Lee	0	0	0	0
	Lan-Zu Lin	558	0	0	0
	Ying-Hui Hung	2,324	0	0	0
	Shr-Jan Tzeng (New appointment accepted on Mar. 11, 2019)	-	-	0	0
	Chang-Cheng Chu	3,770	0	0	0
	Yao-Shen Hsieh	0	0	0	0
	Chin-Hsuan Lee	155	0	0	0
	Chun-Yuan Chen	29	0	0	0
	Pao-Hua Hsu	2,088	0	0	0
	Chu-Nu Yeh (New appointment accepted on Dec. 1, 2018)	0	0	0	0
	Ching-Fu Lin	0	0	0	0
	Tzy-Yun Chen	16	0	0	0
	Mei-Hwa Huang	0	0	0	0
	Chi-Hsiang Chen	39	0	0	0
	Li-Min Cheng	136	0	0	0
	Quei-Ying Ho	2,604	0	0	0
	Shu-Fen Cheng	0	0	0	0
Ai-Ling Wang	1,451	0	0	0	
Mei-Chun Tsou	0	0	0	0	
Su-Chen Cheng	14	0	0	0	

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Su-Man Hsueh	527	0	0	0
	Chyi-Ying Yeh	1,134	0	0	0
	Shu-Chen Shih	503	0	0	0
	Pi-Chin Shao	121	0	0	0
	Jui-Hung Weng	200	0	0	0
	Yi-Huei Chiu (New appointment accepted on Sep. 1, 2018)	0	0	0	0
	Mei-Hsing Lin	615	0	0	0
	Wei-Shuo Luo	1,035	0	2,000	0
	Hui-Fang Chen	0	0	0	0
	Jiin-Chour Liu	(25,834)	0	0	0
	Hsiu-O Hsieh	21	0	0	0
	Jui-Hui Hsu	482	0	0	0
	Kui-Fang Tsai	357	0	0	0
	Mei-Fen Shieh	34	0	0	0
	Ming-Thur Chen	1,076	0	0	0
	Pei-Fen Shieh	6,437	0	0	0
	Ai-Hsiu Lai	122	0	0	0
	Jia-Jen Hou	2,703	0	0	0
	Yueh-Chiu Lai	1,559	0	0	0
	Shiow-Ling Kao	42	0	0	0
	Tzu-Chiung Huang	4,917	0	0	0
	Shu-Chen Yang	52	0	0	0
	Ting-Feng Cho	863	0	0	0
	Shun-Feng Lo	531	0	0	0
	Yung-Ping Lin	632	0	0	0
	Hsueh-Wen Wang	53	0	0	0
	Fu-Jinn Chiou	17	0	0	0

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Su-Ming Cheng	683	0	0	0
	Chin-Huang Chuang	3,931	0	0	0
	Feng-Fuh Chang	35	0	0	0
	Lin-Ling Chen	743	0	0	0
	Chia-Yu Chang	1,722	0	0	0
	Jui-Yueh Wu	0	0	0	0
	Chiu-Min Shen	73	0	0	0
	Shao-Mao Wang	3,588	0	0	0
	Jang-Tsuey Shya (New appointment accepted on Dec. 1, 2018)	0	0	0	0
	Pei-Chung Yang	1,750	0	0	0
	Chun-Hong Yeh	19	0	0	0
	Kuen-Shan Wang	126	0	0	0
	Li-Fen Tzeng	800	0	0	0
	Wen-Ching Chen	1,510	0	0	0
	Jin-Yu Yeh	14,718	0	0	0
	Li-Mei Chang	893	0	0	0
	Chiung-Hsiao Hung	2,691	0	0	0
	Tain-Maw Chang	222	0	0	0
	Yuan-Fen Chen	508	0	0	0
	Yi-Chen Wang (New appointment accepted on Mar. 11, 2019)	-	-	0	0
	Jiunn-Horng Lin	1,369	0	0	0
	Li-Hwa Lee	3,988	0	0	0
	Ching-Yuan Wu	862	0	0	0
	Ming-Chuan Lin	3,641	0	0	0
	A-R Liu	2,019	0	0	0
	Chih-Hao Lo	35	0	0	0
	Kuo-Heng Hsu	410	0	0	0
	Ji-Ming Huang	52	0	0	0
Ti-Tien Liao	84	0	0	0	

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Chin-Ping Lai	2,756	0	0	0
	Weng-Chung Chen	1,872	0	0	0
	Wen-Ling Tsai	74	0	0	0
	Shu-Hui Lin	0	0	0	0
	Lih-Lan Kuo	0	0	0	0
	Kung-Ming Chang (New appointment accepted on Oct. 8, 2018)	0	0	0	0
	Tung-Sheng Huang (New appointment accepted on Nov. 26, 2018)	0	0	0	0
	Shinn-Huei Leu	473	0	0	0
	Shu-Chuan Lin	40	0	0	0
	Yueh-Ying Lai	0	0	0	0
	Hsui-Chin Hsu	0	0	0	0
	Hsiu-Chih Huang	1,993	0	0	0
	Chung-Shing Her	0	0	0	0
	Chen-Ying Wu	139	0	0	0
	Wen-Ko Ho	0	0	0	0
	Mei-Hui Wu	414	0	0	0
	Cheng-Chi Chen	6,444	0	0	0
	Chun-Hung Tung	2,535	0	0	0
	Fen-Lan Lu	1,379	0	0	0
	Wang-Ming Lee	60	0	0	0
	Yen-Yu Liu	22	0	0	0
	Chien-Tai Ping	0	0	0	0
	Shiou-Yann Lin	56	0	0	0
	Chen-Huan Liu (New appointment accepted on Oct. 8, 2018)	0	0	0	0
	Cheng-Lin Cheng	10	0	0	0
	Su-Chuan Wang	(77,781)	0	0	0
Shu-Li Chang	545	0	0	0	

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Feng-Yuan Shia	4,365	0	0	0
	Wen-Chung Huang	16	0	0	0
	Shwu-Ruu Lee	2,122	0	0	0
	Su-Wei Liang	904	0	0	0
	Chih-Ming Kuo	1,435	0	0	0
	Wu -Shu Fen (New appointment accepted on Sep. 1, 2018)	0	0	0	0
	Hsu-Lin Huang	7,027	0	0	0
	Shyh-Maw Wang (New appointment accepted on Jan. 2, 2019)	-	-	0	0
	Shu-Hei Chang	1,902	0	0	0
	Yung-Sheng Chen	45	0	0	0
	Wan-Ling Chen	1,358	0	0	0
	Yeh-Shu Mei (New appointment accepted on Feb. 18, 2019)	-	-	0	0
	Show-Ching Chen	1	0	0	0
	Li-Chu Shu	0	0	0	0
	Chiang-An Chang	3,516	0	0	0
	Ching-Chung Chen	35	0	0	0
	Hui-Ju Lee	1,795	0	0	0
	Shu-Fen Lee	2,848	0	0	0
	Lun-Jan Lan	454	0	0	0
	Ming-Jer Lin (New appointment accepted on Feb. 1, 2019)	-	-	0	0
Wen-Ching Chang	137	0	0	0	
Shu-Yun Hsu	134	0	0	0	
Chien-Shan Liu	0	0	0	0	

Title	Name	2018		As of Mar. 31, 2019	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Wan-Chin Chang	6,403	0	0	0
	Li-Fang Liu (New appointment accepted on Mar. 11, 2019)	-	-	0	0
	Cheng-Yi Hsieh	0	0	0	0
	Chien-Mei Yu	628	0	0	0
	Chin-Lung Pan	227	0	0	0
	Kwang-Wu Liu	0	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 1)	Taishin Financial Holding Co., Ltd	84,890,910	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 1)	Ministry of Finance	45,909,032	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 1)	National Development Fund, Executive Yuan	10,352,757	0	0	0
The Government or Juristic Person Shareholder Representative by Director	Lee Investment Co., Ltd	3,712,889	0	0	0
Same Person or Same Concerned Party holding 10% or more of the shares (Note 2)	Taishin Financial Holding Co., Ltd.	84,890,910	0	0	0
	Taishin International Bank Co., Ltd. (Note 3)	1,000,499	0	0	0

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

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

Note 3: Subsidiary of TSFHC.

b. Information of shareholding transfer

None.

c. Information for shareholding pledge

None.

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

April 16, 2019

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)	2,207,163,683	22.55	0	0	0	0	Excel Chemical Co., Ltd.	Chairman of Excel Chemical Co., Ltd. as representative of a Juristic Person Director and major shareholder's Chairman of Taishin Financial Holding Co., Ltd.	None
Ministry of Finance (Representative Jain-rong Su)	1,193,634,843	12.19	0	0	0	0	First Commercial Bank	Ministry of Finance as a Juristic Person Shareholder representative by Director and one of top ten shareholders of First Commercial Bank's parent company, First Financial Holding Co., Ltd.	None
Lungyen Life Service Corporation, Ltd. (Representative Wei-Lung Liu)	383,810,649	3.92	0	0	0	0	Cheng Chang Investment Co., Ltd.	Cheng Chang Investment Co., Ltd. as 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 Tsan-Chang Liao)	281,029,107	2.87	0	0	0	0	Ministry of Finance	Ministry of Finance as a Juristic Person Shareholder representative by Director and one of top ten shareholders of First Commercial Bank's parent company, First Financial Holding Co., Ltd.	None
Excel Chemical Co., Ltd. (Representative Cheng-Ching Wu)	272,190,212	2.78	0	0	0	0	Taishin Financial Holding Co., Ltd.	Chairman of Excel Chemical Co., Ltd. as representative of a Juristic Person Director and major shareholder's Chairman of Taishin Financial Holding Co., Ltd.	None
National Development Fund, Executive Yuan (Representative Mei-Ling Chen)	269,171,684	2.75	0	0	0	0		None	None
Cheng Chang Investment Co., Ltd. (Representative Shih-Tsung Lee)	180,145,763	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 one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	
Chunghwa Post Co., Ltd. (Representative Chien-Hung Wei)	169,464,418	1.73	0	0	0	0		None	None
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	100,110,943	1.02	0	0	0	0		None	None
Lee Investment Co., Ltd. (Representative Shih-Tsung Lee)	96,535,136	0.99	0	0	0	0	Cheng Chang Investment Co., Ltd.	Same person act as chairman.	None
							Lungyen Life Service Corporation, Ltd.	Lee Investment Co., Ltd. as one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	

J. Omnibus Shareholding Ratio

December 31, 2018 Unit: Shares; %

Invested Venture(Note 1)	The Bank's Investment		The investment subsidiaries directly or indirectly controlled and managed by directors, supervisors, general managers, executive vice president, the chief of each division or branch and the Bank		Omnibus Investment	
	Shares	%	Shares	%	Shares	%
Taiwan Stock Exchange Corp.	20,818,473	3.00	0	0	20,818,473	3.00
Taiwan Sugar Corporation	23,246,159	0.41	0	0	23,246,159	0.41
Taiwan Power Company	235,726,532	0.71	0	0	235,726,532	0.71
Chi Yi Construction Management Company	556,965	1.47	0	0	556,965	1.47
Taipei Forex Inc	700,000	3.53	0	0	700,000	3.53
Lien-An Service Corp.	125,000	5.00	0	0	125,000	5.00
CDIB & Partners Investment Holding Corp.	54,000,000	4.95	0	0	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	1,413,725	4.09	0	0	1,413,725	4.09
Financial Information Service Co.	6,229,800	1.19	0	0	6,229,800	1.19
Taiwan Futures Exchange	3,340,910	1.00	0	0	3,340,910	1.00
Asia Pacific Telcom	15,000,000	0.35	0	0	15,000,000	0.35
Taiwan Asset Management Corporation	120,000,000	11.35	0	0	120,000,000	11.35
Taiwan Financial Asset Service Corporation	5,000,000	2.94	0	0	5,000,000	2.94
Financial ESolution Co., Ltd.	905,475	4.12	0	0	905,475	4.12
Taiyu Products Corp.	5,748,382	4.77	0	0	5,748,382	4.77
Debt Instruments Depository and Clearing Co. Taiwan	307,306	0.08	0	0	307,306	0.08
Sun Asset Management Corporation	41,768	0.70	0	0	41,768	0.70
Taiwan Mobile Payment Co., Ltd.	1,800,000	3.00	0	0	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co.Ltd	2,500,000	5.00	0	0	2,500,000	5.00
Chang Hua Commercial Bank, Ltd. (Note 2)	-	100.00	-	-	-	100.00
Taiwan High Speed Rail Corporation	44,500,000	0.79	0	0	44,500,000	0.79
Shin Kong Financial Holding Co., Ltd	63,447,125	0.52	0	0	63,447,125	0.52

Note: 1. Pursuant to Article 74 of the Banking Act.

2. Chang Hua Commercial Bank, Ltd. is a wholly-owned subsidiary of the Bank, without issued shares and a capital contribution of CNY 2,500,000 thousand dollars.

IV | Fund-Raising Status

A. Shares and Dividends

a. Capital Sources

Year/ Month	Issuing Price	Authorized Capital		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
Dec.2018	NT\$ 10	11,000,000,000	110,000,000,000	9,789,520,746	97,895,207,460	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\$59,375,276,296	Effective date of FSC registration was on Aug. 13, 2018

Category of Shares	Authorized Capital			Note
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	7,582,357,063	1,210,479,254	11,000,000,000	Listed Stocks
	2,207,163,683			Unlisted Stocks

b. Structure of Shareholders

April 16, 2019

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Juristic Person Shareholder	Personal Shareholder	Foreign Institutions and Personal Shareholder	Total
Number of Holders	9	64	405	191,111	591	192,180
Shareholding Amount	1,540,340,317	3,013,665,614	1,304,263,137	2,184,389,154	1,746,862,524	9,789,520,746
Shareholding Ratio (%)	15.74	30.79	13.32	22.31	17.84	100

c. Distribution of Shareholding

April 16, 2019; Par Value NT\$ 10

Classification of Shareholding	Number of Shareholders	Shareholding Amount	Shareholding Ratio (%)
1 ~ 999	64,241	17,323,329	0.18
1,000 ~ 5,000	67,084	162,275,953	1.66
5,001 ~ 10,000	23,512	169,507,061	1.73
10,001 ~ 15,000	10,362	126,180,284	1.29
15,001 ~ 20,000	7,295	122,872,482	1.26
20,001 ~ 30,000	6,089	148,345,188	1.52
30,001 ~ 50,000	5,678	216,505,850	2.21
50,001 ~ 100,000	4,135	288,756,358	2.95
100,001 ~ 200,000	2,124	292,444,887	2.99
200,001 ~ 400,000	873	239,266,525	2.44
400,001 ~ 600,000	226	110,879,830	1.13
600,001 ~ 800,000	119	83,015,208	0.85
800,001 ~ 1,000,000	70	62,392,631	0.64
1,000,001 ~	372	7,749,755,160	79.15
Total	192,180	9,789,520,746	100.00

d. Major Shareholders

April 16, 2019

Major Shareholders	Shares	Shareholding Amount	Shareholding Ratio(%)
Taishin Financial Holding Co., Ltd.		2,207,163,683	22.55
Ministry of Finance		1,193,634,843	12.19
Lungyen Life Service Corporation, Ltd.		383,810,649	3.92
First Commercial Bank		281,029,107	2.87
Excel Chemical Co., Ltd.		272,190,212	2.78
National Development Fund, Executive Yuan		269,171,684	2.75
Cheng Chang Investment Co., Ltd.		180,145,763	1.84
Chunghwa Post Co., Ltd.		169,464,418	1.73
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		100,110,943	1.02

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

The Top Ten Shareholders and Their Shareholding Amount and Ratio

April 16, 2019

Ranking	Shareholder's Name	Shareholding Amount	Shareholding Ratio(%)
1	Taishin Financial Holding Co., Ltd.	2,207,163,683	22.55
2	Ministry of Finance	1,193,634,843	12.19
3	Lungyen Life Service Corporation, Ltd.	383,810,649	3.92
4	First Commercial Bank	281,029,107	2.87
5	Excel Chemical Co., Ltd.	272,190,212	2.78
6	National Development Fund, Executive Yuan	269,171,684	2.75
7	Cheng Chang Investment Co., Ltd.	180,145,763	1.84
8	Chunghwa Post Co., Ltd.	169,464,418	1.73
9	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	100,110,943	1.02
10	Lee Investment Co., Ltd.	96,535,136	0.99

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

Unit: NT\$

Items		FY	2018	2017
Market Price Per Share	Highest		19.20	18.80
	Lowest		16.35	16.10
	Average		17.56	17.17
Net Assets Per Share	Before Distribution		15.99	15.40
	After Distribution		15.05	14.37
Earning Per Shares	Average Outstanding Stock (thousand shares)		9,789,521	9,413,001
	EPS	Before Adjustments	1.28	1.28
		After Adjustments	1.26	1.23
Dividends	Cash Dividend (Note 1)		0.64	0.45
	Stock Grant	Allotment by Earning	0.2	0.4
		Allotment by Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Analysis for Return on Investment	Price to Earnings Ratio (Note 2)		13.72	13.41
	Price to Dividends Ratio (Note 3)		27.44	38.16
	Cash Dividends Yield (%) (Note 4)		3.64	2.62

Note 1: The earnings distribution for year 2018 hasn't been approved by the 2019 General Shareholders' Meeting.

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

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

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

f. The Policy and Implementation of Dividends

1. Dividend Policy:

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

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

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

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

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

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

2. The dividend distribution proposed by shareholders' meeting:

(1) A cash dividend (NT\$ 0.64 per share) is distributed among common stockholders: a total of NT \$6,265,293,277.

(2) A stock dividend (NT\$ 0.20 per share) is distributed among common stockholders: a total of NT\$1,957,904,140.

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 2019 financial forecasts. The Bank is unable to disclose the forecasts, affected by distributing stock dividends mentioned above, for operating income, profits, losses, and earnings per share; hence this item is not applicable for the bank.

h. Employees' Bonus and the Compensations for Directors

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

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

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

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

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

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

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

(1) Payment in cash bonus to employees is NT\$777,326,700, stock bonus to employees is NT\$0 and compensation to directors in cash is NT\$62,186,136. 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\$487,164 caused by the change of accounting estimation and recognized as the profit in 2019.

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

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

In the previous year (2017), the Bank distributed an employee cash bonus of NT\$749,710,950, the Director (excluding Independent Director) remuneration totaled NT\$59,976,876, the same as what had been approved at the General Shareholders' Meeting.

i. Repurchase of the Banks' Shares

None.

B. Issuance Status of Financial Bonds

Unit: thousand

Types of Financial Bonds	1 st Perpetual Non-cumulative Subordinate Financial Debentures Issue in 2010	1 st Subordinate Financial Debentures Issue in 2011	2 nd Subordinate Financial Debentures Issue in 2011	1 st Subordinate Financial Debentures Issue in 2014
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	June 13, 2013 Letter No. (FSC) Gin-Guan-Ying Guo 10200162140
Issuing Date	June 29, 2010	March 11, 2011	April 18, 2011	April 16, 2014
Face Value	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NTD	NTD	NTD	NTD
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	5,000,000	B: 1,100,000	6,700,000	A: 2,200,000 B: 5,300,000 C: 2,500,000
Coupon Rate	The coupon rate for the first ten years from issuing date is 3.15%. If the bond is not recalled at the end of the tenth year, its coupon rate will be changed to 4.15%.	B: 1.72%	The annual rate is a floating rate of the index rate (Note) plus 0.20%.	A: 1.7% B: 1.85% C: The annual rate is a floating rate of the index rate (Note) plus 0.45%.
Maturity	Perpetual	B: 10-year term, maturity date: March 11, 2021	10-year term, maturity date: April 18, 2021	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
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	Second-Lien
Guarantor	---	---	---	---
Trustee	---	---	---	---
Underwriter	---	---	---	---
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chiang
Verification Accountant	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Jerry Gung
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 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	Bullet
Outstanding Amount	5,000,000	B: 1,100,000	6,700,000	A: 2,200,000 B: 5,300,000 C: 2,500,000
Prior Year Paid-in Capital	62,094,756	62,094,756	62,094,756	77,490,592
Prior Year Net Book Value	79,154,442	79,154,442	79,154,442	103,084,694
Payment Status	Normal	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 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	None
Conversion and Exchange Terms	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	35.82%	39.99%	48.45%	51.66%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier I	Yes, Tier II	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-	Taiwan Ratings April 7, 2014 Bond Rating tw A

Types of Financial Bonds	2 nd Unsecured Financial Debentures C in 2014	1 st Subordinate Financial Debentures Issue in 2016	1 st Subordinate Financial Debentures Issue in 2017	1 st Subordinate Financial Debentures Issue in 2018	2 nd Unsecured Financial Debentures Issue in 2018
Date and serial No. approved by authority	November 5, 2014 Letter No. (FSC) Gin-Guan-Ying Guo 10300313330	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560
Issuing Date	December 17, 2014	September 27, 2016	March 29, 2017	April 26, 2018	November 8, 2018
Face Value	USD 1 million	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City	Taipei City
Currency	USD	NTD	NTD	NTD	NTD
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	USD 260 million	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000	7,000,000	3,000,000
Coupon Rate	0%	A: 1.09% B: 1.20%	A: 1.50% B: 1.85%	2.66%	2.30%
Maturity	20-year term, maturity date: December 17, 2034	A: 7-year term, maturity date: September 27, 2023 B: 10-year term, maturity date: September 27, 2026	A: 7-year term, maturity date: March 29, 2024 B: 10-year term, maturity date: March 29, 2027	Perpetual	Perpetual
Rank	Senior Unsecured	Second-Lien	Second-Lien	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.
Guarantor	---	---	---	---	---
Trustee	---	---	---	---	---
Underwriter	---	---	---	---	---
Verification Lawyer	Lawyer Ya-Ping Chiang	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	Deloitte & Touche Jerry Gung
Verification Financial Institution	---	---	---	---	---
Payment	Callable	Bullet	Bullet	Five years and three months 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 and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month 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 and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Outstanding Amount	USD 260 million	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000	7,000,000	3,000,000
Prior Year Paid-in Capital	NTD\$ 77,490,592	84,573,232	84,573,232	94,130,007	94,130,007
Prior Year Net Book Value	NTD\$ 107,753,894	126,514,896	126,514,896	133,758,323	140,711,714
Payment Status	Normal	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	IRR 4.15%, Non call 5 years, then callable annually	None	None	Five years and three months 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 and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month 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 and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None	None	None
Restriction Terms	None	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	Supplement to mid- to long-term USD funding source	To strengthen the capital structure according to the medium and long term capital requirements of the Bank	To strengthen the capital structure according to the medium and long term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the medium and long term capital requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	72.94%	52.14%	38.90%	40.59%	40.72%
Ranking of Capital Assets (Tier I, Tier II ...)	No	Yes, Tier II	Yes, Tier II	Yes, Tier I	Yes, Tier I
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings December 5, 2014 Bond Rating tw AA	Taiwan Ratings November 27, 2015 Bond Rating tw AA	Taiwan Ratings November 29, 2016 Bond Rating tw AA	Taiwan Ratings December 21, 2017 Bond Rating tw AA	Taiwan Ratings December 21, 2017 Bond Rating tw AA

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

C. Issuance of Preferred Shares

The Bank's type B preferred stocks issued on October 3, 2005 have been converted to common stock on October 3, 2008. No preferred stocks were issued as of baseline date December 31, 2018.

D. The Issuance of Global Depository Receipt

None.

E. The Status of Employees' Stock Warrant

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

None.

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

None.

F. Status of New Employee Restricted Shares

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

None.

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

None.

G. Merger or Stock Transfer for other Financial Institutions

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

None.

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

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



H. Capital Investment and Utilization Plans

Fiscal Year	Plan	Date and Serial No. Approved by FSC	Purpose	Execution and Quota Usage	Comparison with the Expected Performance
2014	The Bank was approved by FSC on November 5, 2014, to issue USD \$1 billion long-term unsecured financial debenture. Valid for one year from the approval date (until November 5, 2015).	November 5, 2014 Letter No. (FSC) Gin-Guan-Ying Guo10300313330	Supplement to mid- to long-term USD funding source	(1) Execution The bank has issued of the USD 500 Million long-term Unsecured Financial Debentures C, B and A on December 17, 18 and 19 of 2014, respectively. All capital obtained from the issuance is used to be the supplement for the mid- to long-term USD funding source of the Bank. Unsecured Financial Debenture A (USD 140 Million) and B (USD 100 Million) were early redeemed on December 19, 2016 and December 18, 2017 respectively. (2) 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.
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	(1) Execution The Bank has issued NT\$6.3 billion of the subordinate bonds on September 27, 2016. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$13.7 billion, including a maximum amount of NT\$10 billion for the non-cumulative perpetual subordinate bonds.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 12% at the end of December 2016.
2017	The Bank was approved by FSC on August 23, 2016 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on August 23, 2017).	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$10.2 billion of the subordinate bonds on March 29, 2017. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$3.5 billion, no debentures had been issued before the quota expiration.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 13% at the end of December 2017.
2017	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	Increase capital of the Bank, and strengthen capital structure	The quota has not been implemented by the end of 2017.	-
2018	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$7 billion as well as NT\$3 billion of the non-cumulative perpetual subordinate bonds on April 26, 2018 and November 8, 2018 respectively. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$10 billion, no debentures had been issued before the quota expiration.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 14% at the end of December 2018.

V | Operations Overview

A. Business Information

a. Business performance during the past two years

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

1. Deposit:

Unit: NT\$ 1,000

Items	FY	2018		2017		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Demand Deposit		980,697,848	57.12	978,840,344	57.60	1,857,504	0.19
Time Deposit		706,930,580	41.17	690,890,233	40.65	16,040,347	2.32
Interbank Deposit		29,336,611	1.71	29,770,824	1.75	(434,213)	-1.46
Total		1,716,965,039	100.00	1,699,501,401	100.00	17,463,638	1.03
Ratio (to liabilities and equity)		2,081,811,670	82.47	2,036,258,400	83.46	45,553,270	2.24

Note : Total amount of liabilities and equity for 2018 and 2017 were 2,081,811,670 thousand and 2,036,258,400 thousand.

2. Loans:

Unit: NT\$ 1,000

Items	FY	2018		2017		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Short-term Loans		368,070,329	27.29	370,116,145	26.64	(2,045,816)	-0.55
Mid-term Loans		421,455,388	31.25	454,955,547	32.75	(33,500,159)	-7.36
Long-term Loans		559,202,595	41.46	564,200,949	40.61	(4,998,354)	-0.89
Total		1,348,728,312	100.00	1,389,272,641	100.00	(40,544,329)	-2.92
Ratio (to total assets)		2,081,811,670	64.79	2,036,258,400	68.23	45,553,270	2.24

Note : Total assets for 2018 and 2017 were 2,081,811,670 thousand and 2,036,258,400 thousand.

3. Foreign exchange:

Unit: USD 1,000

Items	FY	2018		2017		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Exports		3,689,112	2.64	3,829,794	2.84	(140,682)	-3.67
Imports		5,072,465	3.64	4,762,910	3.54	309,555	6.50
Remittances		130,771,705	93.72	126,124,765	93.62	4,646,940	3.68
Total		139,533,282	100.00	134,717,469	100.00	4,815,813	3.57

4. Cards:

Unit: Cards/NT\$1,000

Items	FY	Items	2018	2017	Increase (Decrease) Amount	Increase (Decrease) %
			2018	2017		
Card issuance		Credit cards in circulation	478,326	424,826	53,500	12.59
		Active cards	231,433	200,027	31,406	15.7
		Credit card-spending	17,120,864	16,339,103	781,761	4.78
		Revolving credit	375,222	372,755	2,467	0.66
Merchant business		Entity store, internet store and ATM transaction amount	12,897,538	8,831,663	4,065,875	46.04

5. E-Banking:

Items	FY	2018	2017	Increase (Decrease)	Increase (Decrease) %
		Number of transactions	Number of transactions		
Internet Banking		36,134,026	36,718,833	(584,807)	-1.6
Telephone Banking		984,071	1,073,559	(89,488)	-8.3
Mobile Banking		14,457,260	8,037,363	6,419,897	79.9
Total		51,575,357	45,829,755	5,745,602	12.54

6. Trust:

(1) Trust business volume:

Unit: NT\$ million

Items	FY	2018	2017	Growth Rate %
Non-discretionary money trusts investing in foreign securities		20,898	27,577	-24.22
Non-discretionary money trusts investing in domestic securities		15,377	19,083	-19.42
Balance of assets under custody at year-end		146,109	147,247	-0.77
Attestation for the issuance of securities		34,112	37,484	-9.00
Securities trust at year-end		739	778	-5.01
Real estate trust at year-end		17,663	15,762	12.06

(2) Trust fee Income:

Unit: NT\$ million

Items	FY	2018		2017		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		574	9.38	614	10.13	-6.51
Non-discretionary money trusts investing in domestic securities		226	3.69	173	2.86	30.64
Custodian fees		301	4.92	257	4.24	17.12
Attestation fees for securities issuance		4	0.07	3	0.06	33.33
Other		44	0.72	40	0.66	10.00
Total		1,149	18.78	1,088	17.95	5.61

7. Wealth management:

Unit: NT\$ million

Items	FY	2018	2017	Growth Rate %
Fee income from fund subscriptions		370	461	-19.74
Commission revenues from life insurance		1,913	2,145	-10.82
Revenues from structured investments		15	46	-67.39
Total		2,298	2,652	-13.35

8. Investment:

(1) Investment in securities:

Unit: NT\$ million

Items	FY	2018	2017	Growth Rate %
Government Bonds		22,804	19,615	16.26
Financial Bonds		37,186	37,459	-0.73
Corporate Bonds		24,501	28,216	-13.17
Stocks (Short-term Investment)		3,130	2,065	51.57

(2) Short-term bills underwriting and trading:

Unit: NT\$ million

Items	FY	2018	2017	Growth Rate %
Amount of Outright Purchases		8,888	90,186	-90.14
Amount of Outright Sales		390	282	38.3
Amount of Repurchase Agreements		33,257	31,940	4.12

(3) Proprietary trading in government bonds:

Unit: NT\$ million

Items	FY	2018	2017	Growth Rate %
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		44,217	64,601	-31.55
Volume of Proprietary Trading in Government Bonds (With Repo)		15,065	15,305	-1.57
Balance of Proprietary Trading in Government Bonds		5,922	5,507	7.53

9. Security:

Unit: NT\$ million

Items	FY	2018	2017	Growth Rate %
Amount of Security Underwritten		1,000	606	65.02
Volume of Security Brokerage Operations		99,181	92,103	7.68
Credit Outstanding in the Security Financing Business		321.07	305.65	5.04

10. Weightings and changes of net income:

Unit: NT\$ 1,000

Items	FY	2018		2017		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Net Interest Income		23,189,644	70.05	22,656,870	73.58	532,774	2.35
Net Fee Income		4,867,954	14.70	4,798,618	15.58	69,336	1.44
Net Trading Income		4,574,406	13.82	2,830,804	9.19	1,743,602	61.59
Net Securities Brokerage and Underwriting Income		74,112	0.22	68,843	0.22	5,269	7.65
Other Operation Net Income		402,073	1.21	441,584	1.43	(39,511)	-8.95
Total		33,108,189	100.00	30,796,719	100.00	2,311,470	7.51

b. 2019 Business plans

Please refer to "I. Letter to Shareholders B. 2019 Highlights of Business Plans."

c. Market analysis

1. Main areas of the Bank (CHB):

The Bank's service network spans Asia, Europe, the Americas and Taiwan. We have 185 domestic offices, Offshore Banking Unit and 7 overseas units located in the world's major financial centers, including branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, Manila, and Yangon Representative Office : a subsidiary "Chang Hua Commercial Bank Co., Ltd." was established with Kunshan, Kunshan Huaqiao Sub-Branch, Dongguan, Fuzhou and Nanjing branch under its jurisdiction. 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 Office, Domestic/Foreign Branches and Subsidiary.

2. Prospective and growth of market:

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

In terms of market demand, China, Hong Kong and Macao are still the largest trading partners of Taiwan. Apart from the trading of RMB by customers that increases banks' transaction volumes, in June 2018, Chinese stocks has been included in MSCI's emerging markets index, which is expected to increase the weight of Chinese stocks gradually to demand for related RMB derivative financial products and wealth management services. On the other hand, in line with government's New Southbound Policy and demand for funding of Taiwanese dispersed production bases, expanding ASEAN countries' financial markets, the Bank could not only find new business opportunities, but also diversify risks in China market. In terms of insufficient domestic investment and the transformation of the industry, the government drew up the infrastructure plan and the five-plus-two innovative industries policy. The Banking industry will also benefit from the contracts of these basic construction projects and the financing of key industries. The Directorate-General of Budget, Accounting and Statistics estimated Taiwan's GDP growth of 2019 at 2.27%, indicating the Bank's performance is expected to be flat or grow slightly.

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

(1) The Bank's competitive niche:

① Long-standing history reputation and large customer base:

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

② Extensive service network:

The Bank has numerous domestic offices to establish extensive service network and provide all kinds of financial instruments and services. The Bank has a total of 185 domestic offices (as at the end of December 2018); We also have 656 ATM machines (as at the end of December 2018) throughout the country to meet customers' deposit, withdrawal, and transfer needs.

③ Continuously offering the various digitized services:

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

④ First mover advantage in China:

The Bank is in the first group of Taiwan-invested banks to set up branches and sub-branches in China, and is the first government-owned bank to set up subsidiary in Mainland China in order to expand the scale of business and increase the efficiency of fund management invested in China gradually.

(2) Positive factors:

① RMB internationalization keeps moving forward and Chinese stocks have been included in MSCI's emerging markets index and its weight is expected to continue to increase, which makes the business opportunity of RMB expectable .

② The Bank's network in china includes Yangtze River Delta, Pearl River Delta, and Haixi Special Economic Zone, with a wide range of services. In the future, the subsidiary in Mainland China can expand its business bases, adjust their operational strategies quickly and effectively in response to market development.

③ The authority has released limits on bank's investments in FinTech which is highly beneficial for its facilitating services, differentiation between the financial instruments to improve efficiency.

④ The continuous growth of mobile internet mixed with trends of e-commerce and mobile payment will bring new business opportunities.

⑤ Dispersed production bases for Taiwanese businessmen are expected to drive domestic factories financing and related capital flow, and banking industry is expected to be benefited.

(3) Negative factors:

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

② The price in domestic housing and loan in proportion of government-owned banks are in high grade, while the loan credit risk are still high.

③ Initial operating costs of subsidiary in Mainland China are high.

④ The allowance of internet-only banks, its new-type financial ecosystem, and inclusive economy will make the competition in domestic financial market more intense and saturated.

⑤ The related regulations on global anti-money laundering, privacy protection and Common Standard on Reporting and Due Diligence for Financial Account Information are gradually becoming stricter, which brings about raised compliance cost and increased operating costs for banks.

(4) Response measures:

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

② Adjust deposit and loan portfolios for widening spread.

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

④ Develop electronic channel and activate new mobile payment functions, introduce artificial intelligence (AI), big data analysis to understand customer needs and adapt to current trends, strengthen customer acquisition ability and seize business opportunities.

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

d. Current status of financial product R&D

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

(1) Major financial products:

① Deposits and remittances:

- I. To enhance the competitiveness of the Bank's deposits and expand its base, launched the "Valet for drawing checks" service and amend the "ATM inter-bank deposit" service.
- II. Followed government's promotion of digital financial policies, participated in financial blockchain confirmations of Financial Information Service Co., Ltd., and provided online paperless operation services.

② Corporate banking:

- I. In response to trade war between China and U.S, and the return of Taiwanese businessmen setting up factories, launched "project loans for Taiwanese entrepreneurs who returned to Taiwan to purchase and build factory plants."
- II. Following Government's policy to actively promote the accelerate rebuilding of unsafe and old housing, and provide funds for the rebuilders, launched "unsafe and old housing rebuilding loans."

③ Consumer banking:

- I. Following the National Property Administration (MOF) to sell state-owned non-public premises and launched "project loans for the Purchase of National Property Administration."
- II. Following the "Residential Subsidy in 2018" in Construction and Planning Agency of Ministry of the Interior to purchase and repair the residential loan business, amended the Bank's "Household Subsidy for purchase and repair of housing loans."

④ FX:

- I. In response to the digitalization trend of financial services, launched "digital deposits for foreign currency."
- II. To strengthen risk control and cooperate with the Export-Import Bank of the Republic of China to sign accounts receivable credit insurance contract, amended the "Commitment for receipt of accounts receivable credit connected with insurance."

⑤ Card:

- I. To provide cardholders with convenient mobile payment services and increase the credit card market share of the Bank, launched the Google Pay mobile credit card business.
- II. To increase the added value of credit cards, launched the new bonus point exchange channel in 7-11 convenience stores and domestic airport VIP room in Plaza Premium Lounge service project.
- III. To follow market practice, developed the use of Taiwan Pay one-dimensional bar code payment to continue strengthening promotion of acquiring business.

⑥ Trust:

- I. Since October 2018, the Bank's online banking (including mobile banking) has added personal online transactions for foreign securities (including foreign bonds and ETFs).
- II. ETF information has been added to the Bank's fund management network and mobile website on APPs. The website contains relevant information about ETF related information, searching, ranking and Academy of ETF included.

⑦ Digital Finance:

- I. Launched the "Corporate e-banking for CHB" apps to provide biometrics, graphics locks, etc. as a security mechanism for quick login, enquiry and transaction.
- II. Added "e-wallet for CHB" in CHB's e-banking APPs.
- III. Established an intelligent robot system, allowed customers to use the online "ChatBot customer service" platform to provide customers with 24-hour instant answer service.
- IV. The official LINE account of the Bank was launched on December 25, 2018, providing a variety of products and services and preferential information to improve user adhesion.

(2) Department Added:

Please refer to "I. Letter to Shareholders A. 2018 Results of Operations."

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

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

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

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

2018 NT\$3,678 thousand.

2017 NT\$4,704 thousand.

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

① The Bank continuously researches and develops various digital finance products by using FinTech, and R&D results have obtained 51 utility model patents 2 invention patents from MOEA's Intellectual Property Office. Also, the implementation of these patents shall be applied to provide customers with safe and convenient services, improve information security, operation efficiency and risk management, and attract new customers as well as business opportunities.

② With respect to the Bank's big data promotion, digital finance business human resources, financial supervision, risk management and corporate governance, a total of 51 research reports were completed in 2017 and 2018, which are archived at the Bank's library for convenient access by all employees in order to enhance the utilization of professional skills and expertise in day-to-day operations and to effectively foster bank-wide reform, progress and development.

(3) Future R&D projects:

① To provide a high-quality customer experience and enhance digital competitiveness, we will strengthen the application scenarios of big data analysis, provide differentiated financial products according to needs, and form alliances with different industries to attract specific groups to have business with the Bank.

② By listening to and observing the cloud network word-of-mouth ecology, build social big data, monitor product brand and social public sentiment issues, grasp the social grouping risk context, observe and strengthen warning risk crisis and industry trends.

③ Apply emerging financial technology, expand mobile payment services, integrate multiple payment channels, provide customers with a more convenient payment platform; continue system integrating and proceeding optimization, providing quality and non-differential full-channel service quality, improving customer satisfaction and operational efficiency

e. Long- and Short-Term Business Plans

1. Short-term business plans:

Please refer to "I. Letter to Shareholders B. 2019 Highlights of Business Plans."

2. Long-term business plans:

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

(1) Treasury:

① Continue to improve the foreign exchange financial products for client in marketing business system and provide customers with diversified foreign exchange financial products and strive to increase market share.

② Actively participate in inter-bank market-making transactions and create price differentiation to assist branches to promote foreign exchange business and increase foreign exchange market share and earnings.

③ Actively participate in the domestic RMB exchange rate futures market and become the top five market makers to provide market liquidity and risk aversion pipeline.

(2) Wealth management:

① Utilize the Bank's data warehousing and big data analysis to divert customer segment, and moreover digital aids will be used to accurately hold wealth management client's arteries, assist the management of the customer base and strengthen customer relationships.

② Plan the "Professional skills for wealth managers" program, select and train high-quality potential talents, reserve future business executives, business coaching and develop high-end asset planning management talents.

- (3) Retail/Corporate finance:
- ① Plan high-quality “Industry Financing” series of project promotion activities, continue to observe the industry’s market size, operational performance, industry outlook and government policies, actively evaluate and seek high-quality target industries, timely launch project industry financing, and effectively focus on business developing momentum.
 - ② Explore and analyze customer management structure, actively explore the potential needs of customers, integrate bank-wide resources to provide customized financial services, deepen the corporate loan relationship, and establish a win-win cooperation model between the Bank and its customers.
- (4) Overseas financial services:
- ① Upgrade Yangon Representative Office (Myanmar) to a branch and actively organize a Phnom Penh subsidiary in Cambodia and continually evaluate the expansion of overseas operations in New Southbound countries with potentially developing financial markets.
 - ② Actively prepare to establish a Houston branch in Texas, the United States, planned to act as the regional integrated risk management and syndicated loan coordination centers in the United States so as to promote management synergy and profits in that area.
- (5) E-Banking:
- In order to follow FinTech trends and new products developments, the Bank’s plans are as follows:
- ① Add EXCEL editing and holiday payroll functions of NTD batch remittance trading system to enterprise online banking.
 - ② Provide online exchange rate bargaining of foreign exchange remittance, managing the account, foreign currency non-predesignated transfer/remittance in small amounts these services through the personal e-banking (including mobile banking APP).
 - ③ Launch mobile certificate to support verifying the online settlement with the value equal to or over NTD 500,000 in transaction declaration and low-risk NTD non-predesignated transactions.
 - ④ Introduce LINE Business Connect service to get personalized financial information while customers bind with “Chang Hwa Bank’s LINE Personalized Service.”
- (6) Loan:
- Continuously monitor and maintain the credit automation system efficiency of credit investigation, lending, collateral, and credit review in the Bank’s e-Loan system.
- (7) Trust:
- ① Continuously prudently select potential domestic and foreign funds, foreign bonds and ETFs to be on the market.
 - ② Actively promote customers with trust services including senior nursing trust and disability trust : continue to promote real estate trusts, real estate values trust and pre-sale house value trust business.
 - ③ Plan to upgrade the custody fund system to improve the efficiency of data collection and analysis in response to market changes.
- (8) Cards
- ① Plan to add JCB HCE mobile credit card payment service.
 - ② Plan to develop the application of one dimension bar code payment for credit card so as to strengthen the promotion of acquiring business.
 - ③ Plan to launch “natural person QR CODE consumption deduction/payment service.”
 - ④ Plan to add NCCC identity verification platform for the online application for credit card.

B. Employee

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

Unit: Person

Fiscal Year		2017	2018	As of March 31, 2019
Number of Employees		6,592	6,556	6,522
Average Age		42.61	42.90	43.03
Year of Experience ^{ev}		16.83	16.91	16.98
Education	PhD	2(0.03%)	2(0.03%)	3(0.05%)
	Graduate School	1,208(18.33%)	1,263(19.26%)	1,267(19.43%)
	University/College	4,842(73.45%)	4,781(72.93%)	4,747(72.78%)
	Senior High School	510(7.74%)	481(7.34%)	476(7.30%)
	Others	30(0.45%)	29(0.44%)	29(0.44%)

Unit: Person

Fiscal Year		2017	2018	As of March 31, 2019
The list of employees' certificates	CPA & CPA (USA)	6	6	6
	CFA	3	4	4
	FRM	13	13	13
	CFP	8	12	11
	CIA	2	2	2
	CISA	1	1	1
	CAMS	24	34	34
	Senior Securities Specialist	1,110	1,128	1,113
	Securities Specialist	878	912	906
	Futures Specialist	1,145	1,149	1,142
	Individual Insurance Broker	7	7	7
	Individual Insurance Agent	11	13	13
	Individual Life Insurance Representative	5,696	5,818	5,787
	Property Insurance Broker	9	9	9
	Property Insurance Agent	8	9	9
	Property Insurance Representative	5,268	5,419	5,414
	Investment-Orient Insurance Product Representative	4,651	4,843	4,854
	Proficiency Test for Trust Operations	5,229	5,331	5,290
	Basic Proficiency Test on Bank Internal Controls	4,578	4,590	4,557
	Basic Proficiency Test for Bank Lending Personnel	2,969	2,945	2,914
Advanced Proficiency Test for Bank Lending Personnel	58	55	51	
Basic Proficiency Test for International Banking Personnel	2,373	2,361	2,336	
Proficiency Test for Financial Planning Personnel	2,178	2,148	2,127	

b. Career development and training

1. Annual employee training programs are in coordination with annual business development: The Bank provides employees training through hands-on and digital courses, assisting them to specialize in finance; the Bank provided 405,911.03 hours training in total, with the per capita training hours of 61.91 based on 6,556 employees as of December 31, 2018 at a total expense of NT\$ 38,253 thousand.
2. Complete knowledge inheritance, enhancing education and training synergies: Active training of internal lecturers of various professional skills, continuous standardized development of internal teaching system.
3. Diversified hands-on and digital training are provided, encouraging employees innovative learning and improving organizational performance: Enrichment of online learning system with updates on and additions to multiple functions and interfaces to provide a diverse training environment, and continuous encouragement of employees innovative learning; total of 105 hands-on courses, 748 digital courses, 464 expat trainings were given between January 1, 2018 and December 31, 2018.

C. Corporate Responsibility and Moral Behavior

- a. Implemented environment protection policies to achieve the goal of managing environmental sustainability
Promoted the environment protection policy "Lohas - Loving the Earth," implemented various resource saving and energy conservation measures as well as greenhouse gas reduction strategies, and spontaneously introduced numerous international management systems.
- b. Actively participated in charity activities and continuously supporting underprivileged groups
 1. Made donations to Hualien County Government, which supported related disaster relief and reconstruction work after strong earthquake happened in Hualien area.
 2. Sponsored "6th Charitable Carnival for Loving the Elderly" of Huashan Social Welfare Foundation by serving as volunteers to accompany the disadvantaged elderly to live a healthier life through exercise.
 3. Made donations to "TFT Teaching Program" organized by Teach For Taiwan, which improved inequality of lacking the necessary resources to deliver proper education for children in rural areas.

4. Made donations to the various athletes training programs organized by Taitung County Athletics Committee, which assisted the development of sports and athletics.
 5. Made donations to Social Affairs Bureau of Chiayi County to assist post-disaster reconstruction work of floods in Southern Taiwan on August 23, 2018.
 6. Sponsored "Angel's Voice" year-end blessing concert of Taichung City Welfare for The Disabled Association to help perfect the learning and caring environment for the disabled.
 7. Sponsored the efforts of Huashan Social Welfare Foundation in delivering new year meals and cold weather outfits or supplies, these volunteer services to underprivileged elders before lunar new year's eve.
 8. Established "CHB Tuition Support Program" organized by Taiwan Fund for Children and Families, which assisted financially disadvantaged elementary school and junior high school students in their studies.
 9. Made donations to the program - "Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association.
 10. Participated in "2018 Taichung World Flora Exposition" held by Taichung City Government to implement actively joining local cultural activities in Taiwan and make contributions to increasing the country's cultural soft power.
 11. Participated in "6th ADA Charity, Christmas Road Running" fundraising event held by Advanced Developers Association and Kids' Bookhouse Foundation to care for financially vulnerable children in Taitung's rural areas.
 12. Participated in the General Association of Chinese Culture's "2018 Happy Birthday to Taiwan" film shooting with cheers for Taiwan to demonstrate excellent talents cultivated in Taiwan.
 13. Participated in Accounting Research and Development Foundation's "30th Anniversary Accounting Elite Cup Debating Competition" to help nurture accounting professionals and advance capital market in Taiwan by rising more accounting professionals' mutual communication and interaction.
 14. Sponsored "Hand in Hand with Newcomer ~ Cherish Taiwanese New Baby Exhibition" held by Pearl S. Buck Foundation to encourage the public to respect diverse cultures and care for the children of new immigrants.
 15. Participated in "2018 Financial Services for charitable Carnival" held by Taiwan Financial Services Roundtable in Keelung and Taoyuan to promote financial knowledge and education.
 16. Sponsored the Keelung City in organizing "27th Union Cup Basketball Championship," which promoted citizens' physical and mental health, and carried out the objective of nurturing basketball talents and country-wide exercise.
 17. Participated in the General Association of Chinese Culture's a series of events "South Taipei Fun Carnival" and "the Soul of the Craftsman" film series shooting to encourage cultural heritage and implement policies to support the development for cultural and creative industries
 18. Participated in "2018 Taiwan Lantern Festival" held by Chiayi County Government to be actively involved in local cultural activities.
 19. Made donations to "Small and Medium Enterprise Credit Guarantee Fund," which helped SMEs obtain the funding they needed and contributed to the growth of the nation's economy and the social stability.
 20. Made donations to "Overseas Credit Guarantee Fund," which helped overseas Chinese and Chinese enterprises obtain funding in ASEAN countries from Chinese financial institutions.
 21. Sponsored Taipei Foundation of Finance in organizing "23rd Cross-strait Banking Collaboration Conference."
- c. Internship opportunities offered to financially disadvantaged youths and university students
1. As support to "2018 Internship Program for the Financially Self-reliance Youths" organized by Youth Department Administration, Ministry of Education, the Bank had offered 35 internship opportunities for existing students during the summer vacation, and catered to the needs of financially disadvantaged youths by helping them learn, experience, explore, and develop their own competitiveness in future careers, which may potentially reduce wealth inequality within the nation.
 2. During summer break of 2018, the Bank joined China Youth Corps in offering 10 internship opportunities to university students. The internship program was aimed at cultivating independence and comprehending banking jobs on the spot early in young adults and increasing their experiences.

d. Community participation

1. 1,500 handheld lanterns from “2018 Taiwan Lantern Festival” were donated to social welfare groups in Chiayi and Yunlin to care for financially disadvantaged families.
2. In cooperation with Taipei Orphan Welfare Foundation, the event “CHB’s Spreading Love to Orphans” was held to support orphans by the Bank.

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

Unit: NT\$ thousand

Salary and Benefits	2018	2017	Growth (%)
Non-manager position employee annual benefits expense	7,107,088	6,983,358	1.77
Average non-manager position employee annual benefits expense	1,307	1,281	2.03

Note 1: The definition of “Non-Manager Position” was the employees without receiving supervisory differential pay.

Note 2: There were 5,451 non-manager position employees in 2017 and 5,438 non-manager position employees in 2018.

Note 3: Employee benefit fees include post-employment benefits.

E. IT Equipment

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

1. Configurations:

Core banking system, data warehouse system, reporting presentation system, internet banking system, customer credit automatic system, video conference system, CHB intranet, e-mail system, credit card system, short-term Bill clearing system, Trust operation system, securities operation system, Human Resource Management System (HRMS), overseas banking system, disaster recovery center, BASEL II management system, Information Security Management Systems, forex centralized operation system, seal system, centralized operation management system, wealth management system, forex second operation center, financial commodity trading and management system, factoring system, electronic opening account system, receive 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 system, anti-money laundering system, global funds transfer system, CHB new official website, supply chain financing system, digital savings system, cross-border electronic payment system, system center configuration management, online account opening system, CHB intelligent customer service, insurance agent system, security information and event management, database monitoring and auditing system, firewall policy management system, and privileged account trajectory 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

IT systems to be deployed in 2019: Line official account system, WindowsXP operating system access number and multimedia equipment replacement, Information Assets and Configuration Management System Construction, Privileged Account Management and Threat Analysis Project, Enterprise internet banking system upgrade, A new generation of full media customer service system, Action Insurance Platform Expansion Project, EAI system platform upgrade project.

c. Emergency Backup and Security Protection Strategies

1. Emergency Back-Up Center:

The Bank’s IT Data Center is located in Taipei that connects with the Emergency Back-Up Center in Taichung, utilizing ROADM (Reconfigurable Optical Add-Drop Multiplexer) network to synchronously

replicate critical data for disaster recovery purpose. The emergency back-up center with transferred information system is activated when the Bank's IT Data Center is unable to continue normal operations due to disasters. The Bank has established standard procedures and drills according to "Information Operations Disaster Recovery Plan," in principle, two drills will be carried out in the off-site back-up center on a yearly basis to ensure the successful implementation of the recovery procedures.

2. Strengthen information security:

- (1) Improve information system security control strength (including SWIFT): independent SWIFT host network segment, recycle host supreme authority, manage host security parameters to improve overall host security strength.
- (2) Follow the requirements of laws and regulations: adjust the information system structure, management system and procedures to meet the supervisory expectations in response to the requirements of national supervisory agencies and international organizations (eg, Society for Worldwide Interbank Financial Telecommunication, SWIFT).
- (3) Establish a detection and alarm mechanism, implement the security incident processing and follow-ups: use different security-oriented security detection tools (eg, internal threat monitoring system, privileged account trajectory system) to establish a detection alarm mechanism and instantly discover potential intrusion and proper follow-up to reduce security risks.
- (4) Centrally store and manage system logs, and establish an analysis and early warning mechanism to meet the requirements of the laws and regulatory agencies.
- (5) Regular situation and backup exercises: in order to familiarize employees with the accident response procedures, regular situational drills and information system backup exercises to improve the resilience of employees.
- (6) Continue to conduct email social engineering drills and strengthen the information security education to enhance the employees' awareness of information security.
- (7) For the Bank's information security risk management structure and information security policy, please refer to the Bank's official website.

F. Labor Relations

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

1. Benefits:

- (1) Labor insurance:
Labor insurance is for employees, with the Bank paying 70% of the premium, the employees paying 20%, and the government paying 10%.
- (2) Health insurance:
Health insurance is for employees and their dependents with the Bank paying 60% of the premium, the employees paying 30%, and the government paying 10%.
- (3) Health examination:
Provide employees regular items superior to the law requirement, and conduct an employee health examination every 2 years.
- (4) Nursery care:
Sign a childcare contract with the nursery school to provide a preferential childcare program for employees in need.
- (5) Paid vacations:
Employees are entitled to a paid vacation of 3 to 30 days, depending on their job tenure at the Bank.
- (6) 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.
- (7) Welfare committee:
The Bank has the 21-member welfare committee. An Executive Vice President occupies one of the seats as appointed by the general manager of the Bank, and the rest of the seats shall be filled by representatives selected from the Bank and the employee union respectively through elections according to election regulation. The committee oversees collecting, keeping and managing a fund for the betterment of employees' welfare. The Bank has established an employee commissary providing daily necessities.

(8) Library:

A library is located in Taipei headquarters where books and periodicals are kept for employees to read or to borrow, in order to accumulate knowledge and enhance self-enrichment.

2. Retirement Scheme and Implementation Status:

(1) The Bank provides policies on employee retirement and pension plans, which are related to the retirement, pension (including occupational disaster compensation) and lay off of employees. Accordingly, employees who have reached the age of 65 years old should retire; those who have served the Bank for more than 5 years and reached the age of 55 years old or have served the Bank for more than 20 years can apply for retirement, and unmentioned regulation under the plans shall be bound by the Labor Standards Act and related labor laws and regulations.

(2) 112 people (including 28 voluntary and 84 compulsory) in total applied for retirement in 2018.

(3) According to the Bank's "Rules Governing Organization of Supervisory Committee of Labor Retirement Reserve," the Supervisory Committee of Labor Retirement Reserve is composed of representatives both from the labor and employer. A total of 9 members are appointed, including 6 labor representatives and 3 employers. The meeting is held once every 3 months and an extraordinary meeting may be held when necessary. The task of the Supervisory Committee of Labor Retirement Reserve is to deal with the matters relating to the consideration of the labor retirement reserve suspension, the examination of the amount allocated, the examination of the storage and expenditure, the examination of the paid amount and the supervision of other matters relating to the labor retirement reserve.

(4) For employees with the old pension system, the Bank provides monthly retirement allowance to the account of Supervisory Committee of Labor Retirement Reserve in the Bank of Taiwan at the rate of 10% of the total monthly salary; and the Bank provides monthly retirement allowance at the rate of 6% for employees with new pension system.

3. Protection of employees' safety:

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

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

(3) The Bank requires security service companies and suppliers of alarm system and monitoring cameras to maintain relevant equipment based on the need of related units.

(4) The Bank has each division well-guarded by security professionals from outside firms, who receive job-related training periodically to improve their skills under supervision and are assessed quarterly.

(5) All cash transporting and replenishing operations outside of branches are outsourced to security companies.

(6) The Bank supervises each division to strengthen the maintenance and management of firefighting safety and escape equipment with safety check and training.

4. Employer-employee negotiations:

(1) 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. 4 meetings are convened in 2018.

(2) In response to the changes in labor policy and statutory amendments, the Bank restarted the Collective Agreement Consultative Dialogue with union representatives and signed a Collective Agreement again on May 14, 2018.

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. Also, relevant regulations for leave, attendance, assessment, rewards and punishments, bonuses and codes of conduct are stipulated.

(2) The Bank also has the Program to Prevent Employee Ailments Brought on by Exceptional Workload, the Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks, the Program to Protect Maternal Employee's Health, and the Program to Prevent Employee Infringement Happened in Workplace to protect the safety and health of employees.

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

1. On Oct. 2, 2018, Department of Labor, Taipei City Government issued a sanction (no.10760400561) against the Bank due to violating the provisions of paragraph 1, Article 24 of the Labor Standards Act, and not paying worker overtime wages and penalize the penalty of NT\$600,000.
2. Disclosure of estimated contingent losses from current and future disputes, and response measures: None.

G. Important Contracts

Contract Title	Contract Firm	Period	Contents	Restriction Terms
Outsourced data processing	Beltom Technology Corp.	August 1, 2018 to July 31, 2019	Printing, enveloping and mailing of credit card related statements	Terms of Confidentiality
	Yung Hsing Ent. Co., Ltd.	August 28, 2018 to August 27, 2019	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, 2018 to December 15, 2019	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, 2018 to December 9, 2019	Commissioning of an express delivery company to ship notes and documents	
Contract for security transport services	Lee Bao Security Co., Ltd.	January 1, 2018 to December 31, 2018	Outsourcing of cash transporting operations	
Contract for issuing credit card with EasyCard function	EasyCard Corporation	February 1, 2018 to June 30, 2021	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(2018-year server virtualization expansion project)	Dimerco Data System Corporation	May 30, 2018 to Jan 29, 2019	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency.	
Contract for printing of notes and processing of data	Yuen Foong Paper Co., Ltd.	November 21, 2018 to November 11, 2019	Commissioning of a paper company to print, envelop and mail notes	

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

None.

VI | Financial Status

VI

Financial Status

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

a. Brief Balance Sheets:

Unit: NT\$ 1,000

Items	FY	Consolidation Financial Information of Recent Five Years(Note 1)				
		2018	2017	2016	2015	2014
Cash, Cash Equivalents, Due from the Central Bank and Call Loans to Banks		249,015,779	239,850,189	240,024,553	177,879,891	148,863,891
Financial Assets at fair value through profit or loss		10,917,490	13,552,513	34,699,024	43,518,615	37,825,737
Available-For-Sale Financial Assets		-	73,175,886	76,824,866	67,415,202	46,145,608
Financial assets for hedging		244,763	243,372	86,265	192,521	27,629
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		29,933,985	24,670,023	20,280,261	19,729,443	21,809,314
Current tax assets		289,771	135,714	56,689	55,436	581,958
Financial assets at fair value through other comprehensive income		91,938,199	-	-	-	-
Investments in debt instruments at amortized cost		268,059,805	-	-	-	-
Available for Sale Financial Assets, net		0	0	0	0	0
Discounts and loans, net		1,336,701,095	1,377,040,660	1,367,259,890	1,321,934,363	1,259,366,749
Held-To-Maturity Financial Assets		-	237,412,046	204,864,541	205,777,255	183,637,059
Investments Accounted For Using Equity Method		0	0	0	0	0
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		55,045,230	31,247,373	23,097,828	31,748,420	78,722,662
Property and equipment, net		21,071,298	20,639,732	20,801,823	22,253,008	23,822,844
Investment property, net		13,742,376	13,747,787	13,753,981	12,536,509	11,012,440
Intangible Assets, net		731,364	436,176	423,465	500,710	473,336
Deferred tax assets		3,120,664	3,175,050	2,447,734	2,367,489	3,186,032
Other Assets, net		999,851	931,879	530,584	348,357	397,708
Total Assets		2,081,811,670	2,036,258,400	2,005,151,504	1,906,257,219	1,815,872,967
Deposits from the Central Bank and banks		113,038,541	108,151,867	139,162,582	124,025,228	124,155,182
Financing from Central Bank and Banks		0	0	0	3,879,840	950,100
Financial liabilities at fair value through profit or loss		11,047,488	12,309,330	18,093,146	22,732,139	20,858,363
Derivative Financial Liability for Hedging		0	0	0	0	0
Securities sold under repurchase agreements		5,285,890	3,118,536	2,954,981	4,612,047	4,526,694
Payables		36,677,779	34,849,855	33,834,971	23,164,932	29,505,168
Current tax liabilities		241,285	954,609	550,984	146,692	849,381
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,689,581,112	1,672,079,784	1,624,429,817	1,547,739,711	1,452,969,285
Bank notes payable		49,549,055	41,739,657	31,375,226	35,176,580	48,463,938
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		4,387,078	3,662,600	2,718,964	1,075,196	624,416
Reserve for Liabilities		5,296,332	4,758,835	4,524,224	4,371,316	4,034,679
Deferred Income Tax Liabilities		7,352,277	7,019,970	6,672,201	6,644,859	6,738,024
Other Liabilities		2,793,202	2,665,793	3,310,883	3,213,720	2,956,636
Total Liabilities		1,925,250,039	1,891,310,836	1,867,627,979	1,776,782,260	1,696,631,866
	Before Distribution	1,925,250,039	1,891,310,836	1,867,627,979	1,776,782,260	1,696,631,866
	After Distribution (Note 2)	1,931,515,332	1,895,546,686	1,871,393,179	1,779,742,323	1,698,212,674
Equity Attributable to Owners of The Parent Company		156,561,631	144,947,564	137,523,525	129,474,959	119,241,101
Capital		97,895,207	94,130,007	89,647,626	84,573,232	79,040,404
	Before Distribution	97,895,207	94,130,007	89,647,626	84,573,232	79,040,404
	After Distribution (Note 2)	99,853,111	97,895,207	94,130,007	89,647,626	84,573,232
Capital Surplus		0	0	0	0	0
Retained Earnings		55,271,433	51,271,528	47,775,705	43,926,296	39,766,371
	Before Distribution	55,271,433	51,271,528	47,775,705	43,926,296	39,766,371
	After Distribution (Note 2)	47,048,236	43,270,478	39,528,124	35,891,839	32,652,735
Other Equities		3,394,991	(453,971)	100,194	975,431	434,326
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity		156,561,631	144,947,564	137,523,525	129,474,959	119,241,101
	Before Distribution	156,561,631	144,947,564	137,523,525	129,474,959	119,241,101
	After Distribution (Note 2)	150,296,338	140,711,714	133,758,325	126,514,896	117,660,293

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: The earnings distribution for year 2018 hasn't been approved by the 2019 General Shareholders' Meeting.

Unit: NT\$ 1,000

Items	FY	Individual Financial Information of Recent Five Years(Note1)				
		2018	2017	2016	2015	2014
Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		247,107,964	239,850,189	240,024,553	177,879,881	148,863,881
Financial Assets at fair value through profit or loss		10,917,490	13,552,513	34,699,024	43,518,615	37,825,737
Available-For-Sale Financial Assets		-	73,175,886	76,824,866	67,415,202	46,145,608
Financial assets for hedging		244,763	243,372	86,265	192,521	27,629
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		28,984,785	24,670,023	20,280,261	19,898,538	21,865,339
Current tax assets		289,771	135,714	56,689	55,436	581,958
Financial assets at fair value through other comprehensive income		90,390,520	0	0	-	-
Investments in debt instruments at amortized cost		268,059,805	0	0	-	-
Available for Sale Financial Assets, net		0	0	0	0	0
Discounts and loans,net		1,320,077,226	1,377,040,660	1,367,259,890	1,321,934,363	1,259,366,749
Held-To-Maturity Financial Assets		-	237,412,046	204,864,541	205,777,255	183,637,059
Investments Accounted For Using Equity Method		12,536,866	0	0	635,777	528,399
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		51,821,709	31,247,373	23,097,828	31,748,420	78,722,662
Property and equipment,net		20,200,024	20,639,732	20,801,823	22,249,904	23,818,940
Investment property,net		13,742,376	13,747,787	13,753,981	12,536,509	11,012,440
Intangible Assets, net		714,842	436,176	423,465	500,710	473,336
Deferred tax assets		3,001,405	3,175,050	2,447,734	2,367,489	3,186,032
Other Assets,net		990,474	931,879	530,584	343,041	392,392
Total Assets		2,069,080,020	2,036,258,400	2,005,151,504	1,907,053,661	1,816,448,161
Deposits from the Central Bank and banks		110,858,179	108,151,867	139,162,582	124,025,228	124,155,182
Financing from Central Bank and Banks		0	0	0	3,879,840	950,100
Financial liabilities at fair value through profit or loss		11,047,488	12,309,330	18,093,146	22,732,139	20,858,363
Derivative Financial Liability for Hedging		0	0	0	0	0
Securities sold under repurchase agreements		5,285,890	3,118,536	2,954,981	4,612,047	4,526,694
Payables		35,699,603	34,849,855	33,834,971	23,064,707	29,412,505
Current tax liabilities		218,866	954,609	550,984	82,436	806,295
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,680,087,976	1,672,079,784	1,624,429,817	1,548,700,629	1,453,680,321
Bank notes payable		49,549,055	41,739,657	31,375,226	35,176,580	48,463,938
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		4,387,078	3,662,600	2,718,964	1,075,196	624,416
Reserve for Liabilities		5,272,477	4,758,835	4,524,224	4,371,316	4,034,679
Deferred Income Tax Liabilities		7,350,045	7,019,970	6,672,201	6,644,859	6,738,024
Other Liabilities		2,761,732	2,665,793	3,310,883	3,213,725	2,956,543
Total Liabilities	Before Distribution	1,912,518,389	1,891,310,836	1,867,627,979	1,777,578,702	1,697,207,060
	After Distribution (Note 2)	1,918,783,682	1,895,546,686	1,871,393,179	1,780,538,765	1,698,787,868
Equity Attributable to Owners of The Parent Company		156,561,631	144,947,564	137,523,525	129,474,959	119,241,101
Capital	Before Distribution	97,895,207	94,130,007	89,647,626	84,573,232	79,040,404
	After Distribution (Note 2)	99,853,111	97,895,207	94,130,007	89,647,626	84,573,232
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	55,271,433	51,271,528	47,775,705	43,926,296	39,766,371
	After Distribution (Note 2)	47,048,236	43,270,478	39,528,124	35,891,839	32,652,735
Other Equities		3,394,991	(453,971)	100,194	975,431	434,326
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	156,561,631	144,947,564	137,523,525	129,474,959	119,241,101
	After Distribution (Note 2)	150,296,338	140,711,714	133,758,325	126,514,896	117,660,293

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: The earnings distribution for year 2018 hasn't been approved by the 2019 General Shareholders' Meeting.

b. Brief Statements of Comprehensive Income:

Unit: NT\$ 1,000

Items	FY	Consolidation Financial Information of Recent Five Years(Note1)				
		2018	2017	2016	2015	2014
Interest Income		38,422,200	34,602,915	32,589,526	32,991,503	31,862,471
Interest Expense		15,232,556	11,946,045	10,862,757	12,075,574	12,524,515
Net Interest Income		23,189,644	22,656,870	21,726,769	20,915,929	19,337,956

Items	FY	Consolidation Financial Information of Recent Five Years(Note1)				
		2018	2017	2016	2015	2014
Net Income Other Than Interest Income		9,918,545	8,139,849	9,281,712	8,753,930	7,062,838
Net Income		33,108,189	30,796,719	31,008,481	29,669,859	26,400,794
Bad Debts Expense, Commitment and Guarantee Liability Provision		2,203,252	791,185	1,138,044	329,372	(884,084)
Operating Expenses		16,194,853	15,821,315	15,787,396	15,594,286	14,860,793
Income Before Income Tax of Continued Operations		14,710,084	14,184,219	14,083,041	13,746,201	12,424,085
Income Tax (Expense) Benefit		(2,063,549)	(2,091,113)	(1,997,069)	(2,102,864)	(1,526,905)
Net Income of Continued Operations		12,646,535	12,093,106	12,085,972	11,643,337	10,897,180
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		12,646,535	12,093,106	12,085,972	11,643,337	10,897,180
Other Comprehensive Income		109,534	(903,865)	(1,077,343)	171,329	590,026
Total Comprehensive Income		12,756,069	11,189,241	11,008,629	11,814,666	11,487,206
Net Income Attributed to Owners of The Parent Company		12,646,535	12,093,106	12,085,972	11,643,337	10,897,180
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of The Parent Company		12,756,069	11,189,241	11,008,629	11,814,666	11,487,206
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note2)		1.29	1.24	1.23	1.19	1.11
Diluted EPS (NT\$) (Note2)		1.28	1.23	1.23	1.18	1.11

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: EPS is based on the unit of NT\$1 and adjusted retrospectively for the effects of bonus stock.

Unit: NT\$ 1,000

Items	FY	Individual Financial Information of Recent Five Years(Note 1)				
		2018	2017	2016	2015	2014
Interest Income		38,335,813	34,602,915	32,589,526	32,991,503	31,862,471
Interest Expense		15,210,271	11,946,045	10,862,757	12,077,770	12,526,882
Net Interest Income		23,125,542	22,656,870	21,726,769	20,913,733	19,335,589
Net Income Other Than Interest Income		9,870,554	8,139,849	9,281,712	8,503,470	6,835,054
Net Income		32,996,096	30,796,719	31,008,481	29,417,203	26,170,643
Bad Debts Expense, Commitment and Guarantee Liability Provision		2,213,028	791,185	1,138,044	329,372	(884,084)
Operating Expenses		16,076,534	15,821,315	15,787,396	15,448,091	14,715,110
Income Before Income Tax of Continued Operations		14,706,534	14,184,219	14,083,041	13,639,740	12,339,617
Income Tax (Expense) Benefit		(2,059,999)	(2,091,113)	(1,997,069)	(1,996,403)	(1,442,437)
Net Income of Continued Operations		12,646,535	12,093,106	12,085,972	11,643,337	10,897,180
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		12,646,535	12,093,106	12,085,972	11,643,337	10,897,180
Other Comprehensive Income		109,534	(903,865)	(1,077,343)	171,329	590,026
Total Comprehensive Income		12,756,069	11,189,241	11,008,629	11,814,666	11,487,206
Net Income Attributed to Owners of The Parent Company		12,646,535	12,093,106	12,085,972	11,643,337	10,897,180
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of The Parent Company		12,756,069	11,189,241	11,008,629	11,814,666	11,487,206
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note 2)		1.29	1.24	1.23	1.19	1.11
Diluted EPS (NT\$) (Note 2)		1.28	1.23	1.23	1.18	1.11

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: EPS is based on the unit of NT\$1 and adjusted retrospectively for the effects of bonus stock.

c. CPA-Auditor of the Consolidated Financial Report:

Items	FY	2018	2017	2016	2015	2014
CPA Firm		Deloitte & Touche				
CPA-Auditor		Jerry Gung Titan Lee				
Independent Auditors' Opinion		Standard unqualified opinions				

B. Financial Analysis of Recent Five Years

a. Financial Analysis

Unit: NT\$ 1,000

Items (Note 2)	FY	Consolidation Financial Analysis of Recent Five Years(Note1)				
		2018	2017	2016	2015	2014
Operating Ability	Ratio of Loans to Deposits	81.82	83.03	86.77	87.82	86.17
	Ratio of Non-performing Loan	0.32	0.30	0.25	0.21	0.22
	Ratio of Interest Expense to Annual Average Deposits	0.69	0.59	0.59	0.69	0.71
	Ratio of Interest Income to Annual Average Lending	2.09	2.00	1.94	2.03	2.01
	Total Assets Turnover ratio (Times)	0.016	0.015	0.016	0.016	0.015
	Average Revenue Per Employee (NT\$1,000) (Note 3)	5,016	4,672	4,722	4,542	4,058
	Average Profit Per Employee (NT\$1,000)	1,916	1,835	1,840	1,783	1,675
Profitability	Return on Tier I Capital	10.57	11.17	11.79	12.41	12.04
	Return on Assets	0.61	0.60	0.62	0.63	0.62
	Return on Equity Ratio	8.39	8.56	9.05	9.36	9.41
	Ratio of Net Income	38.20	39.27	38.98	39.24	41.28
	Basic Earnings Per Share (NT\$) (Note 4)	1.29	1.24	1.23	1.19	1.11
	Diluted Earnings Per Share (NT\$) (Note 4)	1.28	1.23	1.23	1.18	1.11
Financial Structure	Ratio of Liabilities to Assets	92.48	92.88	93.14	93.21	93.43
	Ratio of Real Estate and Equipment to Shareholders' Equity	13.46	14.24	15.13	17.19	19.98
Growth Rate	Ratio of Asset Growth	2.24	1.55	5.19	4.98	6.81
	Ratio of Profit Growth	3.71	0.72	2.45	10.64	15.60
Cash Flow	Ratio of Cash Flow	-2.53	24.26	26.88	41.53	1.77
	Net Cash Flow Adequacy Ratio	631.61	565.94	618.85	406.99	-180.10
	Cash Flow Satisfaction Ratio	242	-5,126	-10,706	-8,928	-263
Ratio of Liquid Reserve		19.00	16.42	16.14	16.48	16.47
Related Party Secured Loan		41,166,929	41,115,344	14,576,761	14,939,802	10,751,436
Ratio of Related Party Secured Loan of Total Loan		2.89	2.95	1.00	1.06	0.80
Operating Scale	Market Share of Assets	4.23	4.34	4.55	4.45	4.41
	Market Share of Net Worth	4.23	4.18	4.11	4.10	4.13
	Market Share of Deposits	4.24	4.34	4.36	4.40	4.42
	Market Share of Lending	4.48	4.79	5.04	4.97	4.83

Reasons for changes of financial ratios for the last two years:

The growth rate of asset goes up because the growth of investment in 2018 increased compared to 2017. The growth rate of profit goes up because the growth of income before income tax in 2018 increased compared to 2017. The related ratio of cash flow were in excess of 20% in 2018 because net cash out-flows of operating and investing activities in 2018 increased compared to 2017.

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: 1. Operating Ability:

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

2. Profitability:

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

3. Financial Structure:

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

4. Growth Rate:

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

5. Cash Flow:

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

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

7. Operating Scale:

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

Note 3: Revenue refers to the sum of interest and non-interest revenues.

Note 4: 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.

Items	FY	Individual Financial Analysis of Recent Five Years				
		2018	2017	2016	2015	2014
Operating Ability	Ratio of Loans to Deposits	81.78	83.03	86.77	87.82	86.17
	Ratio of Non-performing Loan	0.32	0.30	0.25	0.21	0.22
	Ratio of Interest Expense to Annual Average Deposits	0.69	0.59	0.59	0.69	0.71
	Ratio of Interest Income to Annual Average Lending	2.08	2.00	1.94	2.03	2.01
	Total Assets Turnover ratio (Times)	0.016	0.015	0.016	0.016	0.015
	Average Revenue Per Employee (NT\$1,000)	5,033	4,672	4,722	4,535	4,049
	Average Profit Per Employee (NT\$1,000)	1,929	1,835	1,840	1,795	1,686
Profitability	Return on Tier I Capital	10.81	11.17	11.80	12.35	11.99
	Return on Assets	0.62	0.60	0.62	0.63	0.62
	Return on Equity Ratio	8.39	8.56	9.05	9.36	9.41
	Ratio of Net Income	38.33	39.27	38.98	39.58	41.64
	Basic Earnings Per Share (NT\$)	1.29	1.24	1.23	1.19	1.11
	Diluted Earnings Per Share (NT\$)	1.28	1.23	1.23	1.18	1.11
Financial Structure	Ratio of Liabilities to Assets	92.43	92.88	93.14	93.21	93.44
	Ratio of Real Estate and Equipment to Shareholders' Equity	12.90	14.24	15.13	17.18	19.98
Growth Rate	Ratio of Asset Growth	1.61	1.55	5.14	4.99	6.81
	Ratio of Profit Growth	3.68	0.72	3.25	10.54	15.73
Cash Flow	Ratio of Cash Flow	0.85	24.26	26.88	41.56	1.77
	Net Cash Flow Adequacy Ratio	671.60	566.00	618.93	407.14	-180.27
	Cash Flow Satisfaction Ratio	-9	-5,126	-10,706	-8,931	-263
Ratio of Liquid Reserve		19.00	16.42	16.14	16.48	16.47
Related Party Secured Loan		41,166,929	41,115,344	14,576,761	14,939,802	10,751,436
Ratio of Related Party Secured Loan of Total Loan		2.89	2.95	1.00	1.06	0.80
Operating Scale	Market Share of Assets	4.23	4.34	4.55	4.45	4.41
	Market Share of Net Worth	4.23	4.18	4.11	4.10	4.13
	Market Share of Deposits	4.24	4.34	4.36	4.40	4.42
	Market Share of Lending	4.48	4.79	5.04	4.97	4.83

Reasons for changes of financial ratios for the last two years:

The growth rate of asset goes up because the growth of investment in 2018 increased compared to 2017. The growth rate of profit goes up because the growth of income before income tax in 2018 increased compared to 2017. The related ratio of cash flow were in excess of 20% in 2018 because net cash out-flows of operating and investing activities in 2018 increased compared to 2017.

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: The instruction and calculation formulas in this table are the same as those of previous table.

b. Adequacy of Capital (Note1):

Unit: NT\$ 1,000

Items (Note 2)		FY	Consolidation Capital Adequacy Ratio of Recent Five Years (Note3)					
			2018	2017	2016	2015	2014	
Regulatory Capital	Common Equity Tier 1		136,278,731	128,325,492	121,271,653	112,853,258	102,963,876	
	Additional Tier 1 Capital		11,398,831	1,853,200	2,332,643	2,606,267	3,115,460	
	Tier II Capital		57,012,582	58,525,280	43,971,841	38,454,781	38,124,697	
	Regulatory Capital		204,690,144	188,703,972	167,576,137	153,914,306	144,204,033	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,302,768,815	1,318,331,599	1,330,834,716	1,249,155,462	1,202,332,050	
		Internal Ratings-Based Approach						
		Asset Securitization	133,357	12,922	17,711	22,558	27,727	
	Operational Risk	Basic Indicator Approach						
		Standardized Approach/ Alternative Standardized Approach	57,297,063	53,616,863	50,906,050	46,064,950	41,779,613	
		Advanced Measurement Approach						
	Market Risk	Standardized Approach	19,340,309	19,542,238	13,292,788	11,798,713	14,883,813	
		Internal Models Approach						
	Total Risk-Weighted Assets			1,379,539,544	1,391,503,622	1,395,051,265	1,307,041,683	1,259,023,203
	Capital Adequacy Ratio (%)			14.84	13.56	12.01	11.78	11.45
Tier I Capital to Risk Assets Ratio (%)			10.70	9.36	8.86	8.83	8.43	
Common Equity to Risk Assets Ratio (%)			9.88	9.22	8.69	8.63	8.18	
Leverage Ratio (%)			6.62	5.96	5.76	5.65		

Reasons for changes of capital adequacy ratios for the last two years: None.

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

Note 2: Calculation formulas as follows:

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

Note 3: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Unit: NT\$ 1,000

Items (Note2)		FY	Individual Capital Adequacy Ratio of Recent Five Years(Note 1)					
			2018	2017	2016	2015	2014	
Regulatory Capital	Common Equity Tier 1		133,169,964	128,325,492	121,271,653	112,694,314	102,831,776	
	Additional Tier 1 Capital		8,264,615	1,853,200	2,332,643	2,447,323	2,983,360	
	Tier II Capital		50,502,460	58,525,280	43,971,841	38,136,892	37,860,498	
	Regulatory Capital		191,937,039	188,703,972	167,576,137	153,278,529	143,675,634	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,283,755,061	1,318,331,599	1,330,834,716	1,249,316,137	1,202,378,856	
		Internal Ratings-Based Approach						
		Asset Securitization	133,357	12,922	17,711	22,558	27,727	
	Operational Risk	Basic Indicator Approach						
		Standardized Approach/ Alternative Standardized Approach	57,175,125	53,616,863	50,906,050	46,064,950	41,779,613	
		Advanced Measurement Approach						
	Market Risk	Standardized Approach	18,998,850	19,542,238	13,292,788	11,798,713	14,883,813	
		Internal Models Approach						
	Total Risk-Weighted Assets			1,360,062,393	1,391,503,622	1,395,051,265	1,307,202,358	1,259,070,009
	Capital Adequacy Ratio (%)			14.11	13.56	12.01	11.73	11.41
Tier I Capital to Risk Assets Ratio (%)			10.40	9.36	8.86	8.81	8.40	
Common Equity to Risk Assets Ratio (%)			9.79	9.22	8.69	8.62	8.17	
Leverage Ratio (%)			6.40	5.96	5.76	5.63		

Reasons for changes of capital adequacy ratios for the last two years: None.

Note 1: Each year's financial information is verified by the accountant. As of the date of annual report publication, there is no financial information reviewed by the accountant in 2019.

Note 2: The instruction and calculation formulas in this table are the same as those of previous table.

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

None.

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

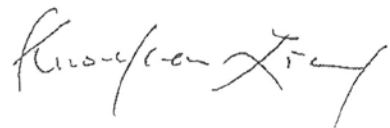
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 26, 2019

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2018 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements (including consolidated basis) have been certified by Jerry Gung, CPA and Titan Lee, CPA of Deloitte & Touche, and upon which a Standard Unqualified Opinion has been issued. These statements referred to above present fairly the financial position as of December 31, 2018 and the operation results and cash flows in 2018 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

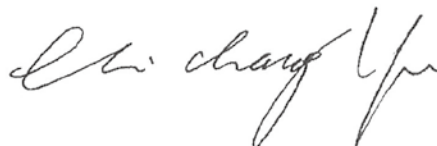
Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 26, 2019

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2018 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

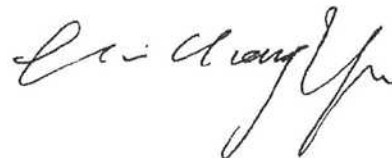
Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the consolidated financial statements of the Group for the year ended December 31, 2018.

Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2018, the Bank's total amount of loans was \$1,320,077,226 thousand, accounting for 63% of the Group's total assets. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information. In addition, evaluating the impairment of loans depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter.

When assessing the appropriateness of the impairment of loans, we understood and tested the internal controls for lending operations and determined the provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a counterparty may have objective evidence of impairment relating to the loans and receivables of the Bank but has not been included in the Bank's individual impairment assessment. We tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor, credit risk level and collateral and evaluated the rationality of the input value used by the Bank. Finally, we checked the Group's compliance with regulations on assessment of impairment.

Other Matter

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2019

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 40)	\$ 51,073,179	2	\$ 74,835,132	4
Due from the Central Bank and call loans to banks (Notes 4, 6 and 40)	197,942,600	10	165,015,057	8
Financial assets at fair value through profit or loss (Notes 4 and 7)	10,917,490	1	13,552,513	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	91,938,199	4	-	-
Financial assets for hedging (Notes 4 and 15)	244,763	-	-	-
Derivative financial assets for hedging (Notes 4 and 15)	-	-	243,372	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 38 and 41)	268,059,805	13	-	-
Receivables, net (Notes 4, 11 and 12)	29,933,985	1	24,670,023	1
Current tax assets (Notes 4 and 34)	289,771	-	135,714	-
Discounts and loans, net (Notes 4, 5, 12, 39 and 40)	1,336,701,095	64	1,377,040,660	68
Available-for-sale financial assets, net (Notes 4, 13 and 41)	-	-	73,175,886	3
Held-to-maturity financial assets, net (Notes 4, 5, 14 and 41)	-	-	237,412,046	12
OTHER FINANCIAL ASSETS, NET				
Financial assets at cost (Notes 4 and 16)	-	-	4,167,009	-
Investments in debt instruments without active market (Notes 4 and 17)	-	-	64,609	-
Other miscellaneous financial assets (Notes 4, 18 and 41)	55,045,230	3	27,015,755	1
Other financial assets, net	55,045,230	3	31,247,373	1
Property and equipment, net (Notes 4 and 20)	21,071,298	1	20,639,732	1
Investment property, net (Notes 4 and 21)	13,742,376	1	13,747,787	1
Intangible assets, net (Notes 4 and 22)	731,364	-	436,176	-
Deferred tax assets (Notes 4 and 34)	3,120,664	-	3,175,050	-
Other assets, net (Notes 23, 36 and 41)	999,851	-	931,879	-
TOTAL	\$ 2,081,811,670	100	\$ 2,036,258,400	100
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks (Notes 4, 24 and 40)	\$ 113,038,541	6	\$ 108,151,867	5
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	11,047,488	1	12,309,330	1
Securities sold under repurchase agreements (Note 4)	5,285,890	-	3,118,536	-
Payables (Notes 4, 25 and 32)	36,677,779	2	34,849,855	2
Current tax liabilities (Notes 4 and 34)	241,285	-	954,609	-
Deposits and remittances (Notes 4, 26 and 40)	1,689,581,112	81	1,672,079,784	82
Bank notes payable (Notes 4, 27 and 38)	49,549,055	2	41,739,657	2
Other financial liabilities (Notes 4 and 28)	4,387,078	-	3,662,600	-
Reserve for liabilities (Notes 4, 5 and 30)	5,296,332	-	4,758,835	-
Deferred income tax liabilities (Notes 4 and 34)	7,352,277	-	7,019,970	1
Other liabilities (Notes 4, 29 and 36)	2,793,202	-	2,665,793	-
Total liabilities	1,925,250,039	92	1,891,310,836	93
EQUITY (Notes 4, 32 and 34)				
Capital stock				
Common stock	97,895,207	5	94,130,007	5
Retained earnings				
Legal reserve	31,038,668	1	27,410,736	1
Special reserve	12,141,416	1	12,080,950	1
Unappropriated earnings	12,091,349	1	11,779,842	-
Other equity	3,394,991	-	(453,971)	-
Total equity	156,561,631	8	144,947,564	7
TOTAL	\$ 2,081,811,670	100	\$ 2,036,258,400	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME (Notes 4, 33 and 40)	\$ 38,422,200	116	\$ 34,602,915	113	11
INTEREST EXPENSE (Notes 33 and 40)	<u>(15,232,556)</u>	<u>(46)</u>	<u>(11,946,045)</u>	<u>(39)</u>	28
NET INCOME OF INTEREST	<u>23,189,644</u>	<u>70</u>	<u>22,656,870</u>	<u>74</u>	2
NET NON-INTEREST INCOME (LOSS)					
Net service fee income (Notes 4 and 33)	4,867,954	15	4,798,618	15	1
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 33)	2,711,956	8	2,342,942	7	16
Realized gain on available-for-sale financial assets (Notes 4 and 33)	-	-	564,466	2	(100)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 33)	781,888	2	-	-	-
Loss arising from derecognition of financial assets at amortized cost	(101,029)	-	-	-	-
Foreign exchange gain (loss) (Notes 4 and 38)	1,181,591	4	(76,604)	-	-
Net other non-interest income (Note 15)	<u>476,185</u>	<u>1</u>	<u>510,427</u>	<u>2</u>	(7)
Net non-interest income	<u>9,918,545</u>	<u>30</u>	<u>8,139,849</u>	<u>26</u>	22
NET REVENUE AND GAINS	<u>33,108,189</u>	<u>100</u>	<u>30,796,719</u>	<u>100</u>	8
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(2,203,252)</u>	<u>(7)</u>	<u>(791,185)</u>	<u>(3)</u>	178 (Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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Financial Status

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Notes 4 and 33)	\$ (10,796,961)	(33)	\$ (10,607,874)	(34)	2
Depreciation and amortization expenses (Notes 4 and 33)	(716,163)	(2)	(718,826)	(2)	-
Other general and administrative expenses	<u>(4,681,729)</u>	<u>(14)</u>	<u>(4,494,615)</u>	<u>(15)</u>	4
Total operating expenses	<u>(16,194,853)</u>	<u>(49)</u>	<u>(15,821,315)</u>	<u>(51)</u>	2
INCOME BEFORE INCOME TAX	14,710,084	44	14,184,219	46	4
INCOME TAX EXPENSE (Notes 4 and 34)	<u>(2,063,549)</u>	<u>(6)</u>	<u>(2,091,113)</u>	<u>(7)</u>	(1)
NET INCOME	<u>12,646,535</u>	<u>38</u>	<u>12,093,106</u>	<u>39</u>	5
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 31)	(317,259)	(1)	(421,325)	(1)	(25)
Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	(237,132)	-	-	-	-
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	900	-	(82)	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 34)	63,452	-	71,625	-	(11)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	\$ 657,497	2	\$ (1,383,702)	(4)	-
Unrealized gains on valuation of available-for-sale financial assets (Note 4)	-	-	701,409	2	(100)
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(46,579)	-	-	-	-
Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(26,306)	-	-	-	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 34)	<u>14,961</u>	<u>-</u>	<u>128,210</u>	<u>-</u>	(88)
Other comprehensive income (loss), net of income tax	<u>109,534</u>	<u>1</u>	<u>(903,865)</u>	<u>(3)</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,756,069</u>	<u>39</u>	<u>\$ 11,189,241</u>	<u>36</u>	14
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 12,646,535</u>	<u>38</u>	<u>\$ 12,093,106</u>	<u>39</u>	5
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 12,756,069</u>	<u>39</u>	<u>\$ 11,189,241</u>	<u>36</u>	14
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
EARNINGS PER SHARE (Note 35)					
Basic	<u>\$ 1.29</u>		<u>\$ 1.24</u>		
Diluted	<u>\$ 1.28</u>		<u>\$ 1.23</u>		

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

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank										Total Equity
	Capital Stock			Retained Earnings			Other Equity				
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for- sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total Equity	
BALANCE, JANUARY 1, 2017	8,964,762	\$ 89,647,626	\$ 23,784,945	\$ 12,020,521	\$ 11,970,239	\$ (8,125)	\$ 108,319	\$ -	\$ -	\$ 137,523,525	
Appropriation of 2016 earnings	-	-	-	-	(3,625,791)	-	-	-	-	-	
Legal reserve appropriated	-	-	3,625,791	-	(3,625,791)	-	-	-	-	-	
Special reserve appropriated	-	-	-	60,429	(60,429)	-	-	-	-	-	
Cash dividends	-	-	-	-	(3,765,202)	-	-	-	-	(3,765,202)	
Stock dividends	448,239	4,482,381	-	-	(4,482,381)	-	-	-	-	-	
Net income for the year ended December 31, 2017	-	-	-	-	12,093,106	-	-	-	-	12,093,106	
Other comprehensive income (loss) for the year ended December 31, 2017, net of tax	-	-	-	-	(349,700)	(1,243,733)	689,650	-	(82)	(903,865)	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	11,743,406	(1,243,733)	689,650	-	(82)	11,189,241	
BALANCE, DECEMBER 31, 2017	9,413,001	94,130,007	27,410,736	12,080,950	11,779,842	(1,251,858)	797,969	-	(82)	144,947,564	
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848	
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412	
Appropriation of 2017 earnings	-	-	-	-	(3,627,932)	-	-	-	-	-	
Legal reserve appropriated	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-	
Special reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-	
Cash dividends	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)	
Stock dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-	
Net income for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535	
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-	
BALANCE, DECEMBER 31, 2018	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ -	\$ 4,008,966	\$ 818	\$ 156,561,631	

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,710,084	\$ 14,184,219
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,203,252	-
Provision for bad debt expenses and guarantee liabilities	-	791,185
Depreciation expense	514,203	539,021
Amortization expense	201,960	179,805
Interest income	(38,422,200)	(34,602,915)
Dividend income	(464,340)	(366,054)
Interest expense	15,232,556	11,946,045
Net gain on financial assets or liabilities at fair value through profit or loss	(3,505,054)	(818,409)
Gain on disposal of investments	(324,537)	(434,481)
Unrealized foreign exchange losses (gains)	793,098	(1,524,533)
Other adjustments	(2,625)	(57,237)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(2,341,880)	5,014,917
Decrease in financial assets at fair value through profit or loss	1,206,800	18,374,678
Increase in receivables	(3,949,093)	(4,320,831)
Decrease (increase) in discounts and loans	38,661,627	(10,101,128)
Increase in financial assets at fair value through other comprehensive income	(15,912,118)	-
Decrease in available-for-sale financial assets	-	6,473,481
Increase in investments in debt instruments at amortized cost	(21,311,578)	-
Increase in held-to-maturity financial assets	-	(32,547,505)
Increase in other financial assets	(28,029,476)	(8,568,278)
Increase in other assets	(35,330)	(399,581)
Decrease in deposits from the Central Bank and banks	(430,887)	(39,852)
Increase in deposits and remittances	17,501,328	47,649,967
Increase in payables	1,211,122	621,026
Decrease in financial liabilities at fair value through profit or loss	(2,133,537)	(928,116)
Decrease in reserve for liabilities	(233,675)	(153,811)
Increase in other financial liabilities	724,478	943,636
Increase (decrease) in other liabilities	234,690	(614,310)
Cash flows (used in) generated from operations	(23,901,132)	11,240,939
Interest received	37,023,809	32,988,589
Dividends received	464,340	366,054
Interest paid	(14,648,505)	(11,553,981)
Income taxes paid	(2,394,598)	(1,867,200)
Income tax refunded	-	31,183
Net cash flows (used in) generated from operating activities	<u>(3,456,086)</u>	<u>31,205,584</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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Financial Status

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (1,079,159)	\$ (430,775)
Acquisition of investment property	(1,281)	(390)
Proceeds from disposal of property and equipment	1,061	4,287
Acquisition of intangible assets	<u>(347,387)</u>	<u>(181,941)</u>
Net cash flows used in investing activities	<u>(1,426,766)</u>	<u>(608,819)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	5,317,561	(30,970,863)
Proceeds from issuing bank notes	10,000,000	10,200,000
Repayments of bank notes	(2,200,000)	-
Cash dividends paid	(4,235,850)	(3,765,202)
Increase in securities sold under repurchase agreement	<u>2,167,354</u>	<u>163,555</u>
Net cash flows generated from (used in) financing activities	<u>11,049,065</u>	<u>(24,372,510)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>657,497</u>	<u>(1,383,702)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,823,710	4,840,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>172,818,258</u>	<u>167,977,705</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 179,641,968</u>	<u>\$ 172,818,258</u>
	December 31	
	2018	2017
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 51,073,179	\$ 74,835,132
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>128,568,789</u>	<u>97,983,126</u>
Cash and cash equivalents at end of period	<u>\$ 179,641,968</u>	<u>\$ 172,818,258</u>

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

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (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 stocks have been listed and traded on the Taiwan Stock Exchange (TWSE).

The Bank mainly engages in the following business:

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on February 26, 2019.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Bank and its subsidiaries (collectively referred to as the “Group”) accounting policies.

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Asset	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 74,835,132	\$ 74,835,132	
Due from the Central Bank and call loans to banks	Loans and receivables	Amortized cost	165,015,057	165,015,057	
Financial assets at fair value through profit or loss	Measured as at fair value through profit or loss (FVTPL)	Measured as at FVTPL	8,226,633	-	
	Designated as at FVTPL	Designated as at FVTPL	5,325,880	179,831	
		Mandatorily at FVTPL	-	8,405,593	
		Amortized cost	-	4,452,000	
Derivative financial assets for hedging	Derivative financial assets for hedging	Financial assets for hedging	243,372	243,372	
Receivables	Loans and receivables	Amortized cost	24,670,023	25,185,100	
Discounts and loans	Loans and receivables	Amortized cost	1,377,040,660	1,377,040,660	
Available-for-sale financial assets	Available-for-sale financial assets	Measured as at FVTPL	73,175,886	-	
		Measured as at fair value through other comprehensive income (FVTOCI)	-	68,264,217	
		Amortized cost	-	4,897,819	
Held-to-maturity financial assets	Held-to-maturity financial assets	Measured as at FVTPL	237,412,046	-	
		Amortized cost	-	237,405,546	
Other financial assets	Financial assets at cost	Measured as at FVTPL	4,167,009	-	
		Measured as at FVTOCI	-	7,678,042	
	Investments in debt instruments without active market	Amortized cost	64,609	-	
		Measured as at FVTOCI	-	69,301	
	Other miscellaneous financial assets	Other miscellaneous financial assets	27,015,755	27,015,755	
Refundable deposits	Loans and receivables	Amortized cost	638,048	638,048	
			<u>\$ 1,997,830,110</u>	<u>\$ 2,001,325,473</u>	

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	\$ 13,552,513	\$ -	\$ -	\$ 13,552,513	\$ -	\$ -	
Less: Reclassification to amortized cost (IFRS 9) (including revoked fair value options)	-	(4,452,000)	-	(4,452,000)	-	-	
Reclassification to interest receivables	-	(515,089)	-	(515,089)	-	-	
	<u>13,552,513</u>	<u>(4,967,089)</u>	<u>-</u>	<u>8,585,424</u>	<u>-</u>	<u>-</u>	
FVTOCI	-	-	-	-	-	-	
Debt instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	64,740,835	(120,190)	64,620,645	(46,063)	(74,127)	
Add: Reclassification from debt investments without active market (IAS 39)	-	64,609	4,692	69,301	-	4,692	
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	3,543,972	99,600	3,643,572	99,600	-	
Add: Reclassification from at cost (IAS 39)	-	4,167,009	3,511,033	7,678,042	-	3,511,033	
	<u>-</u>	<u>72,516,425</u>	<u>3,495,135</u>	<u>76,011,560</u>	<u>53,537</u>	<u>3,441,598</u>	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from available-for-sale	-	4,900,941	(3,122)	4,897,819	(3,122)	-	
Add: Reclassification from FVTPL (IAS 39) (including revoked fair value options)	-	4,452,000	-	4,452,000	-	-	
Add: Reclassification from held-to-maturity (IAS 39)	-	237,412,046	(6,500)	237,405,546	(6,500)	-	
	<u>-</u>	<u>246,764,987</u>	<u>(9,622)</u>	<u>246,755,365</u>	<u>(9,622)</u>	<u>-</u>	
	<u>\$ 13,552,513</u>	<u>\$ 314,314,323</u>	<u>\$ 3,485,513</u>	<u>\$ 331,352,349</u>	<u>\$ 43,915</u>	<u>\$ 3,441,598</u>	

- a) Listed bank notes classified as at FVTPL under IAS 39 are classified as at amortized cost under IFRS 9, because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

- b) Listed stocks, emerging market stocks, and unlisted stocks classified as available-for-sale under IAS 39 were designated as at FVTOCI under IFRS 9 and the fair value gains or losses accumulated in other equity were transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

Investments in unlisted stocks previously measured at cost were remeasured at fair value under IFRS 9.

- c) Debt investments classified as available-for-sale, held-to-maturity financial assets, debt investments without active market and at amortized cost under IAS 39 are classified as at: (1) amortized cost under IFRS 9, because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows; (2) FVTOCI under IFRS 9, because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; (3) FVTPL under IFRS 9, because on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding but the objective of the Group's business model is not to collect contractual cash flows and neither is it achieved both by collecting contractual cash flows and selling financial assets; and (4) FVTPL under IFRS 9, because on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

Hedge accounting

Due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging starting from January 1, 2018.

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

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

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses 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 amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases	\$ 201,486	\$ (176,211)	\$ 25,275
Lease assets	908	(908)	-
Accumulated depreciation - lease assets	(148)	148	-
Right-of-use assets	-	2,020,655	2,020,655
Accumulated depreciation - right of use assets	<u>-</u>	<u>(148)</u>	<u>(148)</u>
Total effect on assets	<u>\$ 202,246</u>	<u>\$ 1,843,536</u>	<u>\$ 2,045,782</u>
Lease liabilities - non-current	\$ -	\$ 1,784,076	\$ 1,784,076
Finance lease payables - non-current	656	(656)	-
Provisions - non-current	<u>-</u>	<u>60,116</u>	<u>60,116</u>
Total effect on liabilities	<u>\$ 656</u>	<u>\$ 1,843,536</u>	<u>\$ 1,844,192</u>

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

Current/Noncurrent Assets and Liabilities

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

Basis of Consolidation

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

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

See Note 19 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the Group's financial statements, transactions in currencies other than the Group's functional currency (i.e. 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.

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

Property and Equipment

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

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

Freehold land is not depreciated.

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

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets

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

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 Group 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

2018

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 38.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

c) Investments in debt instruments designated at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments designated at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments designated at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments designated at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

a) Financial assets at FVTPL

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

A financial asset may be designated as at FVTPL 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 Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial assets at FVTPL 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 38.

Investments in equity instruments under financial assets at FVTPL 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 instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured 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 the carrying amount and the fair value is recognized in profit or loss.

b) Held-to-maturity investments

Corporate bonds and foreign bonds, which have credit ratings above a specific credit rating and which the Group has a 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 FVTPL.

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 such investments are disposed of or are determined to be impaired.

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

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

d) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, debt investments without 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 equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

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

Financial assets at amortized cost, such as loans and trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with 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 defaults on receivables.

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

For a financial asset 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 on which 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 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 such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a 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 trade receivables 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 Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Group 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 the Group are recognized at the proceeds received, net of direct issue costs.

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

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.

A financial liability may be designated as at FVTPL 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 has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and 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 dividends paid on such 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 liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 38.

b) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of:

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2017

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (i.e. financial liabilities) 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 host contracts are not measured at FVTPL.

Bonds or Securities Purchased/Sold under Specific Agreements

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

Hedge Accounting

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

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

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. Starting from 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. 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 on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon 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.

Revenue Recognition

a. Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with 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 Group 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 Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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 rentals are recognized as an expense in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

The Group 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 stockholders approve to retain the earnings.

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

b. Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Financial Assets - 2018

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11 and 30. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

Estimated Impairment of Trade Receivables and Loans - 2017

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

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

a. Cash and cash equivalents

	December 31	
	2018	2017
Cash on hand	\$ 11,307,867	\$ 10,579,908
Checks for clearing	18,042,831	18,097,350
Due from banks	20,056,292	44,672,316
Foreign currencies on hand	<u>1,666,189</u>	<u>1,485,558</u>
	<u>\$ 51,073,179</u>	<u>\$ 74,835,132</u>

b. Due from the Central Bank and call loans to banks

	December 31	
	2018	2017
Call loans to banks	\$ 128,568,789	\$ 97,983,126
Reserve for checking accounts	17,165,934	18,418,622
Reserve for demand accounts	42,402,505	42,558,656
Reserve for foreign deposits	482,288	438,550
Others	<u>9,323,084</u>	<u>5,616,103</u>
	<u>\$ 197,942,600</u>	<u>\$ 165,015,057</u>

Cash and cash equivalents are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Group considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	December 31	
	2018	2017
Financial assets designated at FVTPL		
Interest rate-linked combination instruments	\$ -	\$ 5,325,880
Financial assets held for trading		
Derivative financial assets (not applying hedge accounting)		
Futures	-	182,565
Forward exchange contracts	-	220,037
Interest rate swaps	-	713,446
Cross-currency swaps	-	544,088
Currency swaps	-	1,507,886
Currency call option premiums	-	182,600
Non-derivative financial assets		
Investment in bills	-	3,026,213
Mutual funds	-	-
Government bonds	<u>-</u>	<u>1,849,798</u>
	<u>-</u>	<u>8,226,633</u>

(Continued)

	December 31	
	2018	2017
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 173,149	\$ -
Forward exchange contracts	49,518	-
Interest rate swaps	741,343	-
Cross-currency swaps	32,867	-
Currency swaps	1,314,821	-
Currency call option premiums	24,244	-
Non-derivative financial assets		
Investment in bills	6,626,120	-
Government bonds	1,103,764	-
Corporate bonds	<u>851,664</u>	<u>-</u>
	<u>10,917,490</u>	<u>-</u>
	<u>\$ 10,917,490</u>	<u>\$ 13,552,513</u>
		(Concluded)

The par values of bonds and notes provided for transactions with repurchase agreements were \$923,300 thousand and \$1,176,200 thousand as of December 31, 2018 and 2017, respectively.

Financial Liabilities at FVTPL

	December 31	
	2018	2017
Financial liabilities designated at FVTPL	<u>\$ 9,130,255</u>	<u>\$ 8,759,276</u>
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	65,379	49,782
Interest rate swaps	953,280	685,128
Cross-currency swaps	32,761	305,686
Currency swaps	841,567	2,325,169
Currency put option premiums	<u>24,246</u>	<u>184,289</u>
	<u>1,917,233</u>	<u>3,550,054</u>
	<u>\$ 11,047,488</u>	<u>\$ 12,309,330</u>

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

The Group entered into derivative contracts during the years ended December 31, 2018 and 2017 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2018 and 2017 were as follows:

	<u>December 31</u>	
	2018	2017
Currency swaps	\$ 349,448,614	\$ 317,193,943
Currency options	12,774,097	43,390,297
Forward exchange contracts	17,114,455	18,480,944
Interest rate swaps	358,411,064	389,538,301
Cross-currency swaps	3,688,200	13,063,953

8. FINANCIAL ASSETS AT FVTOCI

	<u>December 31, 2018</u>
Investments in equity instruments at FVTOCI	
Domestic listed stocks	\$ 4,785,216
Domestic unquoted stocks	<u>7,138,045</u>
	<u>11,923,261</u>
Investments in debt instruments at FVTOCI	
Government bonds	17,893,192
Corporate bonds	16,494,550
Bank notes	31,428,851
Bonds issued by international organizations	11,025,870
Beneficiary and asset-based securities	666,787
Investments in bills	<u>2,505,688</u>
	<u>80,014,938</u>
	<u>\$ 91,938,199</u>

A part of investments in equity instruments are for strategic instruments and are not held for trading, so the management designated these investments as at FVTOCI.

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The par value of bonds provided for transactions with repurchase agreement was \$4,380,200 thousand as of December 31, 2018.
- c. Government bonds placed as deposits in courts amounted to \$391,900 thousand, government bonds placed as operating deposits amounted to \$330,000 thousand, government bonds placed as a reserve fund for trust compensation amounted to \$170,000 thousand and the overseas branches' bonds provided as collateral for operations were \$155,720 thousand as of December 31, 2018. Refer to Note 41 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31, 2018
Investments in bills	\$ 251,312,321
Bank notes	7,327,497
Corporate bonds	7,038,802
Government bonds	<u>2,381,185</u>
	<u>\$ 268,059,805</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The overseas branches' bonds provided as collateral for operations as of December 31, 2018 were in the amount of \$307,061 thousand.
- c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand as of December 31, 2018. Certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2018.
- d. Refer to Note 41 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 79,846,043	\$ 268,066,420	\$ 347,912,463
Less: Allowance for impairment loss	<u>(167,408)</u>	<u>(6,615)</u>	<u>(174,023)</u>
Amortized cost	79,678,635	<u>\$ 268,059,805</u>	347,738,440
Adjustment to fair value	<u>336,303</u>		<u>336,303</u>
	<u>\$ 80,014,938</u>		<u>\$ 348,074,743</u>

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount as of December 31, 2018
Stage 1	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%-49.40%	\$ 347,770,477
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit impaired	0.28%-88.49%	-
Stage 3	There is evidence indicating that the asset is credit impaired	Lifetime ECL - credit impaired	40.51%-92.69%	141,986
Write-off	There is evidence indicating that the debtor is experiencing severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	100%	-
				\$ 347,912,463

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as of January 1, 2018 and December 31, 2018 grouped by credit rating is reconciled as follows:

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECL)	Doubtful (Lifetime ECL - Not Credit-impaired)	Defaulted (Lifetime ECL - Credit-impaired)	
Balance at January 1, 2018 per IAS 39	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>38,939</u>	<u>27,285</u>	<u>137,112</u>	<u>203,336</u>
Balance at January 1, 2018 per IFRS 9	38,939	27,285	137,112	203,336
Purchase investments in debt instruments	11,507	-	-	11,507
Derecognition	(16,064)	(27,285)	-	(43,349)
Change in exchange rates or others	<u>(2,345)</u>	<u>-</u>	<u>4,874</u>	<u>2,529</u>
Balance at December 31, 2018	<u>\$ 32,037</u>	<u>\$ -</u>	<u>\$ 141,986</u>	<u>\$ 174,023</u>

11. RECEIVABLES, NET

a. Details of receivables

	December 31	
	2018	2017
Accounts receivable	\$ 16,329,369	\$ 14,277,857
Accrued incomes	5,993	3,471

(Continued)

	December 31	
	2018	2017
Interests receivable	\$ 5,401,681	\$ 3,549,809
Acceptances receivable	5,402,488	4,262,347
Credit cards accounts receivable	1,833,999	1,783,596
Settlement price	392,434	440,397
Accounts receivable for settlement	217,848	285,538
Other receivables	985,194	648,341
Less allowance for bad debts, receivables	<u>(635,021)</u>	<u>(581,333)</u>
	<u>\$ 29,933,985</u>	<u>\$ 24,670,023</u>

(Concluded)

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non- performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 28,086	\$ 2,295	\$ 25,436	\$ 55,817	\$ 525,516	\$ 581,333
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(54)	78	33	57	-	57
Transfers to credit-impaired financial assets	-	-	1,972	1,972	-	1,972
Transfers to 12-months expected credit losses	233	(168)	192	257	-	257
Financial assets derecognized for the period	(26,891)	(736)	2,173	(25,454)	-	(25,454)
Purchase or originated financial assets	30,867	1,206	12,784	44,857	-	44,857
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	54,663	54,663
Doubtful debts written off	-	-	(22,684)	(22,684)	-	(22,684)
Changes in exchange rates or others	<u>17</u>	<u>3</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
Ending balance	<u>\$ 32,258</u>	<u>\$ 2,678</u>	<u>\$ 19,906</u>	<u>\$ 54,842</u>	<u>\$ 580,179</u>	<u>\$ 635,021</u>

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 2018			Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 25,015,385	\$ 156,888	\$ 79,083	\$ 25,251,356
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(28,079)	31,671	19	3,611
Transfers to credit-impaired financial assets	6,325	(16)	18,571	24,880
Transfers to 12-month expected credit losses	(1,226,883)	(15,248)	1,011	(1,241,120)
Purchase or originated financial assets	21,154,549	82,198	20,713	21,257,460
Derecognized	(14,591,658)	(96,752)	(24,876)	(14,713,286)
Doubtful debts written off	-	-	(22,684)	(22,684)
Changes in exchange rates or others	7,847	942	-	8,789
Ending balance	<u>\$ 30,337,486</u>	<u>\$ 159,683</u>	<u>\$ 71,837</u>	<u>\$ 30,569,006</u>

Refer to Note 12 for the movements in the allowance for receivables as of the year ended December 31, 2017.

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	December 31	
	2018	2017
Negotiated and discounted	\$ 4,541,384	\$ 5,010,733
Overdrafts	1,388,976	1,441,350
Short-term loans	361,909,922	363,295,585
Margin loans receivable	230,047	368,478
Medium-term loans	421,455,388	454,955,547
Long-term loans	559,202,595	564,200,949
Overdue loans	<u>4,545,418</u>	<u>4,134,997</u>
	1,353,273,730	1,393,407,639
Less allowance for bad debts, discounts and loans	<u>(16,572,635)</u>	<u>(16,366,979)</u>
	<u>\$ 1,336,701,095</u>	<u>\$ 1,377,040,660</u>

The overdue loans of which the accrual of interest income was stopped internally as of December 31, 2018 and 2017 amounted to \$4,545,418 thousand and \$4,134,997 thousand, respectively. The interest income on overdue loans not accrued for the years ended December 31, 2018 and 2017 was \$121,363 thousand and \$110,404 thousand, respectively.

The Group did not write off any loans without a legal claims process during the years ended December 31, 2018 and 2017.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2018					Total
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets And Deal with Non-performing Loans and Bad Debts	
Loans						
Beginning balance	\$ 1,757,974	\$ 1,239,981	\$ 5,076,651	\$ 8,074,606	\$ 8,292,373	\$ 16,366,979
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(28,373)	31,712	(5,521)	(2,182)	-	(2,182)
Transfers to credit-impaired financial assets	(676)	(89,530)	89,906	(300)	-	(300)
Transfers to 12-month expected credit losses	302,535	(306,226)	(4,302)	(7,993)	-	(7,993)
Financial assets derecognized for the period	(644,929)	(199,297)	(2,754,150)	(3,598,376)	-	(3,598,376)
Purchased or originated financial assets	1,155,363	1,324,491	3,912,776	6,392,630	-	6,392,630
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	(550,851)	(550,851)
Doubtful debts written off	(665,581)	(158,990)	(1,213,175)	(2,037,746)	-	(2,037,746)
Changes in exchange rates or others	7,992	2,182	300	10,474	-	10,474
Ending balance	<u>\$ 1,884,305</u>	<u>\$ 1,844,323</u>	<u>\$ 5,102,485</u>	<u>\$ 8,831,113</u>	<u>\$ 7,741,522</u>	<u>\$ 16,572,635</u>

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2018			Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 1,334,668,075	\$ 45,871,466	\$ 12,868,098	\$ 1,393,407,639
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(16,768,851)	16,561,897	(44,477)	(251,431)
Transfers to credit-impaired financial assets	(1,536,123)	(1,681,737)	3,216,165	(1,695)
Transfers to 12-month expected credit losses	4,134,661	(7,005,441)	(41,959)	(2,912,739)
Purchase or originated financial assets	594,201,380	24,757,939	7,286,332	626,245,651
Doubtful debts written off	(665,581)	(158,990)	(1,213,175)	(2,037,746)
Derecognized	(630,986,258)	(24,855,031)	(8,500,525)	(664,341,814)
Changes in exchange rates or others	2,912,738	251,432	1,695	3,165,865
Ending balance	<u>\$ 1,285,960,041</u>	<u>\$ 53,741,535</u>	<u>\$ 13,572,154</u>	<u>\$ 1,353,273,730</u>

For the Year Ended December 31, 2017

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

- c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2018 and 2017

	For the Year Ended December 31	
	2018	2017
Provision for receivable and loan (including overdue loan) losses	\$ 2,232,079	\$ 823,469
Provision (reversal) for loan commitment	(104,474)	-
Provision (reversal) for guarantee liability	73,742	(32,284)
Others	1,905	-
	<u>\$ 2,203,252</u>	<u>\$ 791,185</u>

- d. Details of receivables and the impaired for loan accounts as of December 31, 2017

Receivables

Item		Total Receivables December 31, 2017
Objective evidence of impairment	Individual assessment of impairment	\$ 830,674
	Combined assessment of impairment	62,617
No objective evidence of impairment	Combined assessment of impairment	24,358,065
Total		\$ 25,251,356

Item		Total Allowance December 31, 2017
Objective evidence of impairment	Individual assessment of impairment	\$ 369,671
	Combined assessment of impairment	33,122
No objective evidence of impairment	Combined assessment of impairment	178,540
Total		\$ 581,333

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

Discounts and loans

Item		Total Loans
		December 31, 2017
Objective evidence of impairment	Individual assessment of impairment	\$ 9,579,673
	Combined assessment of impairment	3,487,746
No objective evidence of impairment	Combined assessment of impairment	1,380,340,220
Total		\$ 1,393,407,639

Item		Total Allowance
		December 31, 2017
Objective evidence of impairment	Individual assessment of impairment	\$ 4,077,983
	Combined assessment of impairment	743,558
No objective evidence of impairment	Combined assessment of impairment	11,545,438
Total		\$ 16,366,979

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic quoted stocks	\$ 3,643,572
Government bonds	16,108,800
Corporate bonds	18,564,075
Bank notes	32,409,743
Bonds issued by international organizations	879,046
Investments in bills	<u>1,570,650</u>
	<u>\$ 73,175,886</u>

The par values of bonds provided for transactions with repurchase agreements was \$1,784,800 thousand as of December 31, 2017.

Government bonds placed as deposits in courts was \$281,100 thousand as of December 31, 2017. Government bonds placed as operating deposits was \$330,000 thousand, government bonds placed as reserve fund for trust compensation was \$170,000, government bonds pledged for call loans from banks was \$5,000,000 thousand as of December 31, 2017.

Refer to Note 41 for information relating to available-for-sale financial assets pledged as security.

14. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Investments in bills	\$ 227,528,720
Bank notes	1,972,932
Corporate bonds	<u>7,910,394</u>
	<u>\$ 237,412,046</u>

The overseas branches' bonds provided as collateral for operations as of December 31, 2017 amounted to \$449,428 thousand.

Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand as of December 31, 2017. Certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$300,000 thousand as of December 31, 2017.

Refer to Note 41 for information relating to held-to-mature financial assets pledged as security.

15. FINANCIAL ASSETS FOR HEDGING

	December 31	
	2018	2017
Financial assets for hedging		
Fair value hedges - interest rate swaps	\$ 244,763	\$ -
Derivative financial assets for hedging		
Fair value hedges - interest rate swaps	<u>-</u>	<u>243,372</u>
	<u>\$ 244,763</u>	<u>\$ 243,372</u>

The Group used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Group's outstanding interest rate swaps as of December 31, 2018 and 2017 was \$8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the years ended December 31, 2018 and 2017, 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 \$249,055 thousand and \$239,657 thousand as of December 31, 2018 and 2017, 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 transactions is as follows:

- a. Hedging type: Fair value hedging.
- b. Hedging objective: To minimize the Group's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- c. Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate range: 0.6617%-0.6650%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).

- d. Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs. The realized gain or loss from hedging tools was \$116,664 thousand and \$221,516 thousand for the years ended December 31, 2018 and 2017, respectively, and the realized gain or loss from fair-value hedging was a loss of \$(9,398) thousand and a loss of \$(164,431) thousand, accounted for as net other non-interest income or loss, for the years ended December 31, 2018 and 2017, respectively.

16. FINANCIAL ASSETS AT COST - 2017

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

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

17. INVESTMENTS IN DEBT INSTRUMENTS WITHOUT ACTIVE MARKET - 2017

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

18. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2018	2017
Time deposits with original maturities of more than 3 months	\$ 54,923,845	\$ 26,806,884
Exchange bills negotiated	10,360	3,210
Overdue receivable	380,211	465,961
Call loans to security brokers	153,675	148,400
Less: Allowance for bad debts	<u>(422,861)</u>	<u>(408,700)</u>
	<u>\$ 55,045,230</u>	<u>\$ 27,015,755</u>

The market rates of time deposits with original maturity more than 3 months were 2.65%-4.85% and 1.85%-5.40% for the years ended December 31, 2018 and 2017, respectively. The time deposits were classified as investments in debt instruments without active market under IAS 39. Refer to Note 3 for information relating to their reclassification and comparative information for 2017.

Refer to Note 12 for the movement of the allowance for bad debts of other financial assets.

Refer to Note 41 for information relating to other miscellaneous financial assets pledged as security.

19. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership	
			December 31 2018	2017
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	-

On December 11, 2018, the Bank changed its operation units in China by establishing its subsidiary Chang Hua Commercial Bank, Ltd. Refer to Note 45.

20. 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, 2018	\$ 14,657,121	\$ 9,107,453	\$ 4,668,094	\$ 723,601	\$ 1,448,399	\$ 967,993	\$ 1,007	\$ 120,129	\$ 31,693,797
Additions	20,339	45,130	133,161	33,043	39,579	5,263	486	802,158	1,079,159
Disposals	-	-	(331,330)	(31,574)	(30,377)	(5,050)	-	-	(398,331)
Reclassification	-	(239,035)	67,538	(5,565)	(16,182)	(46,427)	(585)	(307,364)	(547,620)
Effect of foreign currency exchange differences and others	-	269,642	56,252	6,566	17,450	50,529	-	14,576	415,015
Balance at December 31, 2018	<u>\$ 14,677,460</u>	<u>\$ 9,183,190</u>	<u>\$ 4,593,715</u>	<u>\$ 726,071</u>	<u>\$ 1,458,869</u>	<u>\$ 972,308</u>	<u>\$ 908</u>	<u>\$ 629,499</u>	<u>\$ 32,242,020</u>
Accumulated depreciation and impairment									
Balance at January 1, 2018	\$ -	\$ 4,269,791	\$ 4,069,589	\$ 604,449	\$ 1,291,768	\$ 818,119	\$ 349	\$ -	\$ 11,054,065
Depreciation expense	-	180,066	196,919	43,656	44,694	42,051	124	-	507,510
Disposals	-	-	(331,022)	(31,568)	(30,374)	(5,050)	-	-	(398,014)
Reclassification	-	(37,182)	(32,175)	(3,349)	(12,686)	(26,223)	(325)	-	(111,940)
Effect of foreign currency exchange differences and others	-	38,700	33,854	3,970	13,887	28,690	-	-	119,101
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 4,451,375</u>	<u>\$ 3,937,165</u>	<u>\$ 617,158</u>	<u>\$ 1,307,289</u>	<u>\$ 857,587</u>	<u>\$ 148</u>	<u>\$ -</u>	<u>\$ 11,170,722</u>
Carrying amounts at December 31, 2018	<u>\$ 14,677,460</u>	<u>\$ 4,731,815</u>	<u>\$ 656,550</u>	<u>\$ 108,913</u>	<u>\$ 151,580</u>	<u>\$ 114,721</u>	<u>\$ 760</u>	<u>\$ 629,499</u>	<u>\$ 21,071,298</u>
Cost									
Balance at January 1, 2017	\$ 14,657,121	\$ 9,108,129	\$ 4,652,958	\$ 708,565	\$ 1,430,509	\$ 945,920	\$ 4,253	\$ 53,494	\$ 31,560,949
Additions	-	59,058	144,484	25,107	48,689	63,351	422	89,664	430,775
Disposals	-	(44,876)	(132,906)	(12,909)	(28,117)	(33,801)	-	-	(252,609)
Reclassification	-	1,297	8,087	3,667	196	155	(3,668)	(20,940)	(11,206)
Effect of foreign currency exchange differences	-	(16,155)	(4,529)	(829)	(2,878)	(7,632)	-	(2,089)	(34,112)
Balance at December 31, 2017	<u>\$ 14,657,121</u>	<u>\$ 9,107,453</u>	<u>\$ 4,668,094</u>	<u>\$ 723,601</u>	<u>\$ 1,448,399</u>	<u>\$ 967,993</u>	<u>\$ 1,007</u>	<u>\$ 120,129</u>	<u>\$ 31,693,797</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	\$ -	\$ 4,113,645	\$ 3,986,898	\$ 570,966	\$ 1,273,907	\$ 811,544	\$ 2,166	\$ -	\$ 10,759,126
Depreciation expense	-	179,282	216,242	44,651	47,604	44,436	222	-	532,437
Disposals	-	(22,365)	(131,159)	(12,756)	(27,627)	(33,357)	-	-	(227,264)
Reclassification	-	-	-	2,037	-	-	(2,039)	-	(2)
Effect of foreign currency exchange differences	-	(771)	(2,392)	(449)	(2,116)	(4,504)	-	-	(10,232)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 4,269,791</u>	<u>\$ 4,069,589</u>	<u>\$ 604,449</u>	<u>\$ 1,291,768</u>	<u>\$ 818,119</u>	<u>\$ 349</u>	<u>\$ -</u>	<u>\$ 11,054,065</u>
Carrying amounts at December 31, 2017	<u>\$ 14,657,121</u>	<u>\$ 4,837,662</u>	<u>\$ 598,505</u>	<u>\$ 119,152</u>	<u>\$ 156,631</u>	<u>\$ 149,874</u>	<u>\$ 658</u>	<u>\$ 120,129</u>	<u>\$ 20,639,732</u>

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

21. INVESTMENT PROPERTY

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2018	\$ 14,096,478
Additions	<u>1,281</u>
Balance at December 31, 2018	<u>\$ 14,097,759</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ 348,691
Depreciation expense	<u>6,692</u>
Balance at December 31, 2018	<u>\$ 355,383</u>
Carrying amounts at December 31, 2018	<u>\$ 13,742,376</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 14,096,088
Additions	<u>390</u>
Balance at December 31, 2017	<u>\$ 14,096,478</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ 342,107
Depreciation expense	<u>6,584</u>
Balance at December 31, 2017	<u>\$ 348,691</u>
Carrying amounts at December 31, 2017	<u>\$ 13,747,787</u>

The investment property 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 investment properties are measured and stated at cost in the balance sheet. For management purpose, the Group's internal appraisers periodically measure the fair value of investment properties in accordance with the Group's internal rules and procedures. The Groups conducts regular evaluations. The fair values were \$26,506,226 thousand and \$26,269,911 thousand as of December 31, 2018 and 2017, respectively.

The rental incomes and direct operating expenses generated by the investment property for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Rental incomes	<u>\$ 186,129</u>	<u>\$ 185,103</u>
Direct operating expenses	<u>\$ 103,365</u>	<u>\$ 110,422</u>

22. INTANGIBLE ASSETS**Computer
Software**Cost

Balance at January 1, 2018	\$ 436,176
Additions	347,387
Amortization	(201,851)
Effect of foreign currency exchange differences and others	<u>149,652</u>
Balance at December 31, 2018	<u>\$ 731,364</u>
Balance at January 1, 2017	\$ 423,465
Additions	181,941
Amortization	(179,725)
Reclassification	11,206
Effect of foreign currency exchange differences	<u>(711)</u>
Balance at December 31, 2017	<u>\$ 436,176</u>

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

23. OTHER ASSETS

	December 31	
	2018	2017
Refundable deposits	\$ 666,426	\$ 638,049
Assumed collateral and residuals	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)
Prepayments	332,556	293,649
Others	<u>869</u>	<u>181</u>
	<u>\$ 999,851</u>	<u>\$ 931,879</u>

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Deposits from the Central Bank	\$ 25,835	\$ 22,509
Deposits from banks	28,639,448	27,976,541
Overdrafts on banks	1,167,669	841,014
Call loans from banks	82,508,426	77,517,520
Deposits transferred from Chunghwa Post Co., Ltd.	<u>697,163</u>	<u>1,794,283</u>
	<u>\$ 113,038,541</u>	<u>\$ 108,151,867</u>

25. PAYABLES

	December 31	
	2018	2017
Checks issued to payees for clearing	\$ 18,402,780	\$ 18,412,071
Accounts payable	1,776,020	1,789,193
Accrued expenses	2,568,648	2,461,012
Accrued interests	2,711,071	2,094,269
Acceptances	6,105,324	4,339,412
Others	<u>5,113,936</u>	<u>5,753,898</u>
	<u>\$ 36,677,779</u>	<u>\$ 34,849,855</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Checking account deposits	\$ 44,742,967	\$ 42,033,779
Demand deposits	391,831,065	412,119,333
Time deposits	395,634,572	373,331,138
Negotiable certificates of deposit	5,670,685	6,747,936
Savings account deposits	849,749,138	835,498,391
Remittances	<u>1,952,685</u>	<u>2,349,207</u>
	<u>\$ 1,689,581,112</u>	<u>\$ 1,672,079,784</u>

27. BANK NOTES PAYABLE

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

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

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

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

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

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

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

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

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

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

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

The Bank issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018.

The Bank issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018.

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

Bank Note, Interest Rate and Maturity Date	December 31	
	2018	2017
<u>Hedged financial liabilities at fair value</u>		
103-1 Note A, 7-year terms, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000
Valuation adjustment	<u>249,055</u>	<u>239,657</u>
	<u>8,449,055</u>	<u>8,439,657</u>
<u>Non-hedged bank notes payable</u>		
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000
100-1 Note A, 7-year terms, interest payable annually, interest rate 1.65%, maturity date: March 11, 2018	-	2,200,000
100-1 Note B, 10-year terms, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2, 10-year terms, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year terms, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000
106-1 Note A, 7-year terms, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000
106-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	-
107-2, no maturity date, interest payable annually, interest rate 2.30%	<u>3,000,000</u>	<u>-</u>
	<u>41,100,000</u>	<u>33,300,000</u>
	<u>\$ 49,549,055</u>	<u>\$ 41,739,657</u>

The Group engaged in derivative transactions as hedging tools for the 103-1 Note A, 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The interest rate swaps nominal principal was accounted as hedging derivative financial assets. (Refer to Note 15).

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Principal received on structured notes	\$ 3,715,307	\$ 3,040,687
Appropriations for loans	671,115	621,529
Lease payable	<u>656</u>	<u>384</u>
	<u>\$ 4,387,078</u>	<u>\$ 3,662,600</u>

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

29. OTHER LIABILITIES

	December 31	
	2018	2017
Advance receipts	\$ 662,897	\$ 753,160
Guarantee deposits	2,115,346	1,894,206
Deferred revenue	<u>14,959</u>	<u>18,427</u>
	<u>\$ 2,793,202</u>	<u>\$ 2,665,793</u>

30. RESERVE FOR LIABILITIES

	December 31	
	2018	2017
Reserve for employee benefits (Note 31)	\$ 4,337,337	\$ 4,254,235
Reserve for guarantee liabilities	557,933	504,600
Reserve for loan commitments	369,150	-
Others	<u>31,912</u>	<u>-</u>
	<u>\$ 5,296,332</u>	<u>\$ 4,758,835</u>

The effects of the balance of reserve for loan commitments and guarantee liabilities at December 31, 2017 in application of IFRS 9 were as follows:

	IAS 39	Remeasure- ments	IFRS 9
Reserve for guarantee liabilities	<u>\$ 504,600</u>	<u>\$ -</u>	<u>\$ 504,600</u>
Reserve for loan commitments	<u>\$ -</u>	<u>\$ 472,742</u>	<u>\$ 472,742</u>

Movements in reserve for guarantee liabilities and reserve for loans commitments.

For the Year Ended December 31, 2018						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 490,854	\$ 126,871	\$ 427,500	\$1,045,225	\$ (67,883)	\$ 977,342
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,338)	4,283	-	(55)	-	(55)
Transfers to credit-impaired financial assets	(73)	(6)	181	102	-	102
Transfers to 12-month expected credit losses	101,781	(102,402)	-	(621)	-	(621)
Financial assets derecognize for the period	(456,216)	(23,559)	(390,609)	(870,384)	-	(870,384)
Purchase or originated financial assets	325,550	20,946	4,212	350,708	-	350,708
Recognized impairment difference based on the						
Laws	-	-	-	-	501,331	501,331
Others	619	55	(102)	572	-	572
Ending balance	<u>\$ 458,177</u>	<u>\$ 26,188</u>	<u>\$ 41,182</u>	<u>\$ 525,547</u>	<u>\$ 433,448</u>	<u>\$ 958,995</u>
					Reserve for Guarantee Liabilities	
Balance, January 1, 2017					\$ 538,370	
Reversal of provisions					(32,284)	
Bad debts written off					(619)	
Exchange differences					<u>(867)</u>	
Balance, December 31, 2017					<u>\$ 504,600</u>	

31. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 9,864,472	\$ 9,553,277
Fair value of plan assets	<u>(6,915,260)</u>	<u>(6,698,414)</u>
Deficit	2,949,212	2,854,863
Others	<u>12,132</u>	<u>14,075</u>
Net defined benefit liability	<u>\$ 2,961,344</u>	<u>\$ 2,868,938</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, 2018	\$ <u>9,553,277</u>	\$ <u>6,698,414</u>	\$ <u>2,854,863</u>
Service cost			
Current service cost	248,690	-	248,690
Net interest cost	<u>123,261</u>	<u>88,215</u>	<u>35,046</u>
Recognized in profit or loss	<u>371,951</u>	<u>88,215</u>	<u>283,736</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	184,002	(184,002)
Actuarial loss - changes in financial assumptions	330,529	-	330,529
Actuarial loss - experience adjustments	<u>170,732</u>	<u>-</u>	<u>170,732</u>
Recognized in other comprehensive income	<u>501,261</u>	<u>184,002</u>	<u>317,259</u>
Contributions from the employer	-	506,646	(506,646)
Benefits paid	<u>(562,017)</u>	<u>(562,017)</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 9,864,472</u>	<u>\$ 6,915,260</u>	<u>\$ 2,949,212</u>
Balance at January 1, 2017	\$ <u>9,375,700</u>	\$ <u>6,748,672</u>	\$ <u>2,627,028</u>
Service cost			
Current service cost	253,991	-	253,991
Net interest cost	<u>139,505</u>	<u>102,529</u>	<u>36,976</u>
Recognized in profit or loss	<u>393,496</u>	<u>102,529</u>	<u>290,967</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(36,790)	36,790
Actuarial loss - changes in financial assumptions	194,662	-	194,662
Actuarial loss - experience adjustments	<u>189,873</u>	<u>-</u>	<u>189,873</u>
Recognized in other comprehensive income	<u>384,535</u>	<u>(36,790)</u>	<u>421,325</u>
Contributions from the employer	-	484,457	(484,457)
Benefits paid	<u>(600,454)</u>	<u>(600,454)</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 9,553,277</u>	<u>\$ 6,698,414</u>	<u>\$ 2,854,863</u>

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

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

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

	December 31	
	2018	2017
Discount rate(s)	1.00%	1.30%
Expected rate(s) of salary increase	2.04%	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	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (244,869)</u>	<u>\$ (242,396)</u>
0.25% decrease	<u>\$ 254,327</u>	<u>\$ 251,978</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 251,059</u>	<u>\$ 249,592</u>
0.25% decrease	<u>\$ (243,003)</u>	<u>\$ (241,345)</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	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 308,280</u>	<u>\$ 318,000</u>
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Group has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 33 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	
	2018	2017
Present value of defined benefit obligation	\$ 1,375,993	\$ 1,385,297
Less: Fair value of defined benefit plan assets	<u>-</u>	<u>-</u>
Assets and liabilities at the end of the reporting period	<u>\$ 1,375,993</u>	<u>\$ 1,385,297</u>

- 2) Analysis of defined benefit obligation

	December 31	
	2018	2017
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,375,993</u>	<u>1,385,297</u>
	<u>\$ 1,375,993</u>	<u>\$ 1,385,297</u>

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

	For the Year Ended December 31	
	2018	2017
Balance, January 1	\$ 1,385,297	\$ 1,345,615
Interest cost	52,560	51,068
Actuarial gains and losses	215,306	262,100
Benefits paid	<u>(277,170)</u>	<u>(273,486)</u>
Balance, December 31	<u>\$ 1,375,993</u>	<u>\$ 1,385,297</u>

- 4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2018	2017
Balance, January 1	\$ -	\$ -
Contribution by employers	277,170	273,486
Benefits paid	<u>(277,170)</u>	<u>(273,486)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2018	2017
Interest cost	\$ 52,560	\$ 51,068
Actuarial gains and losses	<u>215,306</u>	<u>262,100</u>
	<u>\$ 267,866</u>	<u>\$ 313,168</u>

6) Main actuarial assumptions

	For the Year Ended December 31	
	2018	2017
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	1.09%-1.14%	1.30%-1.36%

32. EQUITY

a. Capital

Common stock

	December 31	
	2018	2017
Number of stocks authorized (in thousands)	<u>11,000,000</u>	<u>11,000,000</u>
Stocks authorized	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>9,789,521</u>	<u>9,413,001</u>
Stocks issued	<u>\$ 97,895,207</u>	<u>\$ 94,130,007</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, 2017, the Bank's authorized and registered capital was \$90,000,000 thousand divided into 9,000,000 thousand shares at \$10 par value; the total paid-in capital was \$89,647,626 thousand. In August 2017, the Bank increased its registered capital by \$20,000,000 thousand. In September 2018 and August 2017, the Bank resolved capitalization of earnings and increased its paid-in capital by \$3,765,200 thousand and \$4,482,381 thousand. The amount of the Bank's authorized and registered capital at December 31, 2018 and 2017 were \$110,000,000 thousand divided into 11,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were \$97,895,207 thousand and \$94,130,007 thousand divided into 9,789,521 thousand and 9,413,001 thousand outstanding shares, at \$10 par value.

b. Distribution of earnings and dividend policy

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 stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to Note 33, h, "employee benefits expenses".

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

The appropriations of earnings for 2017 and 2016 were approved in the stockholders' meetings on June 8, 2018 and June 16, 2017, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 3,627,932	\$ 3,625,791	\$ -	\$ -
Special reserve	60,466	60,429	-	-
Dividends of common stock - cash	4,235,850	3,765,202	0.45	0.42
Dividends of common stock - stock	3,765,200	4,482,381	0.40	0.50

The appropriations of earnings, the bonus of employees, and the remuneration of directors and supervisors for 2018 are subject to the resolution of the stockholders' meeting to be held in June 2019.

c. Special reserve

	December 31	
	2018	2017
Special reserves appropriated following first-time adoption of IFRSs	\$ 11,778,829	\$ 11,778,829
Others	<u>362,587</u>	<u>302,121</u>
	<u>\$ 12,141,416</u>	<u>\$ 12,080,950</u>

33. NET INCOME

a. Net income of interest

	For the Year Ended December 31	
	2018	2017
Interest income		
Loans	\$ 29,313,149	\$ 27,779,438
Due from and call loans to banks	5,077,150	3,655,264
Investments in marketable securities	3,723,677	3,001,990
Others	<u>308,224</u>	<u>166,223</u>
	<u>38,422,200</u>	<u>34,602,915</u>
Interest expense		
Deposits	(11,684,110)	(9,617,848)
Due to central bank and call loans from banks	(2,570,629)	(1,585,683)
Others	<u>(977,817)</u>	<u>(742,514)</u>
	<u>(15,232,556)</u>	<u>(11,946,045)</u>
Net income of interest	<u>\$ 23,189,644</u>	<u>\$ 22,656,870</u>

b. Net service fee income

	For the Year Ended December 31	
	2018	2017
Service fee income		
Fees from import and export	\$ 333,377	\$ 338,965
Remittance fees	483,992	487,286
Loan fees	605,083	618,752
Fees from trust	844,518	827,425
Fees from trust business	304,732	260,514
Fees from insurance agency	2,132,840	2,164,726
Others (1), (2)	<u>1,172,872</u>	<u>1,048,575</u>
	<u>5,877,414</u>	<u>5,746,243</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
Service charge		
Interbank charges	\$ (152,717)	\$ (144,862)
Charges from trust	(27,811)	(34,256)
Custodian charges	(104,111)	(91,775)
Charges from insurance agency	(168,505)	(185,151)
Others	<u>(556,316)</u>	<u>(491,581)</u>
	<u>(1,009,460)</u>	<u>(947,625)</u>
Net service fee income	<u>\$ 4,867,954</u>	<u>\$ 4,798,618</u> (Concluded)

- 1) The service fee income from electronic payment business was \$3,409 thousand and \$2,292 thousand for the years ended December 31, 2018 and 2017, respectively.
 - 2) In accordance with “Regulation Governing the Organization and Administration Sinking Fund Established by Electronic Payment Institutions”, the yield income from electronic payment business was both \$1 thousand for the years ended December 31, 2018 and 2017.
- c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Year Ended December 31	
	2018	2017
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stocks and beneficiary certificates	\$ (88,595)	\$ 32,845
Bonds	(20,679)	13,504
Bills	34	5
Derivative financial instruments	3,042,871	2,325,997
Net interest loss	(322,638)	(229,366)
Stock dividends and bonus	<u>6,989</u>	<u>4,379</u>
	<u>2,617,982</u>	<u>2,147,364</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stocks and beneficiary certificates	-	(18,672)
Bonds	311,073	(13,934)
Bills	229	887
Derivative financial instruments	<u>(217,328)</u>	<u>227,297</u>
	<u>93,974</u>	<u>195,578</u>
	<u>\$ 2,711,956</u>	<u>\$ 2,342,942</u>

d. Realized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Stock dividends and bonus	\$ 457,351
Disposal gains	
Bonds	342,348
Disposal losses	
Beneficiary securities	(2)
Bonds	<u>(17,809)</u>
	<u>\$ 781,888</u>

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

	For the Year Ended December 31, 2017
Stock dividends and bonus	<u>\$ 129,984</u>
Disposal gains	
Stock	119,157
Bonds	<u>331,360</u>
	<u>580,501</u>
Disposal losses	
Stock	(4,519)
Bonds	<u>(11,516)</u>
	<u>(16,035)</u>
	<u>\$ 564,466</u>

f. Depreciation and amortization expense

	For the Year Ended December 31	
	2018	2017
Property and equipment	\$ 507,511	\$ 532,437
Investment property	6,692	6,584
Intangible assets and other deferred assets	<u>201,960</u>	<u>179,805</u>
	<u>\$ 716,163</u>	<u>\$ 718,826</u>

g. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 9,806,068	\$ 9,524,952
Post-employment benefits		
Defined contribution plans	181,849	169,344
Defined benefit plans	283,736	290,967
High-yield savings account for employees	267,865	313,168
Other post-employment benefits	246,116	238,675
Termination benefits	<u>11,327</u>	<u>70,768</u>
	<u>\$ 10,796,961</u>	<u>\$ 10,607,874</u>

Salary adjustment on 2018:

- 1) The operation performance of the Bank and staff performance were excellent in 2017. To motivate staff morale, the Bank made annual salary adjustment in 2018 and implemented overall evaluation on April 1, 2018.
- 2) The salary adjustment plan contained “fixed adjustment” and “performance adjustment”, just as the adjustments in recent years. The Bank made salary adjustment by different performance to motivate outstanding compassionate rank-and-file employees.

a) Fixed adjustment

The monthly salary adjustment was raised from \$1 thousand to \$1.2 thousand for employees who belong to job levels 5 to 7 and less than 5 years seniority and who earned 4 to 6 points in 2017 performance appraisal. The monthly salary adjustment was \$1 thousand for other employees.

b) Performance adjustment

Employees who earned 6 points in 2017 performance appraisal got a raise of 4% of monthly salary; employees who earned 5 points got a raise of 3% of monthly salary; employees who earned 4 points got a raise of 2% of monthly salary; employees who earned 3 points got a raise of 1% of monthly salary.

- 3) The annual salary adjustment in 2018 was implemented on April 1, 2018. The average salary increase of all employees was 3.31%. The average salary increase and the highest salary increase of employees belonging to job levels 5 to 7 were 5.25% and 7%, respectively. The salary adjustment shows the determination of the Bank to take care of its employees and implement corporate social responsibility.

Appraisal	Year	2018	
		Job Levels 5 to 7 and Less Than 5 Years Seniority	Other Job Levels
6 points		1,200+4%	1,000+4%
5 points		1,200+3%	1,000+3%
4 points		1,200+2%	1,000+2%
3 points		1,000+1%	
Average salary increase		5.25%	3.38%
Average salary increase of the Bank		3.31%	

h. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 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 2018 will resolve by the board of directors on March 15, 2019 and the employee's compensation and remuneration of directors for 2017 having been resolved by the board of directors on March 20, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018 (Expected)	2017 (Actual)
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Year Ended December 31	
	2018 (Expected)	2017 (Actual)
Employees' compensation	<u>\$ 777,500</u>	<u>\$ 749,711</u>
Remuneration of directors	<u>\$ 62,500</u>	<u>\$ 59,977</u>

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017.

Information on the employees' compensation and remuneration of directors resolved by the Group's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

34. INCOME TAX

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

	For the Year Ended December 31	
	2018	2017
Current income tax		
In respect of the current period	\$ 1,521,821	\$ 2,270,826
Income tax on unappropriated earnings	5,396	-
Deferred income tax		
In respect of the current period	1,019,393	(179,713)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(483,061)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 2,063,549</u>	<u>\$ 2,091,113</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	\$ 14,710,084	\$ 14,184,219
Income tax expense calculated at the statutory rate	\$ 2,942,017	\$ 2,411,317
Nondeductible expenses in determining taxable income	102,612	835
Income tax on unappropriated earning	5,396	-
Overseas' branch's additional income of deferred tax effect	186,078	122,990
Tax-exempt income	(940,216)	(903,142)
Non-deductible tax of overseas branches	241,614	385,320
Effect of tax rate changes	(483,061)	-
Adjustments for prior years' tax	6,613	(19,224)
Others	<u>2,496</u>	<u>93,017</u>
Income tax expense recognized in profit or loss	<u>\$ 2,063,549</u>	<u>\$ 2,091,113</u>

In 2017, the applicable corporate income tax rate used by the Group in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
In respect of the current year:		
Exchange differences on translation	\$ 20,432	\$ (139,968)
Unrealized gains (losses) on valuation of available-for-sale financial assets	-	11,758
Unrealized gains of financial assets at FVTOCI	(35,393)	-
Actuarial losses on defined benefit plan	<u>(63,452)</u>	<u>(71,625)</u>
Total income tax benefit recognized in other comprehensive income	<u>\$ (78,413)</u>	<u>\$ (199,835)</u>

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2018	2017
Current tax assets		
Tax refund receivable	\$ 137,886	\$ -
Others	<u>151,885</u>	<u>135,714</u>
	<u>\$ 289,771</u>	<u>\$ 135,714</u>
Current tax liabilities		
Income tax payable	<u>\$ 218,866</u>	<u>\$ 954,609</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, 2018

	Beginning Balance	Adjustments on IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Doubtful debts	\$ 1,944,366	\$ -	\$ (433,690)	\$ -	\$ 1,510,676
Others	<u>1,230,684</u>	<u>71,226</u>	<u>227,736</u>	<u>80,342</u>	<u>1,609,988</u>
	<u>\$ 3,175,050</u>	<u>\$ 71,226</u>	<u>\$ (205,954)</u>	<u>\$ 80,342</u>	<u>\$ 3,120,664</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 6,156,692	\$ -	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>863,278</u>	<u>-</u>	<u>330,378</u>	<u>1,929</u>	<u>1,195,585</u>
	<u>\$ 7,019,970</u>	<u>\$ -</u>	<u>\$ 330,378</u>	<u>\$ 1,929</u>	<u>\$ 7,352,277</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Doubtful debts	\$ 1,581,916	\$ 362,450	\$ -	\$ 1,944,366
Others	<u>865,818</u>	<u>304,999</u>	<u>59,867</u>	<u>1,230,684</u>
	<u>\$ 2,447,734</u>	<u>\$ 667,449</u>	<u>\$ 59,867</u>	<u>\$ 3,175,050</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>515,509</u>	<u>487,737</u>	<u>(139,968)</u>	<u>863,278</u>
	<u>\$ 6,672,201</u>	<u>\$ 487,737</u>	<u>\$ (139,968)</u>	<u>\$ 7,019,970</u>

e. Income tax assessments

The Bank's income tax returns through 2016 had been examined and cleared by the tax authority.

35. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on September 10, 2018. The basic and diluted after-tax earnings per share of 2017 were adjusted retrospectively as follows:

	Unit: NT\$ Per Share	
	For the Year Ended December 31, 2017	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 1.28</u>	<u>\$ 1.24</u>
Diluted earnings per share	<u>\$ 1.28</u>	<u>\$ 1.23</u>

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

	For the Year Ended December 31	
	2018	2017
Net profit for the year	<u>\$ 12,646,535</u>	<u>\$ 12,093,106</u>

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of common stocks in computation of basic earnings per share	9,789,521	9,789,521
Effect of potentially dilutive common stocks:		
Employees' compensation issued	<u>52,535</u>	<u>52,039</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>9,842,056</u>	<u>9,841,560</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or stocks, the Group 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.

36. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

As of December 31, 2018 and 2017, refundable deposits paid under operation leases amounted to \$47,992 thousand and \$43,272 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 621,178	\$ 594,797
Later than 1 year and not later than 5 years	1,118,117	1,275,879
Later than 5 years	<u>255,874</u>	<u>362,369</u>
	<u>\$ 1,995,169</u>	<u>\$ 2,233,045</u>

b. The Group as lessor

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

As of December 31, 2018 and 2017, refundable deposits received under operation leases amounted to \$55,213 thousand and \$55,014 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 239,809	\$ 229,761
Later than 1 year and not later than 5 years	498,706	504,391
Later than 5 years	<u>82,454</u>	<u>78,584</u>
	<u>\$ 820,969</u>	<u>\$ 812,736</u>

37. CAPITAL RISK MANAGEMENT

a. Summary

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

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

b. Capital management procedures

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

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

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

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

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

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

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

c. Capital adequacy

Item		Period	December 31, 2018	December 31, 2017
Self-owned capital	Common equity Tier I		\$ 136,278,731	\$ 128,325,492
	Other Tier I capital		11,398,831	1,853,200
	Tier II capital		57,012,582	58,525,280
	Self-owned capital		204,690,144	188,703,972
Risk-weighted assets	Credit risk	Standardized approach	1,302,768,815	1,318,331,599
		IRB	-	-
		Securitization	133,357	12,922
	Operation risk	Basic indicator approach	-	-
		Standardized approach/ optional standard	57,297,063	53,616,863
		Advanced internal rating based approach	-	-
	Market price risk	Standardized approach	19,340,309	19,542,238
		Internal model approach	-	-
	Total		1,379,539,544	1,391,503,622
	Capital adequacy ratio			14.84%
Common equity Tier I to risk-weighted assets ratio			9.88%	9.22%
Tier I capital to risk-weighted assets ratio			10.70%	9.36%
Leverage ratio			6.62%	5.96%

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

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

Note 3: Formula:

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

38. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

December 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 268,059,805	\$ 7,170,574	\$ 260,872,765	\$ -	\$ 268,043,339
<u>Financial liabilities</u>					
Bank notes payable	49,549,055	-	8,449,055	42,173,161	50,622,216

December 31, 2017

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Investments in debt instruments without active market	\$ 64,609	\$ -	\$ 69,302	\$ -	\$ 69,302
Held-to-maturity investments	237,412,046	3,496,314	233,983,010	-	237,479,324
<u>Financial liabilities</u>					
Bank notes payable	41,739,657	-	8,439,657	34,358,719	42,798,376

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, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
<u>Assets</u>				
Financial assets at FVTPL	\$ 8,581,548	\$ 300,526	\$ 8,281,022	\$ -
Financial assets mandatorily measured at FVTPL	8,581,548	300,526	8,281,022	-
Bond investments	1,955,428	300,526	1,654,902	-
Others	6,626,120	-	6,626,120	-
Financial assets at FVTOCI	91,938,199	67,016,293	17,783,861	7,138,045
Stock investments	11,923,261	4,785,216	-	7,138,045
Bond investments	77,509,250	59,725,389	17,783,861	-
Others	2,505,688	2,505,688	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	9,130,255	-	9,130,255	-
<u>Derivative financial products</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,335,942	173,149	2,162,793	-
Other financial assets				
Financial assets for hedging	244,763	-	244,763	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	1,917,233	-	1,917,233	-

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

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

For the year ended December 31, 2018

Financial Assets	<u>Financial Assets at FVTOCI</u> Equity Instrument
Beginning balance	\$ -
Adjustments on IFRS 9	7,678,043
Realized losses on other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	<u>(539,998)</u>
Ending balance	<u>\$ 7,138,045</u>

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

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

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

b) Level 2

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

c) Level 3

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

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

a) Determination of fair value

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

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

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

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

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

- b) The types and nature of the valuation methods for financial instruments used by the Group are as follows:
- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
 - ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
 - iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
 - iv. Securitization instruments: Prices are those quoted from Bloomberg.
 - v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
 - vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
 - vii. Listed stocks, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
 - viii. Unlisted stocks: The fair value is referenced from related financial information or estimated using the market price and parameters of listed companies which have similar service attributes.
 - ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
 - x. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.

xi. Mixing Tools: The price from the active market, deal brokers and evaluation models is used.

c) Adjustments for credit risks and the definitions are as follows:

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

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

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

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

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

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group 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 Group 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 Group’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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group 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 Group 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 Group'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 Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stocks, index futures and options.

ii. Equity security price risk management purpose

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stocks. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to Item i.

iii. Equity security price risk management procedures

The Group 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 Group 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 Group 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 Group uses historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group’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 Group. 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 Group’s risk management department.

- ii. As of December 31, 2018 and 2017, the Bank's VaR factors based on historical simulation method were as follows:

For the Year Ended December 31, 2018				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 99,012	\$ 134,964	\$ 52,314	\$ 52,314
Interest rate VaR	6,266	12,614	2,661	3,427
Equity securities VaR	<u>4,353</u>	<u>10,043</u>	<u>-</u>	<u>-</u>
Value at risk	<u>\$ 109,631</u>	<u>\$ 157,621</u>	<u>\$ 54,975</u>	<u>\$ 55,741</u>
For the Year Ended December 31, 2017				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 136,930	\$ 217,300	\$ 79,370	\$ 101,894
Interest rate VaR	17,257	42,894	5,090	7,302
Equity securities VaR	<u>2,176</u>	<u>4,219</u>	<u>-</u>	<u>-</u>
Value at risk	<u>\$ 156,363</u>	<u>\$ 264,413</u>	<u>\$ 84,460</u>	<u>\$ 109,196</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2018 and 2017 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,898,028	30.7350	\$ 273,480,891
GBP	27,843	38.9000	1,083,093
AUD	1,095,013	21.6550	23,712,507
HKD	1,199,145	3.9230	4,704,246
SGD	21,017	22.4400	471,621
CAD	67,346	22.5800	1,520,673
ZAR	72,053	2.1200	152,752
JPY	49,710,296	0.2774	13,789,636
EUR	390,042	35.1800	13,721,678
RMB	13,892,214	4.4690	62,084,304
Non-monetary items			
USD	2,806	30.7350	86,242

(Continued)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 10,260,713	30.7350	\$ 315,363,014
GBP	46,133	38.9000	1,794,574
AUD	1,089,360	21.6550	23,590,091
HKD	993,636	3.9230	3,898,034
CAD	80,216	22.5800	1,811,277
ZAR	1,759,369	2.1200	3,729,862
JPY	52,062,479	0.2774	14,442,132
EUR	452,284	35.1800	15,911,351
NZD	62,078	20.6300	1,280,669
RMB	12,686,266	4.4690	56,694,923
Non-monetary items			
USD	306,665	30.7350	9,425,349 (Concluded)

(In thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,722,935	29.6800	\$ 229,216,711
GBP	77,177	39.9300	3,081,678
AUD	1,078,448	23.1350	24,949,894
HKD	1,676,715	3.7960	6,364,810
SGD	62,182	22.2000	1,380,440
CAD	98,652	23.6300	2,331,147
ZAR	2,541,371	2.3900	6,073,877
JPY	54,065,112	0.2633	14,235,344
EUR	397,523	35.4500	14,092,190
RMB	19,089,541	4.5490	86,838,322
Non-monetary items			
USD	182,180	29.6800	5,407,102
<u>Financial liabilities</u>			
Monetary items			
USD	10,074,286	29.6800	299,004,808
GBP	69,356	39.9300	2,769,385
AUD	977,697	23.1350	22,619,020
HKD	1,384,142	3.7960	5,254,203
CAD	97,024	23.6300	2,292,677
ZAR	2,671,901	2.3900	6,385,843
JPY	59,662,672	0.2633	15,709,182
EUR	419,560	35.4500	14,873,402
RMB	15,662,646	4.5490	71,249,377
Non-monetary items			
USD	303,153	29.6800	8,997,581

For the years ended December 31, 2018 and 2017, net foreign exchange gains (losses) were \$1,181,591 thousand and \$(76,604) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group and entities under its control.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

- i. To meet the needs of risk management, the Group continues to enhance corporate and personal finance credit application management system and various risk management techniques and efficiency.
- ii. The Group is building a complete after-loan monitoring mechanism to efficiently identify, build automated early-warning mechanism 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.
- iii. The Group continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Group's capital requirement and expected loss to become more risk sensitive.
- iv. The Group 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 Group's risk management.
- v. The Group 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 Group's risk management culture

The Group's credit risk management procedures and measuring methods for major business are described as follows:

- i. Credit business (including loan commitments and guarantees)

2018

- i) A determined signification increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Group considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

The Group classifies each type of credit asset into three categories according to credit quality, internal credit rating and external credit rating (refer to the following table). A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

Credit Quality	Internal Credit Rating	External Credit Rating (Moody's)
Normal	1	Aaa
	2	Aa1
	3	Aa2
	4	Aa3
	5	A1
	6	A2
	7	A3
	8	Baa1
	9	Baa2
	10	Baa3
	11	Ba1
	12	Ba2
	13	Ba3
	14	B1
	15	B2
	16	B3
Non-performing	17	Caa1
	18	Caa2
	19	Caa3
	20	D
	21	D

- Qualitative indicators

A credit account is rated as ordinary-delinquent in accordance with the Group's "Detailed Rules for the Processing of Ordinary-delinquent Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.

- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with “The Statute for Consumer Debt Clearance” (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.
- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Group which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the respective debtor’s industry and organization size:

Business	Combination	Credit Risk Characteristics
Corporate banking loans	Government	No significant increase in credit risk, significant increase in credit risk, credit impairment.
	Large enterprise	
	Small enterprise	
	Legal person/group	
	Overseas credit account	
	Other groups	
Individual banking loans	Individual-residential loan group	
	Individual - other groups (unsecured)	
	Individual - other groups (secured)	

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECL based on past loss experience. The ECL is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECL. The ECL is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECL. The ECL is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.
- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. The forward-looking adjusted PD for each the above categories is estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and is adjusted based on the reasonableness of each rate's predicted trend.

Macroeconomic indicators are provided by the Group's Research Design Division of the Product Development Department after the indicators have been announced by the relevant data source institution. The International Operations Department reviews the adequacy of the exposure amount of the Singapore branch and the Southeast Asia economic growth rate that it uses, which shall be updated at least once a year. The Department of Budget is the institution from which the domestic economic growth rate and domestic unemployment rate are sourced. The International Monetary Fund is the institution from which the global economic growth rate and the Southeast Asia economic growth rate are sourced.

The total amount of undiscounted ECL at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	December 31, 2018
Loans	<u>\$ 6,392,630</u>
	<u>2017</u>

Levels are as follows:

i) Classification of credit assets

The Group's credit assets are grouped into five categories. Except for normal credit assets, the remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time overdue, and grouped into "special-mentioned", "substandard", and "losses".

In order to manage problematic credit loans, the Group 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 Group 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 Group has developed a credit rating model for clients. After taking into account client-related information, the Group developed a corporate credit rating model and classified as 21 levels. The Group reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result.

The Group 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 Group annually conducts validity test and back-testing of the models using data on customers' actual defaults.

The Group classifies the credit qualities of corporate loans as strong, medium, weak and non-rating.

The Group developed a scoring model for housing loans, credit loans and credit card applications by statistical method and by the judgment 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 Group reviews semi-annually the stability of the scoring model to maintain the effectiveness semi-annually.

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Group 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 Group conducts derivative transactions are mostly considered investment grade. The Group 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 Group classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group 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 Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Group 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 Group has set credit limits by industry, conglomerate, transactions collateralized by stocks, and other categories and integrated within one system to supervise concentration of credit risk in these categories.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's balance sheet:

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
Discounts and loans	\$ 1,353,273,730	\$ 912,119,282	\$ -	\$ -	\$ 912,119,982
Financial assets at FVTPL	10,917,490	4,148,425	-	-	4,148,425
Investments in debt instruments at FVTOCI	80,014,938	4,184,101	-	-	4,184,101
Investments in debt instruments at amortized cost	268,059,805	1,099,404	-	-	1,099,404

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans			
	December 31, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 829,132,008	\$ 794,433	\$ 36,123	\$ 829,962,564
Levels 16-18	-	50,738,114	3,166,966	53,905,080
Levels 19-21	-	-	8,286,739	8,286,739
No rating	<u>456,828,033</u>	<u>2,208,988</u>	<u>2,082,326</u>	<u>461,119,347</u>
Total carrying amount	<u>\$ 1,285,960,041</u>	<u>\$ 53,741,535</u>	<u>\$ 13,572,154</u>	<u>\$ 1,353,273,730</u>
Expected credit losses	\$ 1,884,305	\$ 1,844,323	\$ 5,102,485	\$ 8,831,113
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>7,741,522</u>
				<u>\$ 16,572,635</u>
	Guarantee Payments			
	December 31, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 46,464,389	\$ 643,055	\$ 132,832	\$ 47,240,276
Expected credit losses	114,722	4,510	29,977	149,209

Loan Commitments				
December 31, 2018				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 64,459,258	\$ 4,316,558	\$ 515	\$ 68,776,331
Carry amount - cancellable	<u>616,419,050</u>	<u>8,671,211</u>	<u>1,649,431</u>	<u>626,739,692</u>
	<u>\$ 680,878,308</u>	<u>\$ 12,987,769</u>	<u>\$ 1,649,946</u>	<u>\$ 695,516,023</u>
Expected credit losses - non-cancellable	\$ 78,405	\$ 21,022	\$ 168	\$ 99,595
Expected credit losses - cancellable	<u>254,219</u>	<u>41</u>	<u>1,383</u>	<u>255,643</u>
	<u>\$ 332,624</u>	<u>\$ 21,063</u>	<u>\$ 1,551</u>	<u>\$ 355,238</u>

December 31, 2017

Maximum Exposure to Credit Risk Mitigated by				
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 907,832,465	\$ -	\$ -	\$ 907,832,465
Financial assets at FVTPL	1,628,170	-	-	1,628,170
Available-for-sale financial assets	3,343,666	-	-	3,343,666
Held-to-maturity financial assets	1,049,985	-	-	1,049,985

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of December 31, 2018 and 2017, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2018	2017
Unused loan commitments (excluding credit card)	\$ 68,776,330	\$ 82,204,969
Credit card commitments	316,154	333,092
Unused issued letters of credit	23,341,732	24,509,270
Guarantees in guarantee business	47,240,277	40,993,464

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

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

Industry Type	December 31, 2018	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 61,513,658	5
Manufacturing	357,106,346	26
Wholesale and retail	119,732,031	9
Real estate and leasing	103,658,818	8
Service	42,521,269	3
Individuals	450,420,900	33
Others	218,320,708	16
	<u>\$ 1,353,273,730</u>	

Industry Type	December 31, 2017	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 63,727,242	5
Manufacturing	346,068,730	24
Wholesale and retail	121,573,560	9
Real estate and leasing	106,791,248	8
Service	42,254,353	3
Individuals	460,827,924	33
Others	252,164,582	18
	<u>\$ 1,393,407,639</u>	

Geographic Location	December 31, 2018	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,247,574,057	93
America	84,018,748	6
Europe	17,022,782	1
Others	4,658,143	-
	<u>\$ 1,353,273,730</u>	

Geographic Location	December 31, 2017	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,331,401,566	96
America	45,125,881	3
Europe	15,557,266	1
Others	1,322,926	-
	<u>\$ 1,393,407,639</u>	

Securities Type	December 31, 2018	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 441,782,174	33
Secured		
Properties	774,068,784	57
Others	<u>137,422,772</u>	10
	<u>\$ 1,353,273,730</u>	
Securities Type	December 31, 2017	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 485,575,174	35
Secured		
Properties	756,683,671	54
Others	<u>151,148,794</u>	11
	<u>\$ 1,393,407,639</u>	

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

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Besides the above, the credit quality analyses of other financial assets were as follows:

i. Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017										Total (A)+(B)+(C)	Provision for Impairment Evidence of Impairment	Nonobjective Evidence of Impairment	Net (A)+(B)+(C)- (D)		
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)		Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Evidence of Impairment					Nonobjective Evidence of Impairment	Net (A)+(B)+(C)- (D)
	High	Medium	Weak	Non-ratings	Subtotal (A)	Weak	Non-ratings									
In-balance-sheet items																
Receivables	\$ 7,277,403	\$ 7,133,960	\$ 262,378	\$ 9,677,649	\$ 24,351,390	\$ 6,675	\$ 893,291	\$ 25,251,356	\$ 402,793	\$ 178,540	\$ 24,670,023					
Credit cards	-	-	-	1,767,829	1,767,829	-	27,073	1,794,902	13,470	5,132	1,776,300					
Other	7,277,403	7,133,960	262,378	7,909,820	22,583,561	6,675	866,218	23,456,454	389,323	173,408	22,893,723					
Discounts and loans	312,155,722	775,041,018	178,227,169	112,492,548	1,377,916,457	2,423,763	13,067,419	1,393,407,639	4,821,541	11,545,438	1,377,040,660					

ii. Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017						Total
	Neither Past Due Nor Impaired						
	High	Medium	Weak	Non-ratings	Subtotal (A)	Total	
Consumer finance	\$ 79,446,798	\$ 178,875,718	\$ 135,582,083	\$ 63,257,678	\$ 457,162,277	\$ 457,162,277	
Corporation finance	232,708,924	596,165,300	42,645,086	49,234,870	920,754,180	920,754,180	
Total	\$ 312,155,722	\$ 775,041,018	\$ 178,227,169	\$ 112,492,548	\$ 1,377,916,457	\$ 1,377,916,457	

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017										Total (A)+(B)+(C)	Provision for Impairment Evidence of Impairment	Nonobjective Evidence of Impairment	Net (A)+(B)+(C)- (D)		
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)		Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Evidence of Impairment					Nonobjective Evidence of Impairment	Net (A)+(B)+(C)- (D)
	High	Medium	Weak	Non-ratings	Subtotal (A)	Weak	Non-ratings									
Available-for-sale financial assets	\$ 73,009,452	\$ -	\$ -	\$ 136,434	\$ 73,145,886	\$ -	\$ 150,000	\$ 73,295,886	\$ 120,000	\$ -	\$ 73,175,886					
Bonds	67,825,230	-	-	136,434	67,961,664	-	-	67,961,664	-	-	67,961,664					
Stocks	3,613,572	-	-	-	3,613,572	-	150,000	3,763,572	120,000	-	3,643,572					
Bills	1,570,650	-	-	-	1,570,650	-	-	1,570,650	-	-	1,570,650					
Held-to-maturity financial assets	237,412,046	-	-	-	237,412,046	-	-	237,412,046	-	-	237,412,046					
Bonds	9,883,326	-	-	-	9,883,326	-	-	9,883,326	-	-	9,883,326					
Bills	227,528,720	-	-	-	227,528,720	-	-	227,528,720	-	-	227,528,720					
Other financial assets	64,609	-	-	-	64,609	-	137,111	201,720	137,111	-	64,609					
Securities	64,609	-	-	-	64,609	-	(Note)	201,720	137,111	-	64,609					

Note: Cost on the reclassification date.

g) Aging analysis of financial assets that are past due but not impaired

The aging analyses of financial assets that were past due but not impaired of the Group were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017		
	Past Due Up to One Month	Past Due Over One Month	Total
Discounts and loans			
Consumer finance	\$ 1,500,703	\$ 504,613	\$ 2,005,316
Corporation finance	355,843	62,604	418,447

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of December 31, 2018 and 2017, the ratio of the liquidity reserve was 19.00% and 16.42%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 29,443,416	\$ -	\$ -	\$ -	\$ -	\$ 29,443,416
Due from the Central Bank and call loans to banks	39,646,647	4,129,049	4,423,093	6,255,338	28,968,211	83,422,338
Financial assets at FVTPL	7,729,884	-	-	-	-	7,729,884
Receivables	16,275,268	872,180	445,913	248,936	191,491	18,033,788
Discounts and loans	94,031,335	107,115,359	116,662,681	162,850,400	644,681,385	1,125,341,160
Investments in equity instruments designated at FVTOCI	-	-	-	-	11,923,261	11,923,261
Investments in debt instruments at FVTOCI	800,273	1,401,115	502,125	2,213,254	18,516,789	23,433,556
Investments in debt instruments at amortized cost	141,525,000	11,239,961	6,474,259	41,699,432	14,245,505	215,184,157
Other maturity funds inflow items	-	-	-	-	26,733,348	26,733,348
	<u>329,451,823</u>	<u>124,757,664</u>	<u>128,508,071</u>	<u>213,267,360</u>	<u>745,259,990</u>	<u>1,541,244,908</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	189,672	191,747	19,089	424,959	-	825,467
Due to the Central Bank and banks	5,705,000	10,000	-	-	-	5,715,000
Securities sold under repurchase agreements	714,914	1,650,586	-	-	-	2,365,500
Payables	29,361,163	2,156,063	442,880	1,424,538	807,250	34,191,894
Deposits and remittances	110,834,474	124,202,476	133,370,347	188,618,379	721,545,066	1,278,570,742
Bank notes payable	-	-	-	-	49,300,000	49,300,000
Other maturity fund outflow items	40,584	75,316	48,354	269,826	5,793,570	6,227,650
	<u>146,845,807</u>	<u>128,286,188</u>	<u>133,880,670</u>	<u>190,737,702</u>	<u>777,445,886</u>	<u>1,377,196,253</u>
Gap	\$ 182,606,016	\$ (3,528,524)	\$ (5,372,599)	\$ 22,529,658	\$ (32,185,896)	\$ 164,048,655

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 28,912,151	\$ -	\$ -	\$ -	\$ -	\$ 28,912,151
Due from the Central Bank and call loans to banks	22,398,964	4,242,332	4,522,731	6,415,219	26,437,948	64,017,194
Financial assets at FVTPL	4,433,958	-	-	-	-	4,433,958
Receivables	19,766,884	730,071	306,194	193,935	108,942	21,106,026
Discounts and loans	81,827,276	97,522,019	100,427,241	221,143,186	649,841,523	1,150,761,245
Available-for-sale financial assets	-	-	200,529	-	25,641,718	25,842,247
Held-to-maturity financial assets	135,400,000	11,299,925	1,900,000	26,056,625	22,960,156	197,616,706
Financial assets at cost	-	-	-	-	4,167,009	4,167,009
Other maturity fund inflow items	-	-	-	-	14,284,047	14,284,047
	<u>292,739,233</u>	<u>113,794,347</u>	<u>107,356,695</u>	<u>253,808,965</u>	<u>743,441,343</u>	<u>1,511,140,583</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	342,687	387,501	193,728	1,021,788	-	1,945,704
Due to the Central Bank and banks	5,000	10,000	-	-	-	15,000
Securities sold under repurchase agreements	1,055,027	1,998,018	65,491	-	-	3,118,536
Payables	29,525,996	1,982,198	369,816	1,302,936	1,232,378	34,413,324
Deposits and remittances	118,393,919	126,047,639	134,696,322	191,058,518	697,288,694	1,267,485,092
Bank notes payable	-	2,200,000	-	-	39,300,000	41,500,000
Other maturity fund outflow items	53,280	49,487	64,243	300,450	5,503,024	5,970,484
	<u>149,375,909</u>	<u>132,674,843</u>	<u>135,389,600</u>	<u>193,683,692</u>	<u>743,324,096</u>	<u>1,354,448,140</u>
Gap	\$ 143,363,324	\$ (18,880,496)	\$ (28,032,905)	\$ 60,125,273	\$ 117,247	\$ 156,692,443

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

(In Thousands of United States Dollars)

Item	December 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 806,846	\$ 230,024	\$ -	\$ -	\$ -	\$ 1,036,870
Due from the Central Bank and call loans to banks	2,212,411	821,005	66,451	146,453	3,256	3,249,576
Financial assets at FVTPL	27,710	-	-	-	-	27,710
Receivables	540,228	189,153	234,864	13,399	16,178	993,822
Discounts and loans	532,202	713,629	589,275	290,123	3,459,503	5,584,732
Investments in debt instruments at FVTOCI	7,231	11,006	5,000	72,133	1,063,024	1,158,394
Investments in debt instruments at amortized cost	7,996	-	4,083	2,991	279,875	294,945
Other maturity fund inflow items	5,000	-	28,000	525,000	6,904	564,904
	<u>4,139,624</u>	<u>1,964,817</u>	<u>927,673</u>	<u>1,050,099</u>	<u>4,828,740</u>	<u>12,910,953</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	809,709	74,535	10,802	1,605	85	896,736
Due to the Central Bank and banks	1,394,916	469,000	-	-	-	1,863,916
Financial liabilities at FVTPL	-	-	-	297,064	-	297,064
Securities sold under repurchase agreements	95,018	-	-	-	-	95,018
Payables	622,700	34,674	4,841	4,924	-	667,139
Deposits and remittances	2,576,125	2,334,002	1,212,298	1,256,576	2,766,131	10,145,132
Other maturity fund outflow items	60,389	1,001	552	10,946	87,633	160,521
	<u>5,558,857</u>	<u>2,913,212</u>	<u>1,228,493</u>	<u>1,571,115</u>	<u>2,853,849</u>	<u>14,125,526</u>
Gap	\$ (1,419,233)	\$ (948,395)	\$ (300,820)	\$ (521,016)	\$ 1,974,891	\$ (1,214,573)

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

(In Thousands of United States Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 953,081	\$ 230,010	\$ -	\$ -	\$ -	\$ 1,183,091
Due from the Central Bank and call loans to banks	1,632,074	1,043,514	256,031	71,400	3,934	3,006,953
Financial assets at FVTPL	194,338	-	-	-	-	194,338
Receivables	486,234	97,299	282,369	11,127	13,972	891,001
Discounts and loans	717,742	681,847	568,695	448,186	3,775,783	6,192,253
Available-for-sale financial assets	9,098	4,998	970	12,052	524,918	552,036
Held-to-maturity financial assets	-	-	-	-	17,979	17,979
Investments in debt instrument without active market	-	-	-	-	2,177	2,177
Other maturity fund inflow items	5,000	-	-	300,000	13,694	318,694
	<u>3,997,567</u>	<u>2,057,668</u>	<u>1,108,065</u>	<u>842,765</u>	<u>4,352,457</u>	<u>12,358,522</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	877,668	100,720	991	1,947	85	981,411
Due to the Central Bank and banks	1,447,290	410,000	55,000	-	-	1,912,290
Financial liabilities at FVTPL	-	-	-	-	295,124	295,124
Payables	722,271	58,958	2,434	2,679	1,049	787,391
Deposits and remittances	2,240,560	2,287,546	966,947	1,415,605	3,467,837	10,378,495
Other maturity fund outflow items	81,451	1,308	135	544	71,489	154,927
	<u>5,369,240</u>	<u>2,858,532</u>	<u>1,025,507</u>	<u>1,420,775</u>	<u>3,835,584</u>	<u>14,509,638</u>
Gap	\$ (1,371,673)	\$ (800,864)	\$ 82,558	\$ (578,010)	\$ 516,873	\$ (2,151,116)

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

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

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

Item	December 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 130,622,908	\$ 177,417,727	\$ 45,739,365	\$ 12,335,558	\$ 619,367	\$ 366,734,925
Inflows	130,934,978	177,661,565	45,998,167	12,261,809	637,758	367,494,277
Interest rate derivative instruments						
Outflows	210,160	-	1,202,820	2,465,600	3,915	3,882,495
Inflows	156,431	-	1,202,820	2,461,765	-	3,821,016
Total outflows	\$ 130,833,068	\$ 177,417,727	\$ 46,942,185	\$ 14,801,158	\$ 623,282	\$ 370,617,420
Total inflows	\$ 131,091,409	\$ 177,661,565	\$ 47,200,987	\$ 14,723,574	\$ 637,758	\$ 371,315,293

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

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 120,859,728	\$ 156,839,908	\$ 47,570,615	\$ 18,935,732	\$ 199,286	\$ 344,405,269
Inflows	120,598,473	156,620,802	47,629,827	19,011,186	199,674	344,059,962
Interest rate derivative instruments						
Outflows	2,406,380	1,825,320	6,532,677	2,402,640	-	13,167,017
Inflows	2,794,970	1,998,800	6,423,107	2,374,400	25,672	13,616,949
Total outflows	\$ 123,266,108	\$ 158,665,228	\$ 54,103,292	\$ 21,338,372	\$ 199,286	\$ 357,572,286
Total inflows	\$ 123,393,443	\$ 158,619,602	\$ 54,052,934	\$ 21,385,586	\$ 225,346	\$ 357,676,911

e) Maturity analysis of off-balance-sheet items

Bank's off-balance-sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 49,422,517	\$ 1,564,066	\$ 2,456,218	\$ 3,611,264	\$ 11,722,265	\$ 68,776,330
Credit card commitments	40	1,182	2,455	40,898	271,579	316,154
Letters of credit issued yet unused	23,262,124	61,214	18,394	-	-	23,341,732
Guarantees	45,816,420	397,062	142,655	762,602	121,538	47,240,277
	\$ 118,501,101	\$ 2,023,524	\$ 2,619,722	\$ 4,414,764	\$ 12,115,382	\$ 139,674,493

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 59,747,283	\$ 1,782,452	\$ 2,911,839	\$ 4,235,833	\$ 13,527,562	\$ 82,204,969
Credit card commitments	-	859	4,506	7,684	320,043	333,092
Letters of credit issued yet unused	24,423,176	81,313	4,781	-	-	24,509,270
Guarantees	39,061,752	278,791	201,587	802,013	649,321	40,993,464
	\$ 123,232,211	\$ 2,143,415	\$ 3,122,713	\$ 5,045,530	\$ 14,496,926	\$ 148,040,795

39. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item	December 31, 2018				December 31, 2017					
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type										
Corporate finance	\$ 2,305,939	\$ 462,654,187	0.50%	\$ 5,469,295	237.18%	\$ 2,328,578	\$ 454,069,715	0.51%	\$ 5,128,576	220.24%
Secured	444,112	423,318,377	0.10%	4,899,868	1,103.30%	344,885	478,510,307	0.07%	5,125,583	1,486.17%
Unsecured	854,268	267,447,763	0.32%	4,071,946	476.66%	1,170,435	281,144,369	0.42%	4,285,924	366.18%
Consumer finance	4,045	1,587,222	0.25%	19,711	487.29%	9,242	1,678,616	0.55%	19,140	207.10%
Secured	699,715	180,193,394	0.39%	1,841,133	263.13%	335,580	176,589,062	0.19%	1,793,042	534.31%
Unsecured	7,590	1,192,521	0.64%	14,285	188.21%	3,569	1,415,570	0.25%	14,714	412.27%
Others (Note f)	4,315,669	1,336,393,464	0.32%	16,316,238	378.07%	4,192,289	1,393,407,639	0.30%	16,366,979	390.41%
Total										
Item	December 31, 2018				December 31, 2017					
Business Type	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	\$ 3,131	\$ 1,789,770	0.17%	\$ 20,293	648.13%	\$ 3,316	\$ 1,722,927	0.19%	\$ 21,849	658.90%
No recourse receivable factoring (Note g)	-	14,539,752	-	145,398	-	-	13,020,691	-	\$ 130,207	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans
Non-performing loans of credit card ratio = Non-performing loans ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans

Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

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

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 0944000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash cards business.

Business Type \ Item	December 31, 2018		December 31, 2017	
	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)	\$ -	\$ 1,284	\$ 20	\$ 1,675
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	554	17,484	618	17,095
Total	554	18,768	638	18,770

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, 2018			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 26,066,037	16.65
2	B Group (airline industry)	24,417,805	15.60
3	C Group (steel smelting industry)	21,098,325	13.48
4	D Group (concrete manufacturing industry)	18,768,879	11.99
5	E Group (synthesis construction industry)	16,927,144	10.81
6	F Group (other computer peripheral equipment manufacturing industry)	8,906,450	5.69
7	G Group (steel manufacturing industry)	7,530,964	4.81
8	H Group (wire and cable manufacturing industry)	6,115,546	3.91
9	I Group (real estate development industry)	6,114,530	3.91
10	J Group (financial intermediation industry)	5,469,398	3.49

December 31, 2017			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 26,805,909	18.49
2	C Group (steel smelting industry)	22,245,008	15.35
3	B Group (airline industry)	21,617,109	14.91
4	E Group (synthesis construction industry)	14,923,502	10.30
5	D Group (concrete manufacturing industry)	12,467,788	8.60
6	K Group (real estate development industry)	7,619,400	5.26
7	G Group (steel manufacturing industry)	7,349,275	5.07
8	F Group (other computer peripheral equipment manufacturing industry)	6,785,169	4.68
9	J Group (financial services industry)	6,571,673	4.53
10	L Group (liquid crystal panel and components manufacturing industry)	5,649,402	3.90

Note a: Sorted by the balance of loans on December 31, 2018 and 2017, 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, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,271,933,192	\$ 39,554,518	\$ 62,221,289	\$ 97,643,050	\$ 1,471,352,049
Interest-sensitive liabilities	321,021,210	833,758,818	89,052,792	47,053,818	1,290,886,638
Interest sensitivity gap	950,911,982	(794,204,300)	(26,831,503)	50,589,232	180,465,411
Net equity					134,111,383
Ratio of interest-sensitive assets to liabilities					113.98%
Ratio of interest sensitivity gap to net equity					134.56%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,270,770,531	\$ 22,489,278	\$ 59,169,751	\$ 104,300,232	\$ 1,456,729,792
Interest-sensitive liabilities	324,508,645	812,913,896	95,924,122	38,147,580	1,271,494,243
Interest sensitivity gap	946,261,886	(790,424,618)	(36,754,371)	66,152,652	185,235,549
Net equity					116,614,787
Ratio of interest-sensitive assets to liabilities					114.57%
Ratio of interest sensitivity gap to net equity					158.84%

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, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,345,324	\$ 620,067	\$ 606,445	\$ 748,767	\$ 15,320,603
Interest-sensitive liabilities	14,383,210	1,042,284	1,022,113	111	16,447,718
Interest sensitivity gap	(1,037,886)	(422,217)	(415,668)	748,656	(1,127,115)
Net equity					530,622
Ratio of interest-sensitive assets to liabilities					93.15%
Ratio of interest sensitivity gap to net equity					(212.41%)

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

Item	December 31, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 12,433,072	\$ 1,238,542	\$ 397,649	\$ 268,126	\$ 14,337,389
Interest-sensitive liabilities	14,279,118	791,260	1,024,437	20,466	16,115,281
Interest sensitivity gap	(1,846,046)	447,282	(626,788)	247,660	(1,777,892)
Net equity					544,284
Ratio of interest-sensitive assets to liabilities					88.97%
Ratio of interest sensitivity gap to net equity					(326.65%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(U.S. dollars only)

d. Profitability

Item		December 31, 2018	December 31, 2017
Return on total assets	Pretax	0.71%	0.70%
	After tax	0.61%	0.60%
Return on net equity	Pretax	9.76%	10.04%
	After tax	8.39%	8.56%
Profit margin		38.20%	39.27%

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

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

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Net revenue and gains}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2018 and 2017, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2018					
		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	\$ 1,707,833,143	\$ 175,844,127	\$ 184,340,884	\$ 217,198,302	\$ 143,340,830	\$ 221,038,740	\$ 766,070,260
Major maturity cash outflows	2,254,038,309	118,541,883	139,349,808	330,434,420	280,008,174	435,156,088	950,547,936
Gap	(546,205,166)	57,302,244	44,991,076	(113,236,118)	(136,667,344)	(214,117,348)	(184,477,676)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2017					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 1,670,505,136	\$ 172,902,756	\$ 145,384,955	\$ 198,751,791	\$ 128,146,773	\$ 260,833,212	\$ 764,485,649
Major maturity cash outflows	2,193,924,065	110,223,411	154,549,943	318,756,912	277,649,621	436,184,304	896,559,874
Gap	(523,418,929)	62,679,345	(9,164,988)	(120,005,121)	(149,502,848)	(175,351,092)	(132,074,225)

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, 2018				
		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	\$ 22,371,236	\$ 9,764,134	\$ 4,338,156	\$ 1,817,531	\$ 1,233,708	\$ 5,217,707
Major maturity cash outflows	27,471,708	10,457,265	5,130,078	2,794,196	3,737,405	5,352,764
Gap	(5,100,472)	(693,131)	(791,922)	(976,665)	(2,503,697)	(135,057)

(In Thousands of U.S. Dollars)

	Total	December 31, 2017				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 21,776,559	\$ 9,096,294	\$ 4,352,376	\$ 2,170,210	\$ 1,387,555	\$ 4,770,124
Major maturity cash outflows	26,962,227	9,264,047	4,872,188	2,799,921	3,570,464	6,455,607
Gap	(5,185,668)	(167,753)	(519,812)	(629,711)	(2,182,909)	(1,685,483)

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

f. Trust accounts

Under Article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2018 and 2017 were as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Special purpose trust accounts - domestic	\$ 30,954,936	\$ 28,323,313
Special purpose trust accounts - foreign	75,877,822	75,981,349
Insurance trust	10,697	1,047
Retirement and breeds trust	422,516	314,508
Umbilical-cord-blood trust	11,231,280	9,951,391
Money claim and guarantee trust	65,800	73,800
Marketable securities trust	739,231	777,551
Real estate trust	17,663,388	15,762,486
Securities under custody	134,752,976	136,459,615
Other money trust	<u>2,006,512</u>	<u>1,027,807</u>
	<u>\$ 273,725,158</u>	<u>\$ 268,672,867</u>

g. 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	<u>December 31</u>		Trust Liabilities	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Bank deposits	\$ 4,118,911	\$ 3,186,400	Trust capital		
Insurance claims	65,800	73,800	Money trust	\$ 119,998,578	\$ 115,286,230
Financial assets			Insurance claims	65,800	73,800
Common stocks	1,867,776	1,284,961	Marketable securities trust	736,286	774,802
Mutual funds	114,602,922	111,067,224	Real estate trust	17,664,125	15,781,176
Bonds	2,784,909	2,433,959	Securities under custody		
Interest receivable	1,459	-	payable	134,752,976	136,459,615
Prepayments	-	1,609	Withholdings	131	61
Land	10,862,297	10,194,729	Profit and loss	337,679	413,707
Buildings	597,410	579,169	Unappropriated retained		
Construction in progress	4,070,698	3,391,401	earnings - realized capital		
Securities under custody	<u>134,752,976</u>	<u>136,459,615</u>	gain/loss	42,042	14,517
			Unappropriated retained		
			earnings - gain on		
			revenue/expense	748,120	364,232
			investment		
			Unappropriated retained		
			earning	<u>(620,579)</u>	<u>(495,273)</u>
Total trust assets	<u>\$ 273,725,158</u>	<u>\$ 268,672,867</u>	Total trust liabilities	<u>\$ 273,725,158</u>	<u>\$ 268,672,867</u>

Trust Assets Register

Investments	December 31	
	2018	2017
Bank deposits	\$ 4,118,911	\$ 3,186,400
Insurance claims	65,800	73,800
Financial assets		
Common stocks	1,867,776	1,284,961
Mutual funds	114,602,922	111,067,224
Bonds	2,784,909	2,433,959
Land	10,862,297	10,194,729
Buildings	597,410	579,169
Construction in progress	4,070,698	3,391,401
Others	1,459	1,609
Securities under custody	<u>134,752,976</u>	<u>136,459,615</u>
Total trust assets	<u>\$ 273,725,158</u>	<u>\$ 268,672,867</u>

Income Statement of Trust

Investments	For the Year Ended December 31	
	2018	2017
Revenue		
Interest income	\$ 90,198	\$ 79,705
Dividends	102,913	212,997
Rental revenues	94,538	94,419
Gain on mutual funds	12,058	15,926
Foreign exchange gains	818,946	759,982
Realized capital gain - mutual funds	5,666	19,364
Realized capital gain - quoted stocks	67,821	31,446
Realized capital gain - bonds	1,952	16,674
	<u>1,194,092</u>	<u>1,230,513</u>
Expense		
Maintenance	(1,614)	(5,661)
Tax expense	(2,169)	(1,554)
Others	(120)	(9,965)
Foreign exchange losses	(789,270)	(757,908)
Realized capital loss - bonds	(14,968)	(7,063)
Realized capital loss - mutual funds	(16,979)	(25,510)
Realized capital loss - quoted stocks	(31,293)	(9,145)
	<u>(856,413)</u>	<u>(816,806)</u>
	<u>\$ 337,679</u>	<u>\$ 413,707</u>

40. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's corporate director
Taishin International Bank	Owned by the same parent company
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is representative of the Bank's corporate director
Powertec Energy Corporation	Its director is the Bank's corporate director
Ritdisplay Corporation	Its director is the Bank's corporate director
China Airlines Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
MasterLink Securities Corporation	Its corporate director is the Bank
Adimmune Corporation	Its supervisor is the Bank's corporate director
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, 2018	\$ 29,195,481	2.18
Balance as of December 31, 2017	28,819,698	2.09

For the years ended December 31, 2018 and 2017, interest ranged from 0.63% to 4.70% and from 0.00% to 3.67%, and interest income was \$587,840 thousand and \$553,550 thousand, respectively.

	December 31, 2018					Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Consumer loans</u>						
28 accounts	\$ 14,309	\$ 15,788	\$ 14,309	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
207 accounts	1,237,988	1,271,456	1,237,988	-	Real estate	None
<u>Others</u>						
Taiwan High Speed Rail Corporation	25,739,237	26,764,830	25,739,237	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,140,000	2,180,000	1,140,000	-	Ship	None
Powertec Energy Corporation	628,791	628,791	628,791	-	Credit	None
Other - corporation 9 accounts (Note 1)	431,595	779,460	431,595	-	Credit and fund guarantee and real estate	None
Other - individual 5 accounts (Note 2)	2,936	2,966	2,936	-	Deposit	None

December 31, 2017

	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
30 accounts	\$ 13,370	\$ 14,083	\$ 13,370	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
202 accounts	1,173,424	1,219,832	1,173,424	-	Real estate	None
<u>Others</u>						
Taiwan High Speed Rail Corporation	26,624,078	28,573,784	26,624,078	-	Credit and station equipment	None
Powertec Energy Corporation	542,972	557,972	542,972	-	Credit	None
China Airlines Ltd.	100,000	2,232,500	100,000	-	Credit	None
Ritdisplay Corporation	106,490	118,600	106,490	-	Real estate	None
Other - corporation 6 accounts (Note 1)	249,304	758,667	249,304	-	Credit and fund guarantee and real estate	None
Other - individual 9 accounts (Note 2)	10,060	10,280	10,060	-	Deposit	None

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

Note 2: The balance of every single entity is not over 1% of the total ending balance.

Loans to managers for mortgage within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.26% in December 31, 2018 and 2017. 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, 2018				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Yang Ming Marine Transport Corporation	\$ 500,000	\$ 500,000	\$ 5,000	0.80	None
Kaohsiung Rapid Transit Corporation	24,588	30,388	246	0.50	None
Adimmune Corporation	19,236	19,236	192	1.80	Pledged demand deposit
	December 31, 2017				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Kaohsiung Rapid Transit Corporation	\$ 23,400	\$ 50,280	\$ 234	0.50	None
Adimmune Corporation	19,236	19,246	192	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2018	\$ 4,283,912	0.25
Balance as of December 31, 2017	4,376,758	0.26

For the years ended December 31, 2018 and 2017, the interest rates intervals from 0.00% to 13.00% and 0.00% to 15.00%, respectively; the interest expense was \$50,410 thousand and \$84,552 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, 2018					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	DBU	NTD	\$ 1,500,000	0.18-0.19	\$ 274
	OBU	USD	155,000	1.48-3.28	3,089
	OBU	RMB	60,000	1.45-3.53	78
	Singapore Branch	USD	10,000	2.79	68
	Hong Kong Branch	USD	90,000	1.62-3.32	2,239
Taiwan Business Bank	OBU	USD	10,000	1.45-3.25	816
	Hong Kong Branch	USD	20,000	1.50-3.25	714
December 31, 2017					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	OBU	USD	\$ 75,000	1.18-1.93	\$ 1,097
	Hong Kong Branch	USD	100,000	0.80-2.28	1,286
Taiwan Business Bank	OBU	USD	60,000	0.70-2.00	267
	Hong Kong Branch	USD	30,000	0.71-2.28	200
	OBU	AUD	3,000	1.30-1.68	-

Call loans from banks

(In Thousands of Original Currencies)

December 31, 2018					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	New York Branch	USD	\$ 30,000	1.44-3.30	\$ 344
	Los Angeles Branch	USD	90,000	1.44-3.30	392
	Hong Kong Branch	USD	30,000	1.44-3.20	176
Taiwan Business Bank	Singapore Branch	SGD	4,500	0.80-2.55	20
	New York Branch	USD	135,000	1.75-3.32	116
	Los Angeles Branch	USD	47,000	2.30-3.30	32
December 31, 2017					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	OBU	USD	\$ 30,000	0.72-1.85	\$ 28
	Hong Kong Branch	USD	85,000	0.95-2.08	804

5) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

	Name	Department	Currency	December 31	
				2018	2017
				Ending Balance	Ending Balance
	Land Bank	DBU	NTD	\$ 225	\$ 44
	Taiwan Business Bank	DBU	NTD	28	77

Deposits from banks

(In Thousands of Original Currencies)

	Name	Department	Currency	December 31	
				2018	2017
				Ending Balance	Ending Balance
	Land Bank	DBU	NTD	\$ 277	\$ 277
	The Export-Import Bank	DBU	NTD	1,173	1,102
	Taishin International Bank	New York Branch	USD	62	57

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 116,049	\$ 109,915
Post-employment benefits	<u>13,973</u>	<u>10,905</u>
	<u>\$ 130,022</u>	<u>\$ 120,820</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Other

On March 17, 2017, the Bank entered into a contract with MasterLink Securities Corporation in the amount of \$250 thousand. Based on the contract, the Bank would hire MasterLink Securities Corporation as a consultant for the sales of the Bank's subordinated financial bonds.

41. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2018 and 2017 is as follows:

Pledged Assets	Description	December 31	
		2017	2016
Investments in debt instruments at FVTOCI	Government bonds	\$ 1,047,620	\$ -
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,607,061	-
Time deposits with original maturities of more than 3 months	Time deposits	2,681,400	2,729,400
Available-for-sale financial assets	Government bonds	-	5,781,100
Held-to-maturity financial assets	Bonds and certificate of deposits	-	36,749,428
Refundable deposits	Cash	666,426	638,049

42. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of December 31, 2018 and 2017:

	December 31	
	2018	2017
Trust liabilities	\$ 273,725,158	\$ 268,672,867
Unused loan commitments (excluding credit cards)	68,776,330	82,204,969
Credit card commitments	316,154	333,092
Unused issued letters of credit	23,341,732	24,509,270
Guarantees issued in guarantee business	47,240,277	40,993,464
Repayment notes and times deposit held for custody	14,756,665	12,860,366
Liabilities on joint loans	764,376	771,194

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, lease engagement, appointment and security as of December 31, 2018 were \$285,754 thousand, \$64,769 thousand, \$53,111 thousand, \$17,210 thousand and \$135,330 thousand, respectively.

- b. TDK Corporation filed a legal proceeding against the Bank for damages compensation in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank is currently appealing with the Taiwan Superior Court.

43. 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, 2018	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2018	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2018	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, 2018	None
6	Sale of NPL	None
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 Group's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2018	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, 2018	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2018	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2018	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2018	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 2.

d. Intercompany relationships and significant intercompany transactions: Table 3.

44. INFORMATION ON INVESTEEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%)
MasterLink Securities Corporation	Taipei City	Security brokerage	0.52	\$ 569,121	\$ -	\$ 63,447,125	\$ -	\$ 63,447,125	\$ 0.52
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	103,500	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,359,475	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	1,538,902	-	20,818,473	-	20,818,473	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,170,444	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,841,024	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	29,939	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,692	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	554,040	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	51,290	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.19	124,471	-	6,229,800	-	6,229,800	1.19
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	239,009	-	3,340,910	-	3,340,910	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,476,000	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	48,250	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	8,647	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	18,623	-	307,306	-	307,306	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	474	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	10,890	-	1,800,000	-	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	Taipei City	Urban renewal industry	5.00	24,350	-	2,500,000	-	2,500,000	5.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note 3)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note 3)	-	556,965	-	556,965	1.47

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: Imputed stock 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.

45. OTHER DISCLOSURES

The subsidiary of the Bank obtained a business license on September 10, 2018 and registered as "Chang Hua Commercial Bank, Ltd." The original branch/sub-branch and newly established Nanjing Branch successfully re-acquired the business license of the Chang Hua Commercial Bank, Ltd. of the branch/sub-branch under the mainland corporate bank. The subsidiary opened on December 11, 2018. The working capital was RMB2,500 million, which was transferred from Kunshan, Dongguan and Fuzhou Branch.

46. 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 revenue and results

For the Year Ended December 31, 2018								
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Adjustments	Total
Net income of interest	\$ 13,320,450	\$ 6,201,283	\$ 117,742	\$ -	\$ 3,538,102	\$ 67	\$ -	\$ 23,189,644
Net service fee income	1,393,265	243,175	(28,760)	3,086,223	174,051	-	-	4,867,954
Net income on financial instrument	-	-	5,124,822	-	31,295	-	(394,394)	4,761,723
Others	148,232	-	(111)	4	(88,877)	229,620	-	288,868
Net revenue and gains	<u>14,873,947</u>	<u>6,444,458</u>	<u>5,213,693</u>	<u>3,086,227</u>	<u>3,654,571</u>	<u>229,687</u>	<u>(394,394)</u>	<u>33,108,189</u>
Bad debts expense, commitment and guarantee liability provision	(1,462,791)	-	37	-	(740,498)	-	-	(2,203,252)
Operating expenses	-	-	-	-	-	-	-	(16,194,853)
Income before income tax	<u>\$ 13,411,156</u>	<u>\$ 6,444,458</u>	<u>\$ 5,213,730</u>	<u>\$ 3,086,227</u>	<u>\$ 2,914,073</u>	<u>\$ 229,687</u>	<u>\$ (394,394)</u>	<u>\$ 14,710,084</u>

For the Year Ended December 31, 2017							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net income of interest	\$ 13,360,330	\$ 5,082,117	\$ 808,337	\$ -	\$ 3,410,882	(\$ 4,796)	\$ 22,656,870
Net service fee income	1,463,307	201,665	(34,511)	2,906,165	261,992	-	4,798,618
Net income on financial instrument	-	-	3,055,975	-	67,981	-	3,123,956
Others	10,484	-	2,845	(344)	4,380	199,910	217,275
Net revenue and gains	<u>14,834,121</u>	<u>5,283,782</u>	<u>3,832,646</u>	<u>2,905,821</u>	<u>3,745,235</u>	<u>195,114</u>	<u>30,796,719</u>
Bad debts expense and guarantee liability provision	(14,930)	-	-	-	(776,255)	-	(791,185)
Operating expenses	-	-	-	-	-	-	(15,821,315)
Income before income tax	<u>\$ 14,819,191</u>	<u>\$ 5,283,782</u>	<u>\$ 3,832,646</u>	<u>\$ 2,905,821</u>	<u>\$ 2,968,980</u>	<u>\$ 195,114</u>	<u>\$ 14,184,219</u>

The revenue and results on the segment information reported does not include inter-segment revenue for the years ended December 31, 2018 and 2017.

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, 2018								
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches	Others	Adjustments	Total
Assets	<u>\$ 1,237,462,200</u>	<u>\$ -</u>	<u>\$ 711,859,108</u>	<u>\$ -</u>	<u>\$ 197,998,354</u>	<u>\$ 94,714,265</u>	<u>\$ (160,222,257)</u>	<u>\$ 2,081,811,670</u>
Liabilities	<u>\$ 2,612,375</u>	<u>\$ 1,642,094,011</u>	<u>\$ 200,817,962</u>	<u>\$ -</u>	<u>\$ 177,011,862</u>	<u>\$ 50,289,122</u>	<u>\$ (147,575,293)</u>	<u>\$ 1,925,250,039</u>

December 31, 2017							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustments	Total
Assets	<u>\$ 1,274,604,082</u>	<u>\$ -</u>	<u>\$ 625,178,439</u>	<u>\$ 190,521,528</u>	<u>\$ 77,852,165</u>	<u>\$ (131,897,814)</u>	<u>\$ 2,036,258,400</u>
Liabilities	<u>\$ 3,909,438</u>	<u>\$ 1,623,962,111</u>	<u>\$ 176,135,254</u>	<u>\$ 171,553,983</u>	<u>\$ 47,647,864</u>	<u>\$ (131,897,814)</u>	<u>\$ 1,891,310,836</u>

CHANG HWA COMMERCIAL BANK, LTD.
INFORMATION ON INVESTEE'S NAMES, LOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investee's Names	Investee's Location	Line of Business	Original Investment Amount		Stock	Ending Balance		Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of Year 2018	End of Year 2017		Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd.	China	Banking	\$ 12,117,288	\$ 12,117,288	Note	100	\$ 12,536,866	\$ 394,394	\$ 394,394	

Note: Department of organization.

TABLE 2

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 394,394	100	\$ 394,394	\$ 12,536,866	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,372,787 (US\$ 410,928)	\$23,484,245

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 profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.

- Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
- Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
- Others.

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:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
- The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

CHANG HWA COMMERCIAL BANK, LTD.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Deposits from the Central Bank and banks Cash and cash equivalents Due from the Central Bank and call loans to bank Interest income Receivables Interest expense Payables	\$ 4,826,021 1,542,909 3,283,112 12,729 12,767 12,729 12,767	Same as normal customers Same as normal customers Same as normal customers Same as normal customers Same as normal customers Same as normal customers Same as normal customers	0.23 0.07 0.16 0.03 - 0.03 -

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

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

Note 2: Relationships are as follows:

- a. Parent company to subsidiary.

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
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, 2018 and 2017, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, 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.

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, 2018. 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, 2018.

Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2018, the Bank's total amount of loans was \$1,320,077,226 thousand, accounting for 64% of the Bank's total assets. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter.

When assessing the appropriateness of the impairment of loans, we understood and tested the internal controls for lending operations and determined the provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a counterparty may have objective evidence of impairment relating to the loans and receivables of the Bank but has not been included in the Bank's individual impairment assessment. We tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor, credit risk level and collateral and evaluated the rationality of the input value used by the Bank. Finally, we checked the Bank's compliance with regulations on assessment of impairment.

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 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 40)	\$ 50,278,750	2	\$ 74,835,132	4
Due from the Central Bank and call loans to banks (Notes 4, 6 and 40)	196,829,214	10	165,015,057	8
Financial assets at fair value through profit or loss (Notes 4 and 7)	10,917,490	1	13,552,513	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	90,390,520	4	-	-
Financial assets for hedging (Notes 4 and 15)	244,763	-	-	-
Derivative financial assets for hedging (Notes 4 and 15)	-	-	243,372	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 38 and 41)	268,059,805	13	-	-
Receivables, net (Notes 4, 11 and 12)	28,984,785	1	24,670,023	1
Current tax assets (Notes 4 and 34)	289,771	-	135,714	-
Discounts and loans, net (Notes 4, 5, 12, 39 and 40)	1,320,077,226	64	1,377,040,660	68
Available-for-sale financial assets, net (Notes 4, 13 and 41)	-	-	73,175,886	3
Held-to-maturity financial assets, net (Notes 4, 5, 14 and 41)	-	-	237,412,046	12
Investments accounted for using the equity method, net (Notes 4 and 19)	12,536,866	1	-	-
OTHER FINANCIAL ASSETS, NET				
Financial assets at cost (Notes 4 and 16)	-	-	4,167,009	-
Investments in debt instruments without active market (Notes 4 and 17)	-	-	64,609	-
Other miscellaneous financial assets (Notes 4, 18 and 41)	<u>51,821,709</u>	<u>2</u>	<u>27,015,755</u>	<u>1</u>
Other financial assets, net	<u>51,821,709</u>	<u>2</u>	<u>31,247,373</u>	<u>1</u>
Property and equipment, net (Notes 4 and 20)	20,200,024	1	20,639,732	1
Investment property, net (Notes 4 and 21)	13,742,376	1	13,747,787	1
Intangible assets, net (Notes 4 and 22)	714,842	-	436,176	-
Deferred tax assets (Notes 4 and 34)	3,001,405	-	3,175,050	-
Other assets, net (Notes 23, 36 and 41)	<u>990,474</u>	<u>-</u>	<u>931,879</u>	<u>-</u>
TOTAL	<u>\$ 2,069,080,020</u>	<u>100</u>	<u>\$ 2,036,258,400</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks (Notes 4, 24 and 40)	\$ 110,858,179	5	\$ 108,151,867	5
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	11,047,488	1	12,309,330	1
Securities sold under repurchase agreements (Note 4)	5,285,890	-	3,118,536	-
Payables (Notes 4, 25 and 32)	35,699,603	2	34,849,855	2
Current tax liabilities (Notes 4 and 34)	218,866	-	954,609	-
Deposits and remittances (Notes 4, 26 and 40)	1,680,087,976	81	1,672,079,784	82
Bank notes payable (Notes 4, 27 and 38)	49,549,055	3	41,739,657	2
Other financial liabilities (Notes 4 and 28)	4,387,078	-	3,662,600	-
Reserve for liabilities (Notes 4, 5 and 30)	5,272,477	-	4,758,835	-
Deferred income tax liabilities (Notes 4 and 34)	7,350,045	-	7,019,970	1
Other liabilities (Notes 4, 29 and 36)	<u>2,761,732</u>	<u>-</u>	<u>2,665,793</u>	<u>-</u>
Total liabilities	<u>1,912,518,389</u>	<u>92</u>	<u>1,891,310,836</u>	<u>93</u>
EQUITY (Notes 4, 32 and 34)				
Capital stock				
Common stock	97,895,207	5	94,130,007	5
Retained earnings				
Legal reserve	31,038,668	1	27,410,736	1
Special reserve	12,141,416	1	12,080,950	1
Unappropriated earnings	12,091,349	1	11,779,842	-
Other equity	<u>3,394,991</u>	<u>-</u>	<u>(453,971)</u>	<u>-</u>
Total equity	<u>156,561,631</u>	<u>8</u>	<u>144,947,564</u>	<u>7</u>
TOTAL	<u>\$ 2,069,080,020</u>	<u>100</u>	<u>\$ 2,036,258,400</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 33 and 40)	\$ 38,335,813	116	\$ 34,602,915	113
INTEREST EXPENSE (Notes 33 and 40)	<u>(15,210,271)</u>	<u>(46)</u>	<u>(11,946,045)</u>	<u>(39)</u>
NET INCOME OF INTEREST	<u>23,125,542</u>	<u>70</u>	<u>22,656,870</u>	<u>74</u>
NET NON-INTEREST INCOME (LOSS)				
Net service fee income (Notes 4 and 33)	4,862,338	15	4,798,618	15
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 33)	2,711,956	8	2,342,942	7
Realized gain on available-for-sale financial assets (Notes 4 and 33)	-	-	564,466	2
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 33)	781,888	2	-	-
Loss arising from derecognition of financial assets at amortized cost	(101,029)	-	-	-
Foreign exchange gain (loss) (Notes 4 and 38)	745,536	2	(76,604)	-
Share of profit or loss of associates and joint ventures (Notes 4 and 19)	394,394	1	-	-
Net other non-interest income (Note 15)	<u>475,471</u>	<u>2</u>	<u>510,427</u>	<u>2</u>
Net non-interest income	<u>9,870,554</u>	<u>30</u>	<u>8,139,849</u>	<u>26</u>
NET REVENUE AND GAINS	<u>32,996,096</u>	<u>100</u>	<u>30,796,719</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(2,213,028)</u>	<u>(7)</u>	<u>(791,185)</u>	<u>(3)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 4 and 33)	(10,731,285)	(33)	(10,607,874)	(34)
Depreciation and amortization expenses (Notes 4 and 33)	(714,083)	(2)	(718,826)	(2)
Other general and administrative expenses	<u>(4,631,166)</u>	<u>(14)</u>	<u>(4,494,615)</u>	<u>(15)</u>
Total operating expenses	<u>(16,076,534)</u>	<u>(49)</u>	<u>(15,821,315)</u>	<u>(51)</u>
INCOME BEFORE INCOME TAX	14,706,534	44	14,184,219	46
INCOME TAX EXPENSE (Notes 4 and 34)	<u>(2,059,999)</u>	<u>(6)</u>	<u>(2,091,113)</u>	<u>(7)</u>
NET INCOME	<u>12,646,535</u>	<u>38</u>	<u>12,093,106</u>	<u>39</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss, net of tax:				
Remeasurement of defined benefit plans (Notes 4 and 31)	(317,259)	(1)	(421,325)	(1)
Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	(237,132)	-	-	-
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	900	-	(82)	-
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 34)	63,452	-	71,625	-
Items that will be reclassified to profit or loss, net of tax:				
Exchange differences on translation (Note 4)	657,497	2	(1,383,702)	(4)
Unrealized gains on valuation of available-for-sale financial assets (Note 4)	-	-	701,409	2
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method related to items that will be reclassified to profit or loss	7,338	-	-	-
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(55,506)	-	-	-
Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(26,948)	-	-	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 34)	<u>17,192</u>	<u>-</u>	<u>128,210</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>109,534</u>	<u>1</u>	<u>(903,865)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,756,069</u>	<u>39</u>	<u>\$ 11,189,241</u>	<u>36</u>
EARNINGS PER SHARE (Note 35)				
Basic	<u>\$ 1.29</u>		<u>\$ 1.24</u>	
Diluted	<u>\$ 1.28</u>		<u>\$ 1.23</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank									
	Capital Stock			Retained Earnings			Other Equity			
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total Equity
BALANCE, JANUARY 1, 2017	8,964,762	\$ 89,647,626	\$ 23,784,945	\$ 12,020,521	\$ 11,970,239	\$ (8,125)	\$ 108,319	\$ -	\$ -	\$ 137,523,525
Appropriation of 2016 earnings	-	-	3,625,791	-	(3,625,791)	-	-	-	-	-
Legal reserve appropriated	-	-	-	60,429	(60,429)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	(3,765,202)	-	-	-	-	(3,765,202)
Cash dividends	448,239	4,482,381	-	-	(4,482,381)	-	-	-	-	-
Stock dividends	-	-	-	-	12,093,106	-	-	-	-	12,093,106
Net income for the year ended December 31, 2017	-	-	-	-	12,093,106	-	-	-	-	12,093,106
Other comprehensive income (loss) for the year ended December 31, 2017, net of tax	-	-	-	-	(349,700)	(1,243,733)	689,650	-	(82)	(903,862)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	11,743,406	(1,243,733)	689,650	-	(82)	11,189,241
BALANCE, DECEMBER 31, 2017	9,413,001	94,130,007	27,410,736	12,080,950	11,779,842	(1,251,858)	797,969	-	(82)	144,947,564
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412
Appropriation of 2017 earnings	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-
Legal reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)
Cash dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Stock dividends	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Net income for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE, DECEMBER 31, 2018	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ -	\$ 4,008,966	\$ 818	\$ 156,561,631

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,706,534	\$ 14,184,219
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,213,028	-
Provision for bad debt expenses and guarantee liabilities	-	791,185
Depreciation expense	512,577	539,021
Amortization expense	201,506	179,805
Share of (profit) loss of subsidiaries	(394,394)	-
Interest income	(38,335,813)	(34,602,915)
Dividend income	(464,340)	(366,054)
Interest expense	15,210,271	11,946,045
Net gain on financial assets or liabilities at fair value through profit or loss	(3,505,054)	(818,409)
Gain on disposal of investments	(324,537)	(434,481)
Unrealized foreign exchange losses (gains)	793,098	(1,524,533)
Other adjustments	(5,694)	(57,237)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(1,542,799)	5,014,917
Decrease in financial assets at fair value through profit or loss	1,206,800	18,374,678
Increase in receivables	(3,893,701)	(4,320,831)
Decrease (increase) in discounts and loans	38,228,187	(10,101,128)
Increase in financial assets at fair value through other comprehensive income	(14,418,844)	-
Decrease in available-for-sale financial assets	-	6,473,481
Increase in investments in debt instruments at amortized cost	(21,311,579)	-
Increase in held-to-maturity financial assets	-	(32,547,505)
Increase in other financial assets	(24,805,955)	(8,568,278)
Increase in other assets	(25,953)	(399,581)
Increase (decrease) in deposits from the Central Bank and banks	1,148,580	(39,852)
Increase in deposits and remittances	16,530,545	47,649,967
Increase in payables	478,135	621,026
Decrease in financial liabilities at fair value through profit or loss	(2,133,537)	(928,116)
Decrease in reserve for liabilities	(233,785)	(153,811)
Increase in other financial liabilities	724,478	943,636
Increase (decrease) in other liabilities	143,773	(614,310)
Cash flows (used in) generated from operations	(19,298,473)	11,240,939
Interest received	37,023,453	32,988,589
Dividends received	464,340	366,054
Interest paid	(14,617,359)	(11,553,981)
Income taxes paid	(2,428,163)	(1,867,200)
Income tax refunded	-	31,183
Net cash flows from operating activities	<u>1,143,798</u>	<u>31,205,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES		

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	2018	2017
Acquisition of investment accounted for using the equity method	(11,235,849)	-
Acquisition of property and equipment	(492,646)	(430,775)
Acquisition of investment property	(1,281)	(390)
Proceeds from disposal of property and equipment	1,061	4,287
Acquisition of intangible assets	<u>(347,039)</u>	<u>(181,941)</u>
Net cash flows used in investing activities	<u>(12,075,754)</u>	<u>(608,819)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	10,973,906	(30,970,863)
Proceeds from issuing bank notes	10,000,000	10,200,000
Repayments of bank notes	(2,200,000)	-
Cash dividends paid	(4,235,850)	(3,765,202)
Increase in securities sold under repurchase agreement	<u>2,167,354</u>	<u>163,555</u>
Net cash flows generated from (used in) financing activities	<u>16,705,410</u>	<u>(24,372,510)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,207,986</u>	<u>(1,383,702)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,981,440	4,840,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>172,818,258</u>	<u>167,977,705</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 179,799,698</u>	<u>\$ 172,818,258</u>
	December 31	
	2018	2017
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 50,278,750	\$ 74,835,132
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>129,520,948</u>	<u>97,983,126</u>
Cash and cash equivalents at end of period	<u>\$ 179,799,698</u>	<u>\$ 172,818,258</u>

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

(Concluded)

VII | Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

A. Financial Status of the Past Two Years

Unit: NT\$ thousand

Items	Fiscal Year	2018.12.31	2017.12.31	Fluctuation	
				Amount	%
Total Assets		2,081,811,670	2,036,258,400	45,553,270	2.24
Total Liabilities		1,925,250,039	1,891,310,836	33,939,203	1.79
Total Equity		156,561,631	144,947,564	11,614,067	8.01

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	2018	2017	Increase (Decrease) Amount	Change in %
Net non-interest income		9,918,545	8,139,849	1,778,696	21.85
Net income		33,108,189	30,796,719	2,311,470	7.51
Provisions for bad debts expenses, commitment and guarantee liability		2,203,252	791,185	1,412,067	178.47
Operating expense		16,194,853	15,821,315	373,538	2.36
Earning before tax from continued operations		14,710,084	14,184,219	525,865	3.71
Gain (loss) from continued operations		12,646,535	12,093,106	553,429	4.58
Current profit (loss)		12,646,535	12,093,106	553,429	4.58

a. Change Analysis

In 2018, NT\$3.135 billion provisions for bad debts expenses was recognized while NT\$0.932 billion was recovered, resulting in a net provisions for bad debts expenses of NT\$2.203 billion; In 2017, provisions for bad debts expenses and bad debts recoveries were NT\$3.427 billion and NT\$2.636 billion, respectively. Therefore, the amount of net provisions for bad debts expenses of 2018 was NT\$0.791 billion which increased NT\$1.412 billion compared with that of 2017.

b. Business Operation Targets and Its Accordance

The Bank's 2019 business objectives are established based on the growth of each of the Bank's business lines in the preceding year, forecasts of economic growth provided by various institutions and the Bank's business expansion policy. Please refer to "I. Letter to Shareholders B.2019 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	2018	2017	Change
Cash Flows to Dividends and Expenditures (%)		631.61%	565.94%	65.67%
Ratio of Cash Flow for Operating to Cash Flow from Investing		242%	-5,126%	5,368%

Change Analysis:

Changes mainly due to the increase of net cash outflow from financing activities in 2018.

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
179,641,968	(6,530,161)	5,760,464	178,872,271	-	-

D. The Material Effect on Financial Structure from Substantial Capital Expenditure for Last Fiscal Year

None.

E. The Reinvestment Policy for Last Fiscal Year, the Major Reasons for Its Profits or Losses, and Improvement and Investment Plan for Next Year

a. The Reinvestment Policy for Last Fiscal Year and the Major Reasons for Its Profits or Losses

None.

b. Improvement Plan

Searching new investment targets under the consideration of profitability, security, growth, liquidity, and diversification.

c. The Investment Plan for Next Year

To activate the Bank's surplus capital and in line with the government's policy to support innovative industry, the Bank establishes "CHB Venture Capital Co., Ltd." to effectively improve the efficiency of capital utilization and support domestic innovation industries.

F. Analysis & Evaluation of Risk Management during the Latest Year as of the Date of Annual Report Publication

a. A Series of Qualitative and Quantitative Requirements for Risk Management

1. Credit Risk Management System and Capital Requirement:

2018

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>1. Strategies, Goals, and Policies for Credit Risk:</p> <p>(1) 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 related business to identify, measure, monitor and report all credit risks effectively and reach the following goals:</p> <ol style="list-style-type: none"> ① Build bank-wide consensus on risk management. ② Provide effective risk management mechanisms to facilitate the development of new loan products to ensure the sound development of the Bank. ③ Provide appropriate risk management information to the management level to balance risk and return in the decision-making process, which would increase shareholders' value. ④ Provide expected loss information according to experiences in credit risk losses. <p>(2) Country Risk: The Bank has the "Country Risk Management Guidelines" to use information pertaining to the external credit ratings of each region or country as the basis for the identification of country risks. A structure has been set up for measuring country risks and determining country limits against the Bank's risk appetite in order to effectively control the exposure to country risks. In order to response the external regulations, AI822, and effectively control the risk exposure to Mainland China, the Bank has made the integration of AI822 into the risk management mode for simultaneous control since Sep. 19, 2014. The country risk exposure management is divided into two parts, the country risk exposure (excluding China) and the risk in China.</p>

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>(3) Financial Counterparty Risk: The Bank has adopted the concepts advocated by the Basel Accord as well as concepts of managing total limit/exposure by groups and has set up a Top-Down structure for managing limits and risk exposure. The Bank has established the "Counterparty Risk Management Guidelines." The Guidelines will help identify, assess and monitor the counterparty risk portfolio of the entire bank and report to the management levels to meet the requirements of local and overseas regulators and to facilitate effective utilization of capital and maximization of profits.</p> <p>2. Procedures of Credit Risk:</p> <p>(1) Credit Risk:</p> <ol style="list-style-type: none"> ① Compile the "Credit Risk Management Guideline," the S.O.P. and other related operational rules; utilize the credit risk database and the loan application automatic management system for the generation of various risk information. To enhance the quality of risk management, the Bank strengthens identification, measurement and monitoring of credit risk. ② Establish corporate credit rating and consumer credit scorecards systems to effectively provide corporate/consumer credit risk measurement indicators in the credit application process and a clear distinction of credit risk, as a reference for loan application review and credit risk management. The credit risk measurement mechanism are regularly validated for effectiveness. ③ To effectively identify and manage loans with potential risks, "Corporate and Consumer Problem Loan Inquiry System" enables the Bank to effectively use the collected information and implement KYC; "Corporate Customer Credit Depreciation Notice System" enables the Bank to effectively control and manage credit limits of abnormal customers. ④ The Bank has established complete monitoring mechanisms."Corporate Customers Early Warning Evaluation Procedure" and "Personal Customers Early Warning Evaluation Procedure" enable the Bank to trace bad signs of high-risk loans and risk changes;"Credit Exposure and Claims of Corporate Customers Inquiry System" enables the Bank to grasp the news media coverage of negative information and credit records in the Bank. ⑤ Enhance the quality of assets of loans through the organization of lectures and trainings on risk management to strengthen risk management intelligence. <p>(2) Country Risk:</p> <ol style="list-style-type: none"> ① On the basis of the rating selection principle and country rating information from Moody's, S&P, and Fitch, develop the Bank's country risk rating standards. ② Calculate the total country risk limit based on the Bank's net worth multiple disclosed in the latest annual financial statement, which serves as the ceiling of the Bank's exposure to country risk. ③ Within the total country risk limit and in accordance with various allocation ratio of each country's risk rating, the individual limits for various countries for the next year are determined by the political and economic situations of each country, as well as the actual business demands from the Bank's units. The country risk limit in China is restricted by the net worth of the Bank in accordance with the external regulation (AI822), and approved by the Board of Executive Directors. ④ Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits usage will be frozen, eliminated or cancelled. ⑤ Each country exposure data is gathered monthly to be analyzed and compiled into a Country Risk Management Monthly Report. <p>(3) Country and Financial Counterparty Risk:</p> <ol style="list-style-type: none"> ① Use the credit ratings of counterparties provided by external ratings agencies as the basis for internal classification and rating of credit risk. ② Counterparty limits are determined by counterparty types and risk grades. Counterparty limits are calculated based on counterparties' standalone or consolidated net worth to serve as the maximum exposure that the Bank may tolerate while engaging in financial transactions; and those are further allocated among various products or business. ③ The maximum limit of each counterparty is further distinguished between a utilization limit and a reserve limit based on the business requirements of various departments. ④ Effectively manage the Bank's exposure to counterparty risk by monitoring and reporting each counterparty risk.
2. Organization and Structure of Credit Risk Management	<p>To establish professional and comprehensive risk management capabilities, the Bank has created the following three risk management units: Credit Management Division, Risk Management Division and Loan Asset Management Division. Credit Management Division is responsible for case review of credit approvals, reviewing of credit approvals handled by branches, and management and maintenance of the loan application automatic management system 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 integrated risks, credit risks, market risks and operational risks, in addition to controlling risks. Loan Asset Management Division is responsible for effective management and control of overdue loans, collections and bad debts as well as that of non-performing loans, including the loan asset management system.⁷</p>

Items	Contents
2. Organization and Structure of Credit Risk Management	<p>The Bank has also set up Risk Management Committee and Asset & Liability Management Committee, chaired by the Bank's President who convenes the monthly meetings. The committee is responsible for evaluating and monitoring the Bank's risk-taking capacity and the actual risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis to enhance risk management quality by consolidating relevant review, monitoring and coordination actions.</p>
3. Scope and Features of the Credit Risk Report and Evaluation System	<p>1. Credit Risk:</p> <p>(1) Risk Report :</p> <p>Periodically inspect and monitor the concentration of exposure at default (EAD) for the Bank's borrowers via the various exposure information provided by the Bank's system to deliver accurate and timely information that enables management levels and relevant business units to have a clear understanding of the credit risk and to adjust policies or business strategies accordingly.</p> <p>(2) Scope and Features of the Credit Risk Evaluation System:</p> <ol style="list-style-type: none"> ① Effectively evaluate the Bank's capital adequacy and carry out rigorous and proactive stress tests to cope with possible adverse events or changes. ② Establish an internal rating system to effectively differentiate loan risks, and to be used as a measuring tool for loan decision, pricing reference and post-loan management. ③ Set up a credit limit management with the conservative principle, credit line review approval system, and establish a relevant risk measurement mechanism to be used as a tool for monitoring credit risks. ④ Establish an operating procedure for evaluating loan assets to ensure steady operations. Use quantitative and qualitative evaluation methods to identify the quality of loan assets and determine the adequacy of allowance for loan losses. ⑤ With a system for periodically evaluating property collateral, the value of collateral and the increase/decrease in risk exposure may be timely reflected to effectively identify the Bank's risk exposure. <p>2. Country Risk and Financial Counterparty Risk:</p> <p>The Bank regularly reviews the exposure of country risk and financial counterparty risk. The Bank also discloses the category of asset quality, concentration, exposure of portfolio management, and the exposure distribution of the top twenty financial counterparties to provide risk managerial personnel with accurate information to adjust risk distribution accordingly. The Bank uses risk management systems and risk weight of derivatives to calculate the exposure of pre-settlement risk of derivatives to evaluate and control risk.</p>
4. Hedging or Mitigation Policies for Credit Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. Policy:</p> <p>Actively use qualified and effective risk mitigation tools to reduce or transfer the loan credit risk of the Bank to strengthen protection of the Bank's creditor's right and reduce amount of regulatory reserve.</p> <p>2. Monitoring Strategies and Procedures:</p> <p>Establish relevant operating rules, procedures, or systems for the usage of risk mitigation tools. Through appropriate evaluation mechanisms and reviewing systems, the Bank constantly monitors the value change of such tools and the validity of their relevant legal documents. This prevents the negative impact of risk concentration and the mutual influence of the credit risks.</p> <ol style="list-style-type: none"> (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) Periodically review the operation performance, financial condition, and repayment ability of the client to understand and review the credit limit and actual exposure of the client, which helps the Bank evaluate the appropriateness of the line of credit. (3) The Bank establishes collateral policies to regulate the kinds of collaterals that are deemed acceptable. The policies also regulate the method of value appraisal to ensure that when default occurs, the Bank is able to effectively and quickly dispose of the collateral and/or receive compensation. An alternative is to adopt the credit guarantee fund for underwriting or to set the deposit offset agreement. These serve as means to entirely or partially transfer the risks. (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 concentration of 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, 2018 Unit: NT\$ thousand

Exposure Type	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	360,845,644	67,528
Non-central Government Public Sector Entities	49,843	797
Banks (Included Multilateral Development Banks, MDBS)	243,153,552	5,670,984
Corporate (Included Securities and Insurance Firms)	871,614,070	65,106,845
Claims on Retail	291,820,545	19,123,988
Residential Property	249,499,719	9,973,255
Equity Security Investments	7,412,817	593,025
Other Assets	72,950,884	3,562,548
Total	2,097,347,073	104,098,971

2. Securitization Risk Management System, Risk Exposure and Capital Requirement:

2018

Items	Contents
1. Strategies and Procedures for Securitization Management	Business operations regarding the investment of asset securitized products shall comply with the Bank's "Operating Guidelines for Investing in Asset Securitized Products." This guideline includes management strategies and procedures. The framework includes its purpose, basis, business strategies, principles and guideline, processes, internal control system, periodic evaluation, accounting measures, internal audit system, authorization, credit limit management, and risk management measures.
2. Organization and Structure of Securitization Management	<ol style="list-style-type: none"> Treasury Division, Overseas branches, and Offshore Banking Branch are trading units for asset securitized products. Credit Management Division is responsible for the reviews of these applications. Risk Management Division monitors the credit risk, market risk, and operational risks, including authorized limit, rating, duration, and stop loss limit rules. Treasury Division is responsible for the backend operations with Offshore Banking Branch, including confirmation of transaction, settlement, and booking. IT Division installs and maintains the IT system for this business. Financial Management Division is responsible for regular evaluation, accounting processes, announcement and reporting, and information disclosure. Internal Auditing Division oversees the internal control of this business.
3. Scope and Features of the Securitization Risk Report and Evaluation System	<ol style="list-style-type: none"> Credit Risk: <ol style="list-style-type: none"> The front end transactor should always scrutinize the credit situation of the asset securitized products purchased and also the underlying tools within the asset pool. Annual reviews should be periodically conducted, with the results written into reports and saved as hard copies. Risk Management Division should also receive a copy. When credit abnormalities occur and risk of loss increases, Risk Management Division should immediately notify the front end transactor and take any necessary actions. If default events such as inability to collect interests regularly or collect principle and interest upon maturity occur, the front end transactor should immediately notify Loan Asset Management Division with the original report and send the duplicate copy to International Banking Division and Risk Management Division. Internal Auditing Division should also be informed. 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 Executive Directors every six months to assess whether the risk levels are within an acceptable range. Operational Risk: S.O.P should be designed to serve as rules for employees to follow. Operational Risk and Control Self Assessment (RCSA) should also be conducted.
4. Hedging or Mitigation Policies for Securitization; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	N/A
5. Approach for Legal Capital Requirement	The Standardized Approach.

Items	Contents
6. General periodic disclosures including: (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization (2) Other risks associated with securitized assets (e.g. liquidity risk) (3) The different roles played by the Bank during asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	None.
7. Provide an overall description of the Bank's accounting policies on securitization	None.
8. The name of the External Credit Assessment Institution (ECAI) engaged for asset securitization within the Banking Book and the ECAI's involvement in every type of securitized asset	None.
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking Book and the Trading Book)	None.

Engagement of Asset Securitization

None.

Risk Exposure and Capital Requirement for Securitization-By Transaction Type

December 31, 2018 Unit: NT\$ thousand

Role of the bank	Type of Books	Type of Exposure	Asset Type	Traditional			Capital Requirement (2)	Synthetic		Total		Accrued Capital before Securitization
				Exposure				Exposure (3)	Capital Requirement (4)	Exposure (5)=(1)+(3)	Capital Requirement (6)=(2)+(4)	
				Hold Or Buy	Provide the Liquidity Facilities	Provide Credit Enhancement						
Non-Originating Bank	Banking Book	Mortgage Backed Securities	666,787			666,787	10,669			666,787	10,669	
	Trading Book											
	Subtotal		666,787			666,787	10,669			666,787	10,669	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			666,787			666,787	10,669			666,787	10,669	

Securitization Products Information

(1) Summary of Investment in Securitized Products:

December 31, 2018 Unit: NT\$ thousand

Item	List of Accounting Accounts	Historical Cost	Gain/Loss of Accumulated Valuation	Accumulated Impairment	Book Value
Collateralized Mortgage Obligation (CMO)	Debt instruments measured at FVOCI (FVOCI, Fair Value Other Comprehensive Income)	664,245	0	0	666,787

- (2) ① The information about original cost of single transaction for investing in securitized products amounting to more than NT\$300 million (the Bank serves as an originator that holds positions due to credit enhancement which is excluded): None.
- ② The bank serves as an originator for securitization and holds positions due to credit enhancement: None.
- ③ The bank serves as buying institution or clearing buying institution of credit impaired assets for securitized products: None.
- (3) The bank serves as guarantee institution of securitized products or provides liquidity facility: None.

3. Operational Risk Management System and Capital Requirement:

2018

Items	Contents
1. Strategies and Procedures for Operational Risk Management	The Bank establishes "Guidelines for Operational Risk Management" to create a sound framework for managing operational risks and develop appropriate process and strategies for managing operational risks. In daily operations, all units should comply with the relevant regulation, leverage risk management tools to identify, assess, monitor, and control the operational risks of the Bank's major products, operational activities, operational processes, and IT system. Reports regarding abovementioned operational risk procedure should also be produced.
2. Organization and Structure of Operational Risk Management	The Bank has an organizational structure for managing operational risk that is composed of Three Lines of Defense. On the first line, all business units are responsible for daily management of operational risk. On the second line, the Risk Management Division formulates and supports operational risk management and the Compliance Division formulates compliance system. Finally, the Internal Auditing Division will serve as the third line of defense through the internal auditing function to verify the effectiveness of the Bank's operational risk management efforts.
3. Scope and Features of the Operational Risk Report and Evaluation System	<ol style="list-style-type: none"> To facilitate the evaluation and management of the assessment results of operational risks, the Bank has set up a loss data management system, a risk control and self-assessment system and a key risk indicators monitoring system. The Bank collects operational risk loss events through systems, and then categorizes the risks according to authorities' regulations and types of losses. This helps the Bank to understand the loss situation of internal operational risks. The Bank's Operational Risk and Control Self Assessment (RCSA) system begins with the head office's business management units, where self-assessments are conducted according to the risks and controls of their respective businesses, compile and edit their operational risk self-assessment tables, and review the rules and regulations of their respective businesses. Business execution and business management units then conduct operational risk self-assessments and input the results in the system for the Bank to analyze potential operational risk exposures situation. The Bank establishes Key Risk Indicators (KRIs) and their respective limits and thresholds for the major risk exposures. Continuous monitoring and management is required as information for red flags. The Bank integrates operational risk related items and compiles periodic operational risk management reports for the Board of Directors, senior management, and business management units, so that they fully understand the situation and can make decisions accordingly.
4. Hedging or Mitigation Policies for Operational Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<ol style="list-style-type: none"> 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. In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operational discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to the minimum. Through Operational Risk and Control Self Assessment, the Bank regularly assesses the residual risks of the control plans of each risk item, which ensures the validity and effectiveness of the control plans.
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Operational Risk

December 31, 2018 Unit: NT\$ thousand

FY	Gross Profit	Accrued Capital
2016	30,509,330	
2017	30,364,544	
2018	33,046,512	
Total	93,920,386	4,583,765

4. Market Risk Management System and Capital Requirement:

2018

Items	Contents
1. Strategies and Procedures for Market Risk Management	<p>1. Strategies:</p> <p>(1) Plan market risk management in order to ensure effective identification, measurement, monitoring and reporting of relevant risks.</p> <p>(2) Through evaluating and monitoring market risk, the Bank ensures that risk control assumed fall within the risk appetite to lower the Bank's unexpected loss arising from market risks.</p> <p>(3) Draft and implement measures that conform to the relevant regulations of managing market risks announced by Taiwan's regulatory authority and the Basel Accord.</p> <p>(4) Establish and develop market risk management system and economic capital allocation procedures.</p> <p>2. Procedures:</p> <p>The market risk management process consists of five perspectives: identification, measuring, monitoring, reporting and management of executing procedures, and is carried out as per the Bank's "Market Risk Management Guideline."</p>
2. Organization and Structure of Market Risk Management	<p>According to the risk management framework and responsibilities stated in the Bank's "Integrated Risk Management Policies," the Market Risk Section under Risk Management Division acts as the second line of defense, and performs risk control and management mechanisms as outlined below:</p> <p>1. Manage market risks, develop relevant procedures or operating standards, and report to the appropriate superiors according to "The Rule of Authority and Duty."</p> <p>2. Set up an independent risk management mechanism, providing the basis for a market risk management process to avoid conflict of interest, while making good use of the management information system and providing training to employees in order to improve risk management performance and ensure effectiveness of the risk management mechanism.</p>
3. Scope and Features of the Market Risk Report and Evaluation System	<p>1. Internal reporting:</p> <p>(1) Periodically brief to the Risk Management Committee on the status of market risk monitoring to provide senior management with sufficient information.</p> <p>(2) In the event of exceeding limits or discovering irregularities, necessary information shall be provided pursuant to the established reporting framework and internal reporting procedures.</p> <p>(3) The Bank should periodically brief to the Board of Directors and the Risk Management Committee on the status and concentration of the Bank's investment portfolio to help them determine whether the Bank's strategies should be adjusted.</p> <p>2. External disclosure:</p> <p>(1) The Bank should fully disclose the market risks it faces, and identify, measure and monitor the techniques used to manage these risks so that market participants can evaluate the Bank's market risk management.</p> <p>(2) The degree to which information is disclosed shall be commensurate with the scale of the Bank's business activity, risk exposure status, and level of complexity.</p>
4. Hedging or Mitigation Policies for Market Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. Set up relevant market risk limits and management mechanism.</p> <p>2. In the event of exceeding the approved limits, Risk Management Division should notify the head managers of trading units immediately. Trading units shall reduce and formulate measures to offset their risk position or apply to raise their limits.</p> <p>3. Those written reports expressing the events of exceeding the limits should be filed to the Executive Vice President who oversees the Risk Management Division and should also be reported to the Risk Management Committee.</p> <p>4. Risk Management Division should monitor the follow-up actions continuously. If the trading units do not take properly action, Risk Management Division should report to the Risk Management Committee and send a copy to the Internal Auditing Division.</p>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Market Risk

December 31, 2018 Unit: NT\$ thousand

Risk Category	Capital Requirement
Interest Rate Risk	885,777
Equity Security Risk	0
FX Risk	661,048
Commodity Risk	0
Options (simplified approach)	400
Total	1,547,225

5. Liquidity Risk:

2018

Items	Contents
1. Strategies and Procedures for Liquidity Risk Management	In accordance with the Bank's liquidity risk management policy, liquidity risk measurement indicators and the assessment of the ability to cope with liquidity risk shall be clearly established. At the same time, a monitoring mechanism that provides periodic assessments as well as real-time reports shall also be implemented. In addition, the Bank shall also formulate contingency plans, response strategies, and designate clear responsibilities to each relevant unit for handling liquidity crisis incidents to ensure that appropriate and adequate measures are taken when necessary.
2. Organization and Structure of Liquidity Risk Management	With respect to the Bank's organizational structure for handling liquidity risks, the relevant units shall be responsible for capital liquidity operations, monitoring and periodic assessment of liquidity risks, and provide reports and recommendations to the Asset and Liability Management Committee.
3. Scope and Features of the Liquidity Risk Report and Evaluation System	Assessment and analysis of the status of liquidity risk management shall be conducted and reported to the Asset and Liability Management Committee and the Board of Directors on a regular basis, which enable senior management to supervise the Bank's latest liquidity position.
4. The policies in liquidity risk hedging or risk reducing, and the policies and progresses in persistent effectiveness tool for risk monitoring, risk avoiding and risk mitigating	When a warning signal occurs with respect to a market crisis or emergency liquidity condition that affects the Bank, relevant emergency measures shall be adopted in accordance with the Bank's liquidity risk management policy. The Asset and Liability Management Committee shall then formulate measures to address the emergency situation and report to the Board of Managing Directors regarding the follow-up actions and results, which enables senior management to closely monitor the status of liquidity risk management.

(1) Term Structure Analysis of NTD-denominated Assets & Liabilities:

December 31, 2018 Unit: NT\$ thousand

	Total	Volumes during the Period Prior to the Due Date					
		0 ~ 10 days to due date	11 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Major Matured Capital Inflows	1,707,833,143	175,844,127	184,340,884	217,198,302	143,340,830	221,038,740	766,070,260
Major Matured Capital Outflows	2,254,038,309	118,541,883	139,349,808	330,434,420	280,008,174	435,156,088	950,547,936
Capital Gap	(546,205,166)	57,302,244	44,991,076	(113,236,118)	(136,667,344)	(214,117,348)	(184,477,676)

Note : The amounts listed above include accounts in N.T. dollars of the Bank.

(2) Term Structure Analysis of USD-denominated Assets & Liabilities:

December 31, 2018 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	22,371,236	9,764,134	4,338,156	1,817,531	1,233,708	5,217,707
Major Matured Capital Outflows	27,471,708	10,457,265	5,130,078	2,794,196	3,737,405	5,352,764
Capital Gap	(5,100,472)	(693,131)	(791,922)	(976,665)	(2,503,697)	(135,057)

Note : The amounts listed above include accounts in U.S. dollars of the Bank.

b. The Impact of Domestic and Foreign Major Policies and Law Amendment Exerting on the Bank's Financial Structure and Responding Measures

1. FSC amended the "Directions for Sale of Investment-linked Insurance Products." When insurance company sells investment-linked insurance products to customers over the age of 70, the selling process shall be retained by audio and video recording, or track of electronic equipment with consent of the customer. The relevant operation process shall be reviewed by the appropriate authority or managerial personnel to confirm that the customer is insured after handling the appropriateness in the investment-linked product transaction.

Effect:

When the Bank sells investment-linked insurance products to customers over the age of 70, in addition, customers should be on specific phone line for recording process and fill "Sales Process Record Sheet" which may reduce the willingness for customers to purchase.

Countermeasures:

The Bank will implement the KYC policy to comply with the law when selling investment-linked products to customers over the age of 70.

2. The Bankers Association of the Republic of China revised the "Self-regulation for Banks Conducting Financial Derivatives Business" on August 3, 2018. In addition to strengthening the risk control of derivatives business for banks, it also strengthened the transaction and marketing process control of structured finance products.

Effect:

For adding measures of control on the risks, transactions and marketing control processes for derivatives, besides increasing the operating costs of the Bank, the decreasing willingness of customers and undertaking commodities will cause the downward pressure on the bank's business volume.

Countermeasures:

The Bank will adopt a customer-oriented transaction services to expand the business base of the Bank by driving the growth of other financial products.

3. Financial Technology Development and Innovative Experimentation Act were promulgated and implemented on April 30, 2018. The main subject of the regulation is innovative experiment. If the proposed innovative technology belongs to the chartered financial business under authorization by FSC, both financial or non-financial industry can apply.

Effect:

The financial industry is a chartered industry. Non-financial industries can prove that their innovative business model is feasible through this regulation. After being reviewed by the authorities, an industrial chain ecosystem can be transformed into a competitive one by amending laws.

Countermeasures:

The Bank will strive for optimizing digital financial related services and conduct strategic alliances with non-financial institutions to continue developing innovation and maintaining competitive advantage.

c. The Impact of Technological Advancement and Industrial Evolution on the Bank's Financial Businesses, and Countermeasures

In response to information security risks arisen from changes in financial technology industry, the Bank has introduced the BS10012 (Personal Information Management System, PIMS) to ensure the protection of personal information collected, processed and utilized by the Bank during the operation. The Bank also has introduced ISO27001 information security management and ISO22301 operational continuity management system, conducted information security control from the perspective of risk management and regularly assessed information security management capabilities. No major operational risks have been assessed in 2018.

d. The Impact of the Bank's Changing Corporate Image and Countermeasures

None.

e. Expected Benefits, Potential Risks, and Countermeasures from Mergers & Acquisitions

None.

f. Expected Benefits, Potential Risks, and Countermeasures of Expanding Operation Locations

1. Expected Benefits:

- (1) Increase the Bank's market share.
- (2) Provide more convenience for clients; increase their willingness to deal with the Bank, and increase operational volume which will result in more revenue.
- (3) Expanding the variety of customer groups could diversify operation risk.
- (4) To establish branches or subsidiaries in the offshore financial market with the development potential, benefiting from regional economic growth in order to promote the Bank's overall operating performance.

2. Possible Risks:

- (1) The market surrounding the branches might already be saturated. Business will be limited and competition could resort to a price war.
- (2) Too many branches might result in an overlap of client sources.
- (3) With the rise of digital finance, the demand of customer to the branch decreases, therefore, it is afraid that there will be idle capacity or reduced utilization risk of branch.
- (4) Global banking supervision has become more stringent and the cost of compliance has increased.

3. Responding measures:

- (1) Evaluate the viability of new branch establishments by carefully assessing the commercial activities and future prospects within the local environment, while taking into consideration the distribution and performance of nearby banks.
- (2) Pay close attention to the development of digital finance, review and evaluate the necessity of the physical branch expansion policy.
- (3) When expanding the overseas business base, the Bank fully assesses the operating environments, the development potential of the financial markets, the local business groups and the industry distribution of customers. The Bank also understands the layout and operating situation of Taiwanese counterparties, hiring local consultants and accountants specializing in local financial regulations in order to reduce the compliance risk.

g. The Risks Generated by Business Concentration and the Countermeasure

The Bank has been continuously developing new financial products such as deposit, lending, foreign exchange, trust, derivatives, wealth management and mobile payment, so that the Bank can meet the diverse needs of its customers. There is no business concentration occurred.

h. The Risk and Effect of the Change of Ownership Exerting on the Bank and the Countermeasure

None.

i. The Risk and Effect of the Massive Share Transfer or Replacement From the Directors or the Shareholders Who Holds More Than 1% of Ownership Interest, and the Countermeasure

None.

j. Lawsuit and Non-Lawsuit

1. Lawsuit of the Bank

- (1) With respect to the Bank's lawsuit with TDK Corporation involving claims for indirect damage, Taiwan Taipei District Court as the court of first instance had ruled the case in favor of the Bank, but TDK Corporation refused to accept the first instance verdict and appealed to Taiwan High Court. On April 19, 2017, the Taiwan High Court ruled that the Bank should compensate TDK Corporation NT\$11,448,383. Now both parties have appealed that is under the Supreme Court's hearing.
- (2) Taishin Financial Holdings Co., Ltd. (hereinafter referred to as "TSFHC"), as the shareholder of the Bank, filed a annulled resolution to Taiwan Taipei District Court on the election of the Bank's 2017 General Shareholders' Meeting on July 4, 2017. TSFHC withdrew the registered appeal at Taiwan Taipei District Court on June 14, 2018.

2. The litigations of the shareholder who holds more than 1% of ownership interest ("the Shareholder") in the Bank:

- (1) Taishin Financial Holdings Co., Ltd. ("TSFHC")
TSFHC claimed that the Ministry of Finance was in breach of the said Ministry's announcement and official letter issued in 2005. This led to TSFHC having only two directors and one independent nominated director elected to the Bank's Board of Directors during the Bank's Shareholder Assembly held on December 8, 2014. TSFHC has engaged lawyers to institute civil proceedings, at Taiwan Taipei District Court against the Ministry of Finance. Currently the remaining appeals are being heard by the Supreme Court.

(2) First Commercial Bank, Ltd.

On September 21, 1999, the Jiji or 921 earthquake occurred, causing the collapse of East Star Building where First Commercial Bank's Song Shan branch was located, it led to civil proceedings and claims for damage from households of the collapsed building, against First Commercial Bank. On October 3, 2014, the Supreme Court ruled that First Commercial Bank did not have any responsibility for compensation. However, some of the households assigned their claim for damage to Department of Urban Development of Taipei City Government ("DUD") during 2006 to 2007, which filed a civil proceeding and claimed for a compensation in the amount of NT\$183,665,466 against First Commercial Bank on September 19, 2014.

I. As regards the claim for damages assigned to DUD, Taiwan Taipei District Court dismissed the motion from DUD for the claim of 156 households on September 21, 2016. In addition, the claim for damages of the other 10 households continued to be heard by the court. On January 5, 2017, a civil ruling on the reversal of original ruling from the Taiwan High Court was received, and First Commercial Bank filed an interlocutory appeal. On October 27, 2017, the Supreme Court reversed the original ruling and remanded the case to the Taiwan High Court for ruling again. Taiwan High Court dismissed the DUD's interlocutory appeal against First Commercial Bank. DUD did not file a re-appeal, and First Commercial Bank won the final ruling.

II. As to the claim for damages of the other 10 households, Taiwan Taipei District Court issued a judgment dismissing the claim for damages from DUD against First Commercial Bank on July 6, 2017. The plaintiff, DUD, filed an appeal, and withdrew it on September 26, 2017. First Commercial Bank won the final judgment.

k. Other Major Risks and Countermeasures

None.

G. Emergency Response Mechanisms

In case of catastrophes, epidemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan," "Chang Hwa Bank Directions of Emergency Response Measures for Compulsory Collective Isolation Responding to Epidemics," "Chang Hwa Bank Domestic Branch Emergency Response Manual Procedures," and major accident handling with contingency plans for the centralized operations of notes, remittance and ATMs outside branches for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to a minimum.

H. Other Important Events

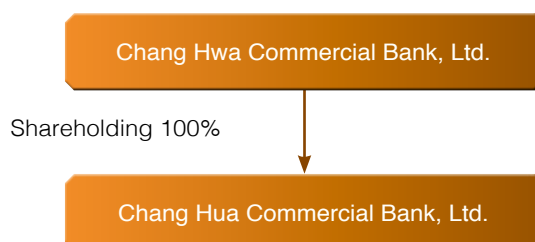
None.



VIII | Special Notes

A. Information Regarding the Bank's Subsidiaries

a. The Bank's Subsidiary



b. Basic Data of the Bank's Subsidiary

Unit: CNY 1,000

Enterprise Name	Establishment Date	Address	Paid-in Capital	Major Operations
Chang Hua Commercial Bank, Ltd.	December 11, 2018	No. 371, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	2,500,000	Banking Industry

c. Information of Chairman, Directors, Supervisors and President of the Bank's Subsidiary

December 31, 2018

Enterprise Name	Position	Company Name and Representative	Shareholding	
			Shares	%
Chang Hua Commercial Bank, Ltd.	Chairman Director Independent Director Supervisor President	Ming-Daw Chang Ming-Daw Chang, Hong-Chi Chang, Carol Sun, Jui-Chun Wu, and Hsueh-Ni, Hsieh Lian-Shui, Li and Mei-Jhu Huang (Note) Bin Lu Jui-Chun Wu	Unissued	100%

Note: Independent Director Mei-Jhu Huang (Approved by Jiangsu Office of China Banking and Insurance Regulatory Commission on January 16, 2019)

d. Operation Overview of the Bank's Subsidiary

December 31, 2018 Unit: CNY 1,000

Enterprise Name	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profits	Income (After Tax)	EPS in CNY (After Tax)
Chang Hua Commercial Bank, Ltd.	2,500,000	6,744,943	3,939,647	2,805,296	199,598	39,758	51,290	N.A.

e. Endorsement Guarantee by Related Enterprises, Capital Lending and Related Parties' Transaction Information

December 31, 2018 Unit: CNY

Enterprise Name	Name of Related Parties	Item & Volume								
		Outstanding Balance of Security Procurement	The Income from the Interest Payment from the Security Procurement	Interest Income from Demand Deposit	Interest Income from Time Deposit	Commission Expenses	Rental Expenses (Housing Rental)	Endorsement Guarantee	Capital Lending	Financial Derivative Commodity Transaction
Chang Hua Commercial Bank, Ltd.	Chang Hwa Commercial Bank, Ltd.	0	0	0	0	0	0	0	734,641,525	0

B. Declaration of Consolidation of Financial Statements of Affiliates

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.



Chang Hwa Commercial Bank, Ltd.
February 26, 2019

C. Progress of Private Placement of Securities and Financial Bonds during the Latest Year and as of the Date of Annual Report Publication

None.

D. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares during the Latest Year and as of the Date of Annual Report Publication

None.

E. Additional Disclosure

None.

F. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

Chang Hua Commercial Bank, Ltd. opened for business on December 11, 2018.

IX | Directory of Head Office & Branches

DOMESTIC OFFICES	ADDRESS	TEL
Head Office(Taichung)	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22222001
Head Office(Taipei)	No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Business Department	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22230001
Taichung Branch	1F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22650011
Pei-Taichung Branch	No.6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04) 22011122
Nan-Taichung Branch	1F., No.102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04) 22243181
Peitun Branch	1F., No.10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04) 22322922
Chung-Kang Branch	No.651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04) 23271717
Shuinan Branch	No.447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04) 22969966
Nantun Branch	No.306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04) 23220011
Hsitun Branch	No.923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04) 23593435
Keelung Branch	1F., No.60, Ai 4 th Rd., Ren'ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02) 24233933
Jenai Branch	No.100, Xiao 2 nd Rd., Ren'ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02) 24233941
Tung-Keelung Branch	1F., No.57, Xin 1 st Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02) 24233861
Ilan Branch	1F., No.16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03) 9352511
Lotung Branch	No.194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03) 9551171
Suao Branch	1F., No.121, Sec. 1, Zhongshan Rd., Su'ao Township, Yilan County 27041, Taiwan (R.O.C.)	(03) 9961116
International Banking Division	2F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25621919
Central Branch	1F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25514256
Trust Division	12F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Offshore Banking Branch	10F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Taipei Branch	No.27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02) 23617211
Chengnei Branch	1F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23113791
Tunhwa Branch	No.71, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682, Taiwan (R.O.C.)	(02) 27849821
Wanhua Branch	No.304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02) 23060201
Shuangyuan Branch	No.312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02) 23042141
Hsimen Branch	No.169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02) 23719271
Peimen Branch	1F., No.19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25586271
Yunglo Branch	1F., No.120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02) 25585151
Chiencheng Branch	1F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25555121
Tatung Branch	No.199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02) 25919113

DOMESTIC OFFICES	ADDRESS	TEL
Min-Sheng Branch	No.54-1, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City 10574, Taiwan (R.O.C.)	(02) 27121311
Chungshan North Rd. Branch	No.111, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10448, Taiwan (R.O.C.)	(02) 25711241
Ching-Kuang Branch	No.609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02) 25950551
Chien-Kuo Branch	No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02) 27033737
Chilin Branch	1F., No.98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02) 25626151
Chang-An E. Rd. Branch	No.23-1, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 10441, Taiwan (R.O.C.)	(02) 25230739
Tungmen Branch	1F., No.139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02) 23921241
Chung-Cheng Branch	1F., No.47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23560000
Kuting Branch	No.25, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02) 23517211
Chung-Hsiao Tung Lu Branch	No.164, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02) 27713151
Yung-Chun Branch	No.1-2, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11071, Taiwan (R.O.C.)	(02) 27682322
Taan Branch	No.177, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 23213214
Heping Branch	No.106, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 10675, Taiwan (R.O.C.)	(02) 33169009
Hsin-Yi Branch	No.155, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 10681, Taiwan (R.O.C.)	(02) 27039081
Jen-Ho Branch	No.31, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02) 27514066
Taipei World Trade Center Branch	3F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)	(02) 27203101
Guanglong Branch	1F., No.78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02) 27207678
Chengtung Branch	No.225, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02) 27153535
Chunglun Branch	1F., No.201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02) 27312211
Fu-Hsing Branch	No.367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02) 27173222
Sung-Chiang Branch	No.261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02) 25024923
Chengde Branch	1F., No.81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02) 28868989
Shihlin Branch	No.21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02) 28822354
Tienmu Branch	1F., No.33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02) 28333232
Sungshan Branch	No.165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02) 27625242
Hsi-Sung Branch	1F., No.213, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10569, Taiwan (R.O.C.)	(02) 27639611
Tung-Taipei Branch	No.126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02) 25704567
Dongxing Branch	1F., No.88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02) 21711115
Hsi-Neihu Branch	1F., No.26, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02) 27978966
Tachih Branch	No.589, Bei' an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02) 25337861
Nei-Hu Branch	No.19, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 26590766
Tung-Hu Branch	1F., No.109, Sec. 6, Miquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02) 27904567
Sinhu Branch	No.180, Xinhua 2 nd Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 27931616
Nankang Branch	No.48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02) 27833456

DOMESTIC OFFICES	ADDRESS	TEL
Nankang Science Industrial Park Branch	2F-3, No.3, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C.)	(02) 26558169
Wufenpu Branch	1F., No.92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02) 27852787
Mucha Branch	No.48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02) 86617377
Bei Tou Branch	1F., No.6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02) 28968585
Hsi-Chih Branch	No.93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02) 26947878
Xike Branch	1F., No.217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02) 21653111
Tanshui Branch	1F., No.211, Sec. 2, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25152, Taiwan (R.O.C.)	(02) 26219998
Juifang Branch	No.38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02) 24972860
Sanchungpu Branch	No.89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02) 29733450
Pei-Sanchungpu Branch	1F., No.68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02) 29823111
Tung-Sanchung Branch	No.303, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24146, Taiwan (R.O.C.)	(02) 29821100
Hsi-Sanchung Branch	No.22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02) 29820221
Nan-Sanchung Branch	No.82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02) 29771234
San Ho Rd. Branch	No.368, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24154, Taiwan (R.O.C.)	(02) 22871441
Luchou Branch	1F., No.86, Sanmin Rd., Luzhou Dist., New Taipei City 24760, Taiwan (R.O.C.)	(02) 22851000
Hsintien Branch	No.135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02) 29141650
Pei Hsin Branch	1F., No.11, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02) 29131071
Chicheng Branch	No.98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02) 22189001
Yunghe Branch	1F., No.69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02) 29243334
Fuho Branch	No.139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02) 29221171
Chunghe Branch	1F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22492711
Shuanghe Branch	No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02) 22259988
Lide Branch	1F., No.142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02) 22239888
Hsinchuang Branch	No.119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02) 29937101
Wugu Industrial Park Branch	No.3-1, Wugong 5 th Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02) 22993311
Nan-Hsinchuang Branch	No.657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02) 29066599
Sy Yuan Branch	No.228, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02) 29967137
Sinshu Branch	1F., No.266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02) 22086767
Taishan Branch	1F., No.111, Quaxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02) 22970809
Linkou Branch	1F., No.46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02) 26010711
New Linkou Branch	1F., No.399, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02) 26085185

DOMESTIC OFFICES	ADDRESS	TEL
Shulin Branch	No.135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02) 26813621
Panchiao Branch	No.22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02) 29628161
Kuang-Fu Branch	No.62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02) 29619181
Chiang Tsui Branch	No.9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02) 22591001
Tucheng Branch	No.45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02) 22691155
Sanhsia Branch	No.89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02) 26711261
Taoyuan Branch	No.73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03) 3346130
Ba De Branch	No.135, Sec. 2, Jiesshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03) 3711222
Pei-Taoyuan Branch	No.189, Yong' an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03) 3320743
Nankan Branch	No.7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03) 3213666
Tung-Linkou Branch	No.235, Fuxing 1st Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03) 3975555
Chungli Branch	1F., No.95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03) 4252101
Pei-Chungli Branch	No.155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03) 4636688
Hsin-Ming Branch	No.2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03) 4941571
Longtan Branch	1F., No.240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03) 4891238
Yangmei Branch	No.158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03) 4783391
Puhsin Branch	No.82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03) 4824935
Hsinchu Branch	No.63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03) 5253151
Pei-Hsinchu Branch	No.110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03) 5339651
Hsinchu Science-based Industrial Park Branch	2F., No.5, Gongye E. 6 th Rd., Science-based Industrial Park, East Dist., Hsinchu City 30077, Taiwan (R.O.C.)	(03) 5770780
Jhubei Branch	1F., No.26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03) 5526898
Chutung Branch	No.43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03) 5962280
Miaoli Branch	No.636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037) 326455
Yuanli Branch	No.35, Weigong Rd., Yuanli Township, Miaoli County 35843, Taiwan (R.O.C.)	(037) 861501
Zhunan Branch	1F., No.110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037) 551751
Tachia Branch	No.405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04) 26878711
Chingshui Branch	1F., No.196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04) 26225151
Shalu Branch	No.52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04) 26358599
Tatu Branch	1F., No.780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04) 26983711
Fengyuan Branch	1F., No.220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04) 25269191
Daya Branch	1F., No.1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04) 25665500
Tantzu Branch	No.199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04) 25322234
Tungshih Branch	No.456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04) 25877160
Wufeng Branch	No.900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04) 23393567
Taipin Branch	No.89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04) 22736789

DOMESTIC OFFICES	ADDRESS	TEL
Tsaotun Branch	No.23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049) 2338101
Nantou Branch	No.72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049) 2226171
Puli Branch	No.73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049) 2983983
Shuilikeng Branch	No.226, Minquan Rd., Shuili Township, Nantou County 55343, Taiwan (R.O.C.)	(049) 2772121
Changhua Branch	1F., No.57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04) 7242101
Dali Branch	1F., No.20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04) 24181558
Lukang Branch	No.137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04) 7773311
Hemei Branch	1F., No.428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04) 7579696
Yuanlin Branch	No.495, Zhongzheng Rd., Yuanlin Township, Changhua County 51041, Taiwan (R.O.C.)	(04) 8322101
Hsihu Branch	No.158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04) 8853471
Peitou Branch	No.172, Sec.1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04) 8882811
Erlin Branch	1F., No.67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04) 8950011
Hsiluo Branch	1F., No.225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05) 5863611
Touliu Branch	No.70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05) 5324116
Tounan Branch	No.100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05) 5974191
Huwei Branch	No.35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05) 6322561
Tukoo Branch	1F., No.308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05) 6621116
Peikang Branch	No.51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05) 7836121
Talin Branch	No.246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05) 2653221
Chiayi Branch	1F., No.386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05) 2278141
Tung-Chiayi Branch	1F., No.832, Xinsheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05) 2712811
Pei-Chiayi Branch	No.290, You'ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05) 2342166
Hsinying Branch	1F., No.150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06) 6323871
Yungkang Branch	No.839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06) 2545386
Chung-Hua Road Branch	No.473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06) 3125318
Guiren Branch	No.218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06) 2391711
Tainan Branch	1F., No.88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06) 2221281
Yenping Branch	No.151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06) 2254161
Hsi-Tainan Branch	No.94, Sec.3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06) 2235141
Tung-Tainan Branch	No.95-1, Sec. 1, Beimen Rd., West Central Dist., Tainan City 70044, Taiwan (R.O.C.)	(06) 2267141
Nan-Tainan Branch	1F., No.655, Sec.1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2263181
Pei-Tainan Branch	No.367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06) 2523450
An-Nan Branch	1F., No.330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06) 3556111
Chishan Branch	1F., No.102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07) 6615481

DOMESTIC OFFICES	ADDRESS	TEL
Kangshan Branch	No.293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07) 6216111
Fengshan Branch	No.264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07) 7470101
Luchu Branch	No.835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07) 6972151
Ta-Fa Branch	No.539, Fenglin 3 rd Rd., Daliao Dist., Kaohsiung City 83152, Taiwan (R.O.C.)	(07) 7824356
Kaohsiung Branch	No.59, Miquan 1 st Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07) 3361620
Chi-Hsien Branch	1F., No.456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2361191
Yencheng Branch	1F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5313181
Tung-Kaohsiung Branch	1F., No.109, Zhongzheng 4 th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07) 2217741
Nan-Kaohsiung Branch	No.13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07) 7158000
Pei-Kaohsiung Branch	No.720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07) 3662566
Zuoying Branch	1F., No.280, Bo'ai 4 th Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07) 3436269
Sanmin Branch	No.157, Hebei 2 nd Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07) 2918131
Hsinhsing Branch	No.139, Zhongzheng 2 nd Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07) 2222200
Chanchen Branch	No.155, Sanduo 3 rd Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07) 3344121
Chiu-Ju Lu Branch	No.7, Jiuru 2 nd Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07) 3123101
Chienhsing Branch	1F., No.1, Yihua Rd., Sanmin Dist., Kaohsiung City 80770, Taiwan (R.O.C.)	(07) 3896789
Po-Ai Branch	No.517, Bo'ai 1 st Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07) 5545151
Lingya Branch	No.2, Siwei 4 th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07) 3353171
Ta-Shun Branch	No.109, Jianguo 1st Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07) 7715101
Pingtung Branch	1F., No.117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08) 7342705
Chaochou Branch	No.38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08) 7883911
Tungkang Branch	No.74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08) 8351521
Hengchun Branch	No.22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08) 8899665
Hualien Branch	No.191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03) 8323961
Taitung Branch	1F., No.226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089) 324311
RC Northern Area 1	2F., No.47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23973801
RC Northern Area 2	3F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22401223
RC Central Area	12F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22601588
RC Southern Area	4F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5219123
Taipei Securities Broker	3F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23619654
Taichung Securities Broker	3F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22660011
Chi-Hsien Securities Broker	3F., No.456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2355658

OVERSEAS UNITS	ADDRESS/E-MAIL	TEL
NEW YORK BRANCH	685 Third Avenue, 29 th Floor, New York, N.Y. 10017, U. S. A.	1-212-6519770
LOS ANGELES BRANCH	333 South Grand Avenue, Suite 2250, Los Angeles, CA 90071, U. S. A.	1-213-6207200
TOKYO BRANCH	Marunouchi Trust Tower Main 7th Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	81-3-32128888
LONDON BRANCH	4 th Floor, 6-8 Tokenhouse Yard, London EC2R 7AS United Kingdom	44-20-76006600
HONG KONG BRANCH	1401, Tower II, The Gateway, 25 Canton Rd., Tsimshatsui, Kowloon, Hong Kong	852-29561212
SINGAPORE BRANCH	1 Finlayson Green #08-00 Singapore 049246	65-65320820
MANILA BRANCH	43/F, Philamlife tower, 8767 Paseo de Roxas Makati City, Metro Manila, 1226, Philippines	63-2-621-0088
YANGON REPRESENTATIVE OFFICE	422/426 Corner of Strand Road and Botahtaung Pagoda Road, #10-02, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-202095

SUBSIDIARIES AND THEIR BRANCHES	ADDRESS/E-MAIL	TEL
CHANG HUA COMMERCIAL BANK, LTD.	No.371, Jiang Dong Middle Road, Jianye District, Nanajing City, Jiangsu Province, P.R.C.	86-025-88811000
CHANG HUA COMMERCIAL BANK, LTD., KUNSHAN BRANCH	1F & 2F, Tower A, 88 Hei Long Jiang North Rd., Kunshan City, Jiangsu Province, P.R.C.	86-512-57367576
CHANG HUA COMMERCIAL BANK, LTD., KUNSHAN HUAQIAO SUB-BRANCH	No.538, Shangyin Rd., Huaqiao Town Kunshan City, Jiangsu Province, P.R.C.	86-512-36690188
CHANG HUA COMMERCIAL BANK, LTD., DONGGUAN BRANCH	Room 801, TBA Tower1, No.11, Dongguan Boulevard, Dong Cheng District, Dongguan City, Guangdong Province, P.R.C.	86-769-23660101
CHANG HUA COMMERCIAL BANK, LTD., FUZHOU BRANCH	No.4.5 14F, 128-1, Wusi Road, Fuzhou, Fujian Province, P.R.C.	86-591-86211320
CHANG HUA COMMERCIAL BANK, LTD., NANJING BRANCH	No.371, Jiang Dong Middle Road, Jianye District, Nanajing City, Jiangsu Province, P.R.C.	86-025-88811000

Chang Hwa Commercial Bank, Ltd.

Chairperson *Joanne Ling*