Chang Hwa Commercial Bank, Ltd.

Financial Statements for the Nine Months Ended September 30, 2017 and 2016 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") as of September 30, 2017 and 2016, and related statements of comprehensive income, for the three months and nine months ended September 30, 2017 and 2016, and the related statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 14, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' review 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' review report and financial statements shall prevail.

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 4, 6 and 36)	$ 55,396,232	3	$ 45,199,330	2	$ 32,140,659	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	171,910,822	8	194,825,223	10	205,612,781	11
Financial assets at fair value through profit or loss (Notes 4 and 7)	15,983,614	1	34,699,024	2	42,531,153	2
Derivative financial assets for hedging (Notes 4 and 12)	250,331	-	86,265	-	235,086	-
Receivables, net (Notes 4, 8 and 9)	25,190,143	1	20,280,261	1	19,453,778	1
Current tax assets (Notes 4 and 30)	19,955	-	56,689	-	50,623	-
Loans, net (Notes 4, 5, 9, 35 and 36)	1,355,396,832	67	1,367,259,890	68	1,298,880,749	67
Available-for-sale financial assets, net (Notes 4, 10 and 37)	81,357,284	4	76,824,866	4	75,335,291	4
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 37)	243,006,468	12	204,864,541	10	204,426,448	10
OTHER FINANCIAL ASSETS, NET						
Financial assets carried at cost (Notes 4 and 13)	4,167,009	-	4,167,009	-	4,167,009	-
Debt investments without active market (Notes 4 and 14)	70,197	-	88,555	-	892,316	-
Other miscellaneous financial assets (Notes 4, 15 and 37)	34,128,270	2	18,842,264	1	18,907,123	1
Other financial assets, net	38,365,476	2	23,097,828	1	23,966,448	1
Property and equipment, net (Notes 4 and 16)	20,679,281	1	20,801,823	1	20,802,934	1
Investment property, net (Notes 4 and 17)	13,749,049	1	13,753,981	1	13,755,321	1
Intangible assets, net (Notes 4 and 18)	416,721	-	423,465	-	432,663	-
Deferred tax assets (Notes 4 and 30)	2,606,581	-	2,447,734	-	2,261,993	-
Other assets, net (Notes 19, 32 and 37)	735,312	-	530,584	-	599,810	-
TOTAL	$ 2,025,064,101	100	$ 2,005,151,504	100	$ 1,940,485,737	100
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Notes 4, 20 and 36)	$ 115,213,945	6	$ 139,162,582	7	$ 134,922,580	7
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	14,488,947	1	18,093,146	1	23,003,159	1
Securities sold under repurchase agreements (Note 4)	3,046,951	-	2,954,981	-	3,343,285	-
Payables (Notes 4, 21 and 28)	28,444,378	2	33,834,971	2	29,086,403	2
Current tax liabilities (Notes 4 and 30)	570,665	-	550,984	-	370,822	-
Deposits and remittances (Notes 4, 22 and 36)	1,660,624,776	82	1,624,429,817	81	1,565,172,801	81
Bank note payables (Notes 4 and 23)	41,745,036	2	31,375,226	2	31,524,608	2
Other financial liabilities (Notes 4 and 24)	3,278,193	-	2,718,964	-	2,362,139	-
Reserve for liabilities (Notes 4, 5 and 26)	4,337,796	-	4,524,224	-	4,271,183	-
Deferred tax liabilities (Notes 4 and 30)	6,814,540	-	6,672,201	-	6,615,449	-
Other liabilities (Notes 4, 25 and 32)	3,446,000	-	3,310,883	-	3,883,064	-
Total liabilities	1,882,011,227	93	1,867,627,979	93	1,804,555,493	93
EQUITY (Notes 4, 28 and 30)						
Capital stock						
Common stock	94,130,007	5	89,647,626	5	89,647,626	5
Retained earnings						
Legal reserve	27,410,736	1	23,784,945	1	23,784,945	1
Special reserve	12,080,950	1	12,020,521	1	12,020,521	1
Unappropriated earnings	9,390,956	-	11,970,239	-	9,402,069	-
Other equity						
Exchange differences on translation of foreign financial statements	(894,167)	-	(8,125)	-	(181,924)	-
Unrealized gains on available-for-sale financial assets	934,392	-	108,319	-	1,257,007	-
Total equity	143,052,874	7	137,523,525	7	135,930,244	7
TOTAL	$ 2,025,064,101	100	$ 2,005,151,504	100	$ 1,940,485,737	100

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

(With Deloitte & Touche review report dated November 14, 2017)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29 and 36)	$ 8,838,363	113	$ 7,982,222	101	$ 25,621,856	111	$ 24,398,786	105
INTEREST EXPENSES (Notes 29 and 36)	(3,052,406)	(39)	(2,568,251)	(33)	(8,752,549)	(38)	(8,217,606)	(35)
NET INTEREST INCOME	5,785,957	74	5,413,971	68	16,869,307	73	16,181,180	70
NET INCOME OTHER THAN NET INTEREST INCOME								
Net service fee and commission income (Notes 4 and 29)	1,207,919	15	1,411,421	18	3,688,282	16	4,114,458	18
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 29)	414,628	5	475,023	6	1,647,700	7	1,713,191	7
Realized gains on available-for-sale financial assets (Notes 4 and 29)	171,472	2	201,483	3	340,173	2	333,796	1
Foreign exchange gains (losses) (Notes 4 and 34)	121,348	2	41,248	-	9,137	-	(41,549)	-
Other miscellaneous net income (Note 12)	158,698	2	364,766	5	434,369	2	906,218	4
Net income other than net interest income	2,074,065	26	2,493,941	32	6,119,661	27	7,026,114	30
NET REVENUE AND GAINS	7,860,022	100	7,907,912	100	22,988,968	100	23,207,294	100
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9)	528,697	6	(382,484)	(5)	117,349	-	(855,902)	(4)
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 29)	(3,050,821)	(39)	(2,536,259)	(32)	(8,121,527)	(35)	(7,613,577)	(33)
Depreciation and amortization expenses (Notes 4 and 29)	(182,062)	(2)	(180,558)	(2)	(536,303)	(2)	(538,777)	(2)
Other general and administrative expenses	(1,111,569)	(14)	(1,063,105)	(14)	(3,302,681)	(15)	(3,272,623)	(14)
Total operating expenses	(4,344,452)	(55)	(3,779,922)	(48)	(11,960,511)	(52)	(11,424,977)	(49)
INCOME BEFORE INCOME TAX	4,044,267	51	3,745,506	47	11,145,806	48	10,926,415	47
INCOME TAX EXPENSE (Notes 4 and 30)	(645,752)	(8)	(499,777)	(6)	(1,791,286)	(8)	(1,610,719)	(7)
NET INCOME	3,398,515	43	3,245,729	41	9,354,520	40	9,315,696	40

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 4)	$ 42,297	1	$ (665,062)	(9)	$ (989,548)	(4)	$ (1,061,827)	(4)
Unrealized gains on available-for-sale financial assets (Note 4)	91,934	1	290,372	4	838,789	4	1,025,480	4
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	(16,935)	-	86,225	1	90,790	-	135,999	1
Other comprehensive income (loss) for the period, net of income tax	117,296	2	(288,465)	(4)	(59,969)	-	99,652	1
TOTAL COMPREHENSIVE INCOME	$ 3,515,811	45	$ 2,957,264	37	$ 9,294,551	40	$ 9,415,348	41
EARNINGS PER SHARE (Note 31)								
Basic	$ 0.36		$ 0.34		$ 0.99		$ 0.99	
Diluted	$ 0.36		$ 0.34		$ 0.99		$ 0.99	

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

(With Deloitte & Touche review report dated November 14, 2017) (Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock		Retained Earnings			Other Equity		
	Common Stocks (Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2016	8,457,323	$ 84,573,232	$ 20,291,944	$ 12,020,521	$ 11,613,831	$ 733,874	$ 241,557	$ 129,474,959
Appropriation of 2015 earnings								
Legal reserve	-	-	3,493,001	-	(3,493,001)	-	-	-
Cash dividends	-	-	-	-	(2,960,063)	-	-	(2,960,063)
Stock dividends	507,439	5,074,394	-	-	(5,074,394)	-	-	-
Net income for the nine months ended September 30, 2016	-	-	-	-	9,315,696	-	-	9,315,696
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of tax	-	-	-	-	-	(915,798)	1,015,450	99,652
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	9,315,696	(915,798)	1,015,450	9,415,348
BALANCE, SEPTEMBER 30, 2016	8,964,762	$ 89,647,626	$ 23,784,945	$ 12,020,521	$ 9,402,069	$ (181,924)	$ 1,257,007	$ 135,930,244
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								
Legal reserve	-	-	3,625,791	-	(3,625,791)	-	-	-
Special reserve	-	-	-	60,429	(60,429)	-	-	-
Cash dividends	-	-	-	-	(3,765,202)	-	-	(3,765,202)
Stock dividends	448,239	4,482,381	-	-	(4,482,381)	-	-	-
Net income for the nine months ended September 30, 2017	-	-	-	-	9,354,520	-	-	9,354,520
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of tax	-	-	-	-	-	(886,042)	826,073	(59,969)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	9,354,520	(886,042)	826,073	9,294,551
BALANCE, SEPTEMBER 30, 2017	9,413,001	$ 94,130,007	$ 27,410,736	$ 12,080,950	$ 9,390,956	$ (894,167)	$ 934,392	$ 143,052,874

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

(With Deloitte & Touche review report dated November 14, 2017)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 11,145,806	$ 10,926,415
Non-cash (income and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	(117,349)	855,902
Depreciation expenses	403,976	418,961
Amortization expenses	132,327	119,816
Interest income	(25,621,856)	(24,398,786)
Interest expenses	8,752,549	8,217,606
Dividends income	(365,954)	(789,842)
Net gain on financial assets and liabilities at fair value through profit or loss	(1,442,140)	(124,808)
Gain on disposal of investments	(210,189)	(190,031)
Unrealized foreign exchange gains	(205,560)	(1,588,383)
Other adjustments	38,350	(283,576)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	7,344,733	(24,036,510)
Decrease in financial assets at fair value through profit or loss	16,063,325	1,128,802
Increase in receivables	(5,020,778)	(489,494)
Decrease in loans	12,077,962	22,509,664
Increase in available-for-sale financial assets	(2,216,601)	(5,480,629)
(Increase) decrease in held-to-maturity financial assets	(38,141,927)	1,350,865
(Increase) decrease in other financial assets	(15,327,986)	7,762,717
Increase in other assets	(206,938)	(247,152)
Decrease in due to the Central Bank and banks	(5,132,688)	(4,184,198)
Increase in deposits and remittances	36,194,959	17,433,090
(Decrease) increase in payables	(5,883,814)	5,968,842
Increase in financial liabilities at fair value through profit or loss	491,867	1,440,315
Decrease in reserve for liabilities	(157,699)	(177,042)
Increase in other financial liabilities	559,229	1,286,943
Increase in other liabilities	154,039	653,121
Cash flows (used in) generated from operations	(6,692,357)	18,082,608
Interest received	24,584,764	24,149,958
Dividends received	365,954	782,812
Interest paid	(8,257,178)	(8,269,394)
Income taxes paid	(1,697,323)	(1,174,504)
Income taxes refunded	25,251	-
Net cash flows generated from operating activities	8,329,111	33,571,480

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (301,994)	$ (203,462)
Acquisition of investment property	-	(800)
Acquisition of intangible assets	(121,154)	(47,275)
Proceeds from disposal of property and equipment	-	38
Net cash used in investing activities	(423,148)	(251,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and call loans from banks	(18,815,949)	11,201,710
Proceeds from issuance of bank notes	10,200,000	6,300,000
Repayment of bank notes	-	(9,694,000)
Cash dividends distributed	(3,765,202)	(2,960,063)
Increase (decrease) in securities sold under repurchase agreements	91,970	(1,268,762)
Net cash (used in) generated from financing activities	(12,289,181)	3,578,885
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(989,548)	(1,061,827)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,372,766)	35,837,039
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	167,977,705	118,700,025
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 162,604,939	$ 154,537,064

	September 30	
	2017	2016
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	$ 55,396,232	$ 32,140,659
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	107,208,707	122,396,405
Cash and cash equivalents at end of period	$ 162,604,939	$ 154,537,064

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

(With Deloitte & Touche review report dated November 14, 2017) (Concluded)

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on November 14, 2017.

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

1) IFRS 9 “Financial Instruments” and related amendment

Recognition and measurement of financial assets

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

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

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

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

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

Classification and measurement of the financial assets held by the Bank will be changed with the application of IFRS 9. As of the date the financial statements were authorized for issue, the Bank is continuously assessing the classification and measurement of the financial assets held by the Bank, and will disclose the relevant impact when the assessment is completed.

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

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

Hedge accounting

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17"Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

1) IFRS 16 “Leases”

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

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

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

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

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

3) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that the reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Bank shall apply the amendments retrospectively. However, the Bank may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim 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 IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

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

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

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the Bank's financial statements for the year ended December 31, 2016.

1) Financial instruments

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

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

a) Financial assets

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

i. Measurement category

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

i) Financial assets at fair value through profit or loss

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

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

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

- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or

- The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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

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

ii) Held-to-maturity investments

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

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

iii) Available-for-sale financial assets

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

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

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

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

iv) Loans and receivables

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

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

ii. Impairment of financial assets

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

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

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

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

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

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

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

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

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

iii. Derecognition of financial assets

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

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

b) Equity instruments

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

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

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

c) Financial liabilities

i. Subsequent measurement

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

i) Financial liabilities at fair value through profit or loss

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

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

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

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

- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

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

ii) Financial guarantee contracts

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

ii. Derecognition of financial liabilities

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

d) Derivative financial instruments

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

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

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

2) Revenue recognition

a) Dividend and interest income

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

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

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

b) Service fee

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

3) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the summary of the critical accounting judgments and key sources of estimation uncertainty, refer to the Bank's financial statements for the year ended December 31, 2016.

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

a. Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	$ 10,573,417	$ 11,036,052	$ 10,566,330
Checks for clearing	4,268,116	17,454,559	6,837,200
Due from banks	39,041,009	15,083,232	13,281,158
Foreign currencies on hand	1,513,690	1,625,487	1,455,971
	$ 55,396,232	$ 45,199,330	$ 32,140,659

Refer to the statement of cash flows for the cash and cash equivalents reconciliation information as of September 30, 2017 and 2016. Cash and cash equivalents as of December 31, 2016 as shown in the statement of cash flows can be reconciled to the related items in the balance sheets as follows:

	December 31, 2016
Cash and cash equivalents	$ 45,199,330
Call loans to banks	122,778,375
	$ 167,977,705

b. Due from Central Bank and call loans to banks

	September 30, 2017	December 31, 2016	September 30, 2016
Call loans to banks	$ 107,208,707	$ 122,778,375	$ 122,396,405
Reserve for checking accounts	17,681,906	25,184,329	36,847,951
Reserve for demand accounts	41,915,034	39,605,276	39,123,901
Reserve for foreign deposits	431,290	401,760	371,176
Others	4,673,885	6,855,483	6,873,348
	$ 171,910,822	$ 194,825,223	$ 205,612,781

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets designated as at FVTPL			
Interest rate-linked combination instruments	$ 5,198,747	$ 5,448,301	$ 5,569,464
Derivative financial assets (not applying hedge accounting)			
Futures	184,193	77,803	78,323
Forward exchange contracts	141,163	221,512	295,238
Interest rate swaps	1,139,241	1,464,398	1,316,266
Cross-currency swaps	669,524	922,514	1,051,355
Currency swaps	1,282,573	3,340,446	2,513,374
Currency call option premiums	170,409	346,116	686,091
Non-derivative financial assets			
Investments in bills	5,290,762	20,970,079	26,209,950
Domestic listed stocks	69,622	-	35,336
Mutual funds	31,652	190,941	203,256
Government bonds	1,805,728	1,700,629	4,084,023
Corporate bonds and bank notes	-	16,285	488,477
	10,784,867	29,250,723	36,961,689
	$ 15,983,614	$ 34,699,024	$ 42,531,153

The par values of bonds and notes provided for transactions with repurchase agreements were $465,700 thousand, $982,300 thousand and $810,800 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

Financial Liabilities at FVTPL

	September 30, 2017	December 31, 2016	September 30, 2016
Financial liabilities designated as at FVTPL			
Unsecured U.S. dollar-denominated bank notes	$ 12,213,027	$ 12,606,694	$ 16,883,645
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	64,748	259,933	65,142
Interest rate swaps	736,807	1,415,178	751,562
Cross-currency swaps	373,433	1,104,589	1,376,018
Currency swaps	927,890	2,357,964	3,237,067
Currency put option premiums	173,042	348,788	689,725
	2,275,920	5,486,452	6,119,514
	$ 14,488,947	$ 18,093,146	$ 23,003,159

a. The unsecured U.S. dollar-denominated bank notes issued by the Bank were as follows:

1) Note A, 20-year term, US$140,000 thousand, issued at par value with no interest payment, callable 2 years after issue date with interest payment, maturity: 2034.12.19. The note was redeemed on December 19, 2016.

2) Note B, 20-year term, US$100,000 thousand, issued at par value with no interest payment, callable 3 years after issue date with interest payment, maturity: 2034.12.18.

3) Note C, 20-year term, US$260,000 thousand, issued at par value with no interest payment, callable 5 years after issue date with interest payment, maturity: 2034.12.17.

b. The Bank designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce a measurement or recognition inconsistency. During the nine months ended September 30, 2017, there was no amount of changes in fair value attributable to changes in the credit risk of the bank notes mentioned above.

The Bank entered into derivative contracts during the nine months ended September 30, 2017 and 2016 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Currency swaps	$ 284,572,366	$ 363,182,300	$ 397,575,638
Currency options	71,820,131	117,144,777	142,409,370
Forward exchange contracts	21,648,236	27,481,811	22,306,887
Interest rate swaps	427,356,840	412,196,722	354,329,806
Cross-currency swaps	16,346,895	52,851,494	55,912,191

8. RECEIVABLES, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts receivable	$ 13,845,234	$ 8,990,029	$ 10,325,380
Revenue receivables	995	3,316	1,430
Interest receivables	3,350,931	3,395,881	2,780,237
Acceptance receivables	4,566,549	5,589,590	4,082,957
Credit card receivables	1,954,636	1,766,729	1,700,552
Settlement prices	244,520	426,554	507,550
Settlement price receivables	211,087	582,536	172,099
Other receivables	1,599,696	98,657	174,363
Less allowance for receivables	(583,505)	(573,031)	(290,790)
	$ 25,190,143	$ 20,280,261	$ 19,453,778

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

9. LOANS, NET

a. The details of loans are as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Negotiated	$ 5,399,663	$ 6,139,403	$ 5,133,216
Overdraft	1,460,919	1,531,820	1,320,887
Short-term loans	354,479,500	358,167,831	321,760,183
Receivable amount for margin loans	344,709	259,931	297,285
Medium-term loans	442,985,996	467,363,994	444,000,801
Long-term loans	562,980,624	546,771,155	538,972,112
Delinquent loans	4,231,753	3,148,731	3,173,684
	1,371,883,164	1,383,382,865	1,314,658,168
Less allowance for loan losses	(16,486,332)	(16,122,975)	(15,777,419)
	$ 1,355,396,832	$ 1,367,259,890	$ 1,298,880,749

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

	For the Nine Months Ended September 30, 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	4,563	2,441,566	10,672	2,456,801
Provision for loan losses	65,946	(214,904)	60,338	(88,620)
Loans written off	(34,920)	(1,713,597)	(44,028)	(1,792,545)
Others	(25,115)	(149,708)	-	(174,823)
Balance, September 30, 2017	$ 583,505	$ 16,486,332	$ 52,919	$ 17,122,756

	For the Nine Months Ended September 30, 2016			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2016	$ 100,649	$ 16,134,892	$ 45,040	$ 16,280,581
Recovery of loans written off	771	882,167	7,660	890,598
Provision for loan losses	205,789	543,950	17,684	767,423
Loans written off	(22,915)	(1,654,141)	(45,558)	(1,722,614)
Others	6,496	(129,449)	1,571	(121,382)
Balance, September 30, 2016	$ 290,790	$ 15,777,419	$ 26,397	$ 16,094,606

The delinquent loans of which the accrual of interest income was stopped internally as of September 30, 2017, December 31, 2016 and September 30, 2016 were $4,231,753 thousand, $3,148,731 thousand and $3,173,684 thousand, respectively. The interest income on delinquent loans not accrued in the nine months ended September 30, 2017 and 2016 were $84,741 thousand and $63,553 thousand, respectively.

The Bank did not write off any loans without legal claim process in the nine months ended September 30, 2017 and 2016.

c. Details of provision for loan losses for the three months and nine months ended September 30, 2017 and 2016 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Provision (reversal) for receivable and loan (including delinquent loan) losses	$ (532,847)	$ 337,730	$ (88,620)	$ 767,423
Provision (reversal) for guarantees	4,150	44,754	(28,729)	88,479
	$ (528,697)	$ 382,484	$ (117,349)	$ 855,902

d. Details of receivables and allowance for loan accounts as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

Receivables

Item		**Total Receivable**		
		September 30, 2017	**December 31, 2016**	**September 30, 2016**
Objective evidence of impairment	Individual assessment of impairment	$ 392,829	$ 438,101	$ 136,106
	Combined assessment of impairment	71,782	50,980	59,073
None objective evidence of impairment	Combined assessment of impairment	25,309,037	20,364,211	19,549,389
Total		$ 25,773,648	$ 20,853,292	$ 19,744,568

Item		**Total Allowance**		
		September 30, 2017	**December 31, 2016**	**September 30, 2016**
Objective evidence of impairment	Individual assessment of impairment	$ 378,220	$ 398,440	$ 107,871
	Combined assessment of impairment	37,247	18,182	25,401
None objective evidence of impairment	Combined assessment of impairment	168,038	156,409	157,518
Total		$ 583,505	$ 573,031	$ 290,790

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

Loans

Item		Total Loans		
		September 30, 2017	December 31, 2016	September 30, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 9,504,083	$ 9,219,054	$ 9,376,930
	Combined assessment of impairment	3,637,027	3,690,862	3,649,854
None objective evidence of impairment	Combined assessment of impairment	1,358,742,054	1,370,472,949	1,301,631,384
Total		$ 1,371,883,164	$ 1,383,382,865	$ 1,314,658,168

Item		Total Allowance		
		September 30, 2017	December 31, 2016	September 30, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 4,300,383	$ 3,322,891	$ 4,355,433
	Combined assessment of impairment	835,413	1,032,540	1,030,668
None objective evidence of impairment	Combined assessment of impairment	11,350,536	11,767,544	10,391,318
Total		$ 16,486,332	$ 16,122,975	$ 15,777,419

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Domestic quoted stocks	$ 3,717,383	$ 2,993,065	$ 3,126,506
Government bonds	27,241,543	27,813,944	26,378,138
Corporate bonds	15,185,980	12,418,531	12,820,093
Bank notes	32,723,187	31,719,418	32,066,422
Bonds issued by international organizations	894,407	229,325	235,226
Investment in bills	1,594,784	1,650,583	708,906
	$ 81,357,284	$ 76,824,866	$ 75,335,291

The par values of bonds provided for transactions with repurchase agreements were $2,339,900 thousand, $1,813,100 thousand and $2,308,200 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

Government bonds placed as deposits in courts were $304,900 thousand, $421,200 thousand and $304,200 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively. Government bonds placed as operating deposits were all $330,000 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016. Government bonds placed as reserve fund for trust compensation were all $170,000 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016. Government bonds pledged for call loans from banks were all $5,000,000 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016.

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Investment in bills	$ 231,853,662	$ 190,725,273	$ 189,250,106
Bank notes	1,874,649	2,645,392	2,658,763
Corporate bonds	9,065,994	10,524,271	11,573,936
Government bonds	212,163	969,605	943,643
	$ 243,006,468	$ 204,864,541	$ 204,426,448

The overseas branches' bonds as collateral for operations as of September 30, 2017, December 31, 2016 and September 30, 2016 were $488,512 thousand, $519,687 thousand and $504,470 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were all $36,000,000 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016. Certificate of deposits which was issued by the Central Bank pledged for call loans from banks were all $300,000 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016.

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

12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2017	December 31, 2016	September 30, 2016
Derivative financial assets under hedge accounting			
Fair value hedges - interest rate swaps	$ 250,331	$ 86,265	$ 235,086

The Bank used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes the interest rate swaps are highly effective hedging instruments. The nominal principal amount of the outstanding interest rate swaps of the Bank at the end of September 30, 2017, December 31, 2016 and September 30, 2016 were $8,200,000 thousand, $5,200,000 thousand and $5,200,000 thousand, respectively.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the nine months ended September 30, 2017 and 2016, the swaps were effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the fixed-rate borrowings was adjusted by $245,036 thousand, $75,226 thousand and $224,608 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transaction was as follows:

a. Hedging type: Fair value hedging.

b. Hedging objective: To minimize risks of the Bank from the variation of fair value due to fluctuation of interest rate, by converting fixed-rate note to floating-rate note.

c. Hedging method: By signing interest rate swap contract.

d. Hedging effect: The actual offset result is within 80%-125%, which has met the hedging accounting criterion suggested in IFRSs. The realized gain or loss from hedging tools was $37,886 thousand and $(9,526) thousand for the three months ended September 30, 2017 and 2016, respectively, and $211,348 thousand and $72,823 thousand for the nine months ended September 30, 2017 and 2016, respectively, and the realized gain or loss from fair-value hedging was $(22,708) thousand and $36,646 thousand, accounted for as other non-interest net income and losses, for the three months ended September 30, 2017 and 2016, respectively, and the realized loss from fair-value hedging was $(169,810) thousand and $(41,028) thousand, accounted for as other non-interest net income and losses, for the nine months ended September 30, 2017 and 2016, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2017	December 31, 2016	September 30, 2016
Domestic unquoted common stocks	$ 4,167,009	$ 4,167,009	$ 4,167,009

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

14. BOND INVESTMENT WITH NO ACTIVE MARKET

	September 30, 2017	December 31, 2016	September 30, 2016
Beneficiary securities and asset based securities	$ 70,197	$ 88,555	$ 92,316
Corporate bonds	-	-	800,000
	$ 70,197	$ 88,555	$ 892,316

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Inward remittance	$ 1,190	$ 11,953	$ 11,313
Delinquent loans reclassified from other accounts (excluding loans)	90,324	43,094	42,635
Call loans to securities company	151,300	161,100	-
Time deposits with original maturity more than 3 months	33,938,375	18,652,054	18,879,572
Less allowance for loan losses	(52,919)	(25,937)	(26,397)
	$ 34,128,270	$ 18,842,264	$ 18,907,123

The market rates of time deposits with original maturity more than 3 months were 1.75%-5.40% and 1.26%-3.60% for the nine months ended September 30, 2017 and 2016, respectively. Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

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

16. PROPERTY AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building and Equipment	Total
Cost									
Balance at January 1, 2017	$ 14,657,121	$ 9,108,129	$ 4,652,958	$ 708,565	$ 1,430,509	$ 945,920	$ 4,253	$ 53,494	$ 31,560,949
Additions	-	34,299	110,166	18,942	40,746	52,875	422	44,544	301,994
Disposals	-	-	(90,135)	(8,767)	(19,846)	(23,935)	-	-	(142,683)
Reclassification	-	-	8,087	3,667	-	-	(3,668)	(12,915)	(4,829)
Effect of foreign currency exchange differences	-	(11,859)	(3,294)	(620)	(2,128)	(5,792)	-	(1,722)	(25,415)
Balance at September 30, 2017	$ 14,657,121	$ 9,130,569	$ 4,677,782	$ 721,787	$ 1,449,281	$ 969,068	$ 1,007	$ 83,401	$ 31,690,016
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	-	134,266	162,439	33,536	35,742	32,870	191	-	399,044
Disposals	-	-	(88,668)	(8,643)	(19,359)	(23,492)	-	-	(140,162)
Reclassification	-	-	-	2,037	-	-	(2,037)	-	-
Effect of foreign currency exchange differences	-	(349)	(1,714)	(322)	(1,528)	(3,360)	-	-	(7,273)
Balance at September 30, 2017	$ -	$ 4,247,562	$ 4,058,955	$ 597,574	$ 1,288,762	$ 817,562	$ 320	$ -	$ 11,010,735
Carrying amounts at September 30, 2017	$ 14,657,121	$ 4,883,007	$ 618,827	$ 124,213	$ 160,519	$ 151,506	$ 687	$ 83,401	$ 20,679,281
Cost									
Balance at January 1, 2016	$ 15,880,100	$ 9,050,292	$ 5,206,912	$ 619,887	$ 1,498,860	$ 943,230	$ 112,232	$ 16,487	$ 33,328,000
Additions	-	45,911	94,287	11,811	25,556	9,616	-	16,281	203,462
Disposals	-	-	(640,129)	(16,707)	(28,594)	(15,341)	-	-	(700,771)
Reclassification	(1,222,979)	(537)	5,639	62,180	(5,752)	-	(62,066)	(4,890)	(1,228,405)
Effect of foreign currency exchange differences	-	(9,196)	(2,440)	(540)	(2,189)	(1,611)	-	(775)	(16,751)
Balance at September 30, 2016	$ 14,657,121	$ 9,086,470	$ 4,664,269	$ 676,631	$ 1,487,881	$ 935,894	$ 50,166	$ 27,103	$ 31,585,535
Accumulated depreciation and impairment									
Balance at January 1, 2016	$ -	$ 3,935,920	$ 4,456,913	$ 508,359	$ 1,337,117	$ 781,551	$ 55,132	$ -	$ 11,074,992
Depreciation expense	-	133,500	174,223	28,475	34,151	37,168	6,478	-	413,995
Disposals	-	-	(640,129)	(16,703)	(28,593)	(15,341)	-	-	(700,766)
Reclassification	-	(537)	3,733	34,506	(3,758)	-	(34,482)	-	(538)
Effect of foreign currency exchange differences	-	(167)	(1,063)	(291)	(1,786)	(1,775)	-	-	(5,082)
Balance at September 30, 2016	$ -	$ 4,068,716	$ 3,993,677	$ 554,346	$ 1,337,131	$ 801,603	$ 27,128	$ -	$ 10,782,601
Carrying amounts at September 30, 2016	$ 14,657,121	$ 5,017,754	$ 670,592	$ 122,285	$ 150,750	$ 134,291	$ 23,038	$ 27,103	$ 20,802,934

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

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

17. INVESTMENT PROPERTIES

	September 30, 2017	December 31, 2016	September 30, 2016
Completed investment properties	$ 13,749,049	$ 13,753,981	$ 13,755,321

	Completed Investment Property
Cost	
Balance at January 1, 2016	$ 12,873,554
Reclassification	1,223,516
Additions	800
Disposals	(2,104)
Balance at September 30, 2016	$ 14,095,766
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 337,045
Reclassification	537
Depreciation expense	4,966
Disposals	(2,103)
Balance at September 30, 2016	$ 340,445
Carrying amounts at September 30, 2016	$ 13,755,321

Except for depreciation recognized, the Bank had no significant additions, disposals, and impairment of investment properties during the nine months ended September 30, 2017 and 2016. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

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

The fair value of the Bank's investment properties were $26,269,911 thousand, $28,823,698 thousand and $28,823,375 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively. The fair value valuation was not performed by independent qualified professional valuers; the Bank used the valuation method that market participants would use in determining the fair value and the valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The rental incomes and direct operating expenses generated by the investment properties for the three months and nine months ended September 30, 2017 and 2016 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Rental incomes	$ 46,205	$ 48,477	$ 137,082	$ 137,205
Direct operating expenses	$ 29,873	$ 23,230	$ 89,686	$ 68,632

18. INTANGIBLE ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Computer software	$ 416,721	$ 423,465	$ 432,663

	Computer Software
Cost	
Balance at January 1, 2017	$ 423,465
Additions	121,154
Amortization	(132,266)
Reclassification	4,828
Effect of foreign currency exchange differences	(460)
Balance at September 30, 2017	$ 416,721
Balance at January 1, 2016	$ 500,710
Additions	47,275
Amortization	(119,698)
Reclassification	4,889
Effect of foreign currency exchange differences	(513)
Balance at September 30, 2016	$ 432,663

Except for amortization recognized, the Bank had no significant additions, disposals, and impairment of intangible assets during the nine months ended September 30, 2017.

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

19. OTHER ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Refundable deposits	$ 335,850	$ 284,790	$ 220,584
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	399,261	245,534	378,947
Others	201	260	279
	$ 735,312	$ 530,584	$ 599,810

20. DUE TO BANKS AND CENTRAL BANK

	September 30, 2017	December 31, 2016	September 30, 2016
Due to Central Bank	$ 26,408	$ 25,087	$ 26,716
Due to banks	22,626,602	27,576,736	26,446,799
Bank overdraft	764,318	294,424	765,255
Call loans from banks	89,749,130	109,034,973	105,387,030
Deposits transferred from the Postal Bureau	2,047,487	2,231,362	2,296,780
	$ 115,213,945	$ 139,162,582	$ 134,922,580

21. PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Checks issued to payees for clearing	$ 8,501,499	$ 18,236,396	$ 10,664,003
Accounts payable	2,514,702	1,411,016	1,431,457
Accrued expenses	2,186,794	2,567,345	1,764,238
Interest payable	2,193,632	1,700,411	1,820,329
Acceptances	4,600,429	6,186,691	4,114,852
Others	8,447,322	3,733,112	9,291,524
	$ 28,444,378	$ 33,834,971	$ 29,086,403

22. DEPOSITS

	September 30, 2017	December 31, 2016	September 30, 2016
Checking deposits	$ 31,913,587	$ 42,574,915	$ 33,030,228
Demand deposits	415,108,928	394,963,376	381,189,180
Time deposits	373,847,686	351,997,282	328,222,977
Negotiable certificates of deposit	6,789,252	6,209,967	6,184,996
Savings deposits	832,031,650	827,332,235	815,415,201
Remittances	933,673	1,352,042	1,130,219
	$ 1,660,624,776	$ 1,624,429,817	$ 1,565,172,801

23. BANK NOTES PAYABLE

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

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

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

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

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

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

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

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

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

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

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

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

Bank Note, Interest Rate and Maturity Date	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
Hedged financial liabilities at fair value			
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	$ 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	3,000,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	-	-
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	-	-
Valuation adjustment	245,036	75,226	224,608
	8,445,036	5,275,226	5,424,608
Non-hedged bank notes payable			
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	5,000,000
100-1 Note A, 7-year terms, interest payable annually, interest rate 1.65%, maturity date: March 11, 2018	2,200,000	2,200,000	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	1,100,000
100-2, 10-year terms, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	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	2,300,000

(Continued)

Bank Note, Interest Rate and Maturity Date	September 30, 2017	December 31, 2016	September 30, 2016
103-1 Note C, 10-year terms, interest payable annually, floating rate, maturity date: April 16, 2024	$ 2,500,000	$ 2,500,000	$ 2,500,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	3,000,000	-
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	3,300,000	3,300,000
106-1 Note A, 7-year terms, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	-	-
106-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	-	-
	33,300,000	26,100,000	26,100,000
	$ 41,745,036	$ 31,375,226	$ 31,524,608

(Concluded)

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

24. OTHER FINANCIAL LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Principal structured products	$ 2,963,955	$ 2,410,781	$ 2,065,205
Appropriations for loan funds	313,803	307,807	295,509
Lease payables	435	376	1,425
	$ 3,278,193	$ 2,718,964	$ 2,362,139

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

25. OTHER LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Unearned revenue	$ 827,404	$ 899,770	$ 912,646
Guarantee deposits	2,589,866	2,387,785	2,934,052
Deferred income	28,730	23,328	36,366
	$ 3,446,000	$ 3,310,883	$ 3,883,064

26. PROVISIONS

	September 30, 2017	December 31, 2016	September 30, 2016
Reserve for employee benefits	$ 3,828,429	$ 3,985,854	$ 3,742,928
Reserve for guarantee liabilities	509,043	538,370	527,987
Others	324	-	268
	$ 4,337,796	$ 4,524,224	$ 4,271,183

a. For the details of the reserve for employee benefits, refer to Note 27.

b. Under guidelines of Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, reserve for guarantees was allocated based on the status of the loan collateral and the length of time overdue. Except for provision, the reserve for guarantees of the Bank had no significant changes for the nine months ended September 30, 2017 and 2016.

27. RETIREMENT BENEFIT PLANS

Employee benefits expenses in respect of the Bank's defined benefit retirement plans were calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2016 and 2015 and the amount for the three months and nine months ended September 30, 2017 and 2016 were $81,980 thousand, $87,736 thousand, $247,701 thousand and $253,320 thousand, respectively.

28. EQUITY

a. Capital stock

Common stock

	September 30, 2017	December 31, 2016	September 30, 2016
Number of stocks authorized (in thousands)	10,000,000	9,000,000	9,000,000
Stocks authorized	$ 100,000,000	$ 90,000,000	$ 90,000,000
Number of stocks issued and fully paid (in thousands)	9,413,001	8,964,762	8,964,762
Stocks issued	$ 94,130,007	$ 89,647,626	$ 89,647,626

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

As of January 1, 2015, the Bank's authorized and registered capital was $90,000,000 thousand divided into 9,000,000 thousand shares at $10 par value; the total paid-in capital was $84,573,232 thousand. In August 2017, the Bank increased its registered capital by $10,000,000 thousand. In August 2017 and 2016, the Bank resolved capitalization of earnings and increased its paid-in capital by $4,482,381 thousand and $5,074,394 thousand, respectively. The amount of the Bank's authorized and registered capital at September 30, 2017 and 2016 were $100,000,000 thousand and $90,000,000 thousand divided into 10,000,000 thousand shares and 9,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were $94,130,007 thousand and $89,647,626 thousand, divided into 9,413,001 thousand outstanding shares and 8,964,762 thousand outstanding shares, respectively, at $10 par value.

b. Distribution of earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

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

c. Special reserve

	September 30, 2017	December 31, 2016	September 30, 2016
Special reserves appropriated following first-time adoption of IFRSs	$ 11,778,829	$ 11,778,829	$ 11,778,829
Others	302,121	241,692	241,692
	$ 12,080,950	$ 12,020,521	$ 12,020,521

29. NET INCOME

a. Net interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest income				
Loans	$ 7,027,719	$ 6,641,499	$ 20,706,121	$ 20,319,406
Due from and call loans to banks	997,079	566,629	2,596,065	1,679,693
Investment in marketable securities	770,994	739,104	2,210,919	2,300,917
Others	42,571	34,990	108,751	98,770
	8,838,363	7,982,222	25,621,856	24,398,786
Interest expense				
Deposits	(2,457,144)	(2,179,077)	(7,088,386)	(6,971,230)
Due to the Central Bank and call loans from banks	(396,945)	(238,851)	(1,119,173)	(724,764)
Others	(198,317)	(150,323)	(544,990)	(521,612)
	(3,052,406)	(2,568,251)	(8,752,549)	(8,217,606)
Net interest income	$ 5,785,957	$ 5,413,971	$ 16,869,307	$ 16,181,180

b. Net service fee and commission income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Service fee and commission income				
Fees from import and export	$ 80,365	$ 78,329	$ 254,322	$ 245,679
Remittance fees	124,992	119,385	364,775	356,517
Loan and guarantee fees	215,477	265,669	508,353	637,286
Fees from trustees	235,374	143,398	597,112	412,215
Fees from trustee business	69,219	64,951	196,546	190,218
Fees from insurance agency	461,392	755,170	1,724,022	2,084,618
Others	256,423	240,900	745,745	891,459
	1,443,242	1,667,802	4,390,875	4,817,992
Service fee and commission				
Interbank fees	(36,405)	(35,037)	(108,334)	(103,010)
Fees from trustees	(9,096)	(6,657)	(29,815)	(16,813)
Management fees	(24,860)	(20,669)	(66,724)	(63,408)
Fees from insurance agency	(36,824)	(101,224)	(142,778)	(142,199)
Others	(128,138)	(92,794)	(354,942)	(378,104)
	(235,323)	(256,381)	(702,593)	(703,534)
Net service fee and commission income	$ 1,207,919	$ 1,411,421	$ 3,688,282	$ 4,114,458

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Disposal gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	$ 1,786	$ 1,568	$ 27,705	$ 2,234
Bonds	(333)	15,140	12,772	77,750
Bills	-	7	5	26
Derivative financial instruments	558,293	562,816	1,695,310	1,465,972
Net interest expense	(65,287)	(61,161)	(171,483)	(84,703)
Stock dividends and bonus	3,996	2,317	4,379	2,317
	498,455	520,687	1,568,688	1,463,596
Valuation gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	3,763	1,230	(17,742)	2,802
Bonds	5,353	(16,400)	12,873	(168,071)
Bills	1,757	(4,509)	330	4,099
Derivative financial instruments	(94,700)	(25,985)	83,551	410,765
	(83,827)	(45,664)	79,012	249,595
	$ 414,628	$ 475,023	$ 1,647,700	$ 1,713,191

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Stock dividends and bonus	$ 129,984	$ 137,023	$ 129,984	$ 143,823
Disposal gains				
Stock	12,423	64,550	72,129	129,430
Bonds	39,698	5,222	153,787	81,188
	182,105	206,795	355,900	354,441
Disposal losses				
Stock	-	(5,313)	(4,519)	(20,465)
Bonds	(10,633)	1	(11,208)	(180)
	(10,633)	(5,312)	(15,727)	(20,645)
	$ 171,472	$ 201,483	$ 340,173	$ 333,796

e. Depreciation and amortization expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Property and equipment	$ 133,954	$ 138,146	$ 399,044	$ 413,995
Investment property	1,643	1,646	4,932	4,966
Intangible assets and other deferred assets	46,465	40,766	132,327	119,816
	$ 182,062	$ 180,558	$ 536,303	$ 538,777

f. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Short-term benefits	$ 2,787,376	$ 2,178,121	$ 7,293,053	$ 6,775,620
Post-employment benefits				
Defined contribution plans	42,642	39,158	125,701	115,067
Defined benefit plans	81,980	87,736	247,701	253,320
High-yield savings account for employees	128,752	120,346	378,207	355,131
Other post-employment benefits	2,031	1,890	6,097	5,431
Termination benefits	8,040	109,008	70,768	109,008
	$ 3,050,821	$ 2,536,259	$ 8,121,527	$ 7,613,577

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months and the nine months ended September 30, 2017 and 2016, the employees' compensation and remuneration of directors were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2017	**2016**
Employees' compensation	4.75%	4.47%
Remuneration of directors	0.38%	0.42%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Employees' compensation	$ 186,000	$ 159,700	$ 558,000	$ 513,502
Remuneration of directors	$ 15,000	$ 13,800	$ 45,000	$ 48,000

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

The appropriations of employees' compensation and remuneration of directors for 2016 and 2015 having been resolved by the board of directors on February 24, 2017 and March 17, 2016, respectively, were as below:

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2016.

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

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

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

30. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Current tax				
In respect of the current period	$ 525,658	$ 475,427	$ 1,397,032	$ 1,173,051
Adjustments for prior periods	(433)	(534)	75,363	1,340
Deferred tax				
In respect of the current period	(61,113)	(29,349)	(59,508)	212,085
Non-deductible tax of overseas branches	181,640	54,233	378,399	224,243
Income tax expense recognized in profit or loss	$ 645,752	$ 499,777	$ 1,791,286	$ 1,610,719

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Deferred tax				
In respect of the current period:				
Translation of foreign financial statements	$ 13,994	$ (152,795)	$ (103,505)	$ (146,029)
Fair value changes of available-for-sale financial assets	2,941	66,570	12,715	10,030
Total income tax expense (benefit) recognized in other comprehensive income	$ 16,935	$ (86,225)	$ (90,790)	$ (135,999)

c. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings			
Generated on and after January 1, 1998	$ 9,390,956	$ 11,970,239	$ 9,402,069
Shareholder-imputed credits account	$ 1,124,577	$ 1,132,836	$ 1,067,650

	For the Year Ended December 31	
	2016	2015
Creditable ratio for distribution of earnings	9.39%	9.19%

d. Income tax assessments

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

31. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 15, 2017. The basic and diluted after-tax earnings per share of the three months and the nine months ended September 30, 2016 were adjusted retrospectively as followings:

Unit: NT$ Per Share

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2016	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2016
Basic earnings per share	$ 0.36	$ 1.04	$ 0.34	$ 0.99
Diluted earnings per share	$ 0.36	$ 1.03	$ 0.34	$ 0.99

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Net profit for the period	$ 3,398,515	$ 3,245,729	$ 9,354,520	$ 9,315,696

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average number of common stocks in computation of basic earnings per share	9,413,001	9,413,001	9,413,001	9,413,001
Effect of potentially dilutive common stocks:				
Employees' compensation issued	34,024	31,994	43,060	43,997
Weighted average number of common stocks used in the computation of diluted earnings per share	9,447,025	9,444,995	9,456,061	9,456,998

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

32. OPERATING LEASE ARRANGEMENTS

a. The Bank as lessee

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

As of September 30, 2017, December 31, 2016 and September 30, 2016, refundable deposits paid under operation leases amounted to $44,517 thousand, $39,579 thousand and $41,016 thousand, respectively.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than 1 year	$ 571,708	$ 557,224	$ 142,878
Later than 1 year and not later than 5 years	1,096,040	1,150,303	1,234,943
Later than 5 years	390,168	302,443	319,379
	$ 2,057,916	$ 2,009,970	$ 1,697,200

b. The Bank as lessor

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

As of September 30, 2017, December 31, 2016 and September 30, 2016, refundable deposits received under operation leases amounted to $50,769 thousand, $51,430 thousand and $52,222 thousand, respectively.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than 1 year	$ 236,867	$ 230,985	$ 59,627
Later than 1 year and not later than 5 years	529,926	551,598	676,441
Later than 5 years	78,584	77,655	77,442
	$ 845,377	$ 860,238	$ 813,510

33. CAPITAL RISK MANAGEMENT

The description of the goals and procedures of the capital risk management of the Bank is the same as the description in the Bank's financial statements for the year ended December 31, 2016.

34. FINANCIAL INSTRUMENTS

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

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 243,006,468	$ 243,090,246	$ 204,864,541	$ 204,960,525	$ 204,426,448	$ 204,580,658
Bond investments with no active market	70,197	73,815	88,555	91,914	892,316	896,397
Financial liabilities						
Bond payables	41,745,036	42,861,305	31,375,226	31,824,888	31,524,608	32,441,744

2) Fair value hierarchy

Fair value hierarchy as at September 30, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity investments	$ 243,090,246	$ 3,890,494	$ 239,199,752	$ -
Bond investments with no active market	73,815	-	73,815	-
Financial liabilities				
Bond payables	42,861,305	-	8,445,036	34,416,269

Fair value hierarchy as at December 31, 2016

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

Fair value hierarchy as at September 30, 2016

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity investments	$ 204,580,658	$ 3,408,558	$ 12,932,100	$ 188,240,000
Bond investments with no active market	896,397	-	896,397	-
Financial liabilities				
Bond payables	32,441,744	-	7,424,608	25,017,136

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	**September 30, 2017**			
	Total	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 12,396,511	$ 6,311,215	$ 6,085,296	$ -
Trading assets	7,197,764	1,296,023	5,901,741	-
Stocks and mutual funds	101,274	101,274	-	-
Bond investments	1,805,728	1,194,749	610,979	-
Others	5,290,762	-	5,290,762	-
Financial assets designated upon initial recognition as at fair value through profit or loss	5,198,747	5,015,192	183,555	-
Available-for-sale financial assets	81,357,284	43,759,001	37,598,283	-
Stock investments	3,717,383	3,717,383	-	-
Bond investments	76,045,117	38,446,834	37,598,283	-
Others	1,594,784	1,594,784	-	-
Liabilities				
Financial liabilities at FVTPL	12,213,027	-	12,213,027	-
Derivative financial products				
Assets				
Financial assets at FVTPL	3,587,103	184,193	3,402,910	-
Other financial assets				
Hedging derivative financial instruments	250,331	-	250,331	-
Liabilities				
Financial liabilities at FVTPL	2,275,920	-	2,275,920	-

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

Fair Value Measurement of Financial Instruments	September 30, 2016			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 36,590,506	$ 6,672,736	$ 29,917,770	$ -
Trading assets	31,021,042	1,672,489	29,348,553	-
Stock and mutual funds	238,592	238,592	-	-
Bond investments	4,572,500	1,433,897	3,138,603	-
Others	26,209,950	-	26,209,950	-
Financial assets designated upon initial recognition as at fair value through profit or loss	5,569,464	5,000,247	569,217	-
Available-for-sale financial assets	75,335,291	46,458,645	28,876,646	-
Stock investments	3,126,506	3,126,506	-	-
Bond investments	71,499,879	42,623,233	28,876,646	-
Others	708,906	708,906	-	-
Liabilities				
Financial liabilities at FVTPL	16,883,645	-	16,883,645	-
Derivative financial products				
Assets				
Financial assets at FVTPL	5,940,647	78,323	5,862,324	-
Other financial assets				
Hedging derivative financial instruments	235,086	-	235,086	-
Liabilities				
Financial liabilities at FVTPL	6,119,514	-	6,119,514	-

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

2) Definition for the hierarchy classifications of fair value measurements

a) Level 1

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

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

b) Level 2

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

c) Level 3

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

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

a) Determination of fair value

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

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

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

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

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

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

   i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEx.

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

   iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEx on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEx.

   iv. Securitization instruments: Prices are those quoted from Bloomberg.

   v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.

   vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.

   vii. Listed stocks, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEx is adopted.

   viii. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.

   ix. Derivatives:

      i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.

      ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.

      iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.

      iv) Certain derivatives use the quoted price from counterparties.

   x. Mixing Tools: The price from the active market, deal brokers and evaluation models is used.

c) Adjustments for credit risks and the definitions are as follows:

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

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

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

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

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

b) Market risk management policy

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

The market risk management regulations are as follows:

i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.

ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.

iii. Follow the regulations of Basel Accord.

iv. Establish the market risk management system and economic capital allocation process.

v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.

c) Market risk management procedures

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

i. Identifying and measuring

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

ii. Monitoring and reporting

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

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

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

iii. Stress testing

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

d) Trading book market risk management

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

i. Strategy

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

ii. Management policy and procedures

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

iii. Valuation policy

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

iv. Risk measuring methods

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

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

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

e) Trading book interest rate risk management

i. Definition of interest rate risk

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

ii. Management procedures on trading book interest rate risk

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

iii. Measuring methods

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

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

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

ii. Management strategy on banking book interest rate risk

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

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

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

g) Exchange rate risk management

i. Definition of exchange rate risk

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

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

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to Item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank's equity security price risk mainly comes from public and over-the-counter stocks, index futures and options.

ii. Equity security price risk management purpose

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stocks. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to Item i.

iii. Equity security price risk management procedures

The Bank sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk Management Department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, Risk Management Department would notice the department who hold the position to subject to the related regulations. The department who holds the position should report to Risk Management Committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of Trading Book is monitored and controlled by VaR, please refer to item i.

The Bank would perform stress testing for the equity security price risk of non-trading position and report the result to Risk Management Committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Bank uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Bank uses historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

According to the Bank's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the Risk Management Committee. VaR is an important internal risk control in the Bank. The VaR limits of investment portfolio are approved annually by the Risk Management Committee and reported to the Board of Directors. In addition, the daily actual VaR is monitored by the Bank's risk management department.

ii. As of September 30, 2017 and 2016, the Bank's VaR factors based on historical simulation method were as follows:

	For the Nine Months Ended September 30, 2017			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 134,236	$ 177,947	$ 84,442	$ 116,319
Interest rate VaR	9,465	18,047	5,090	8,294
Equity securities VaR	2,523	3,417	1,616	2,139
Value at risk	$ 146,224	$ 199,411	$ 91,148	$ 126,752

	For the Nine Months Ended September 30, 2016			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 183,462	$ 258,344	$ 137,427	$ 207,545
Interest rate VaR	39,045	47,355	33,519	40,602
Equity securities VaR	1,575	2,231	1,043	1,106
Value at risk	$ 224,082	$ 307,930	$ 171,989	$ 249,253

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,908,964	30.2600	$ 239,325,251
GBP	104,447	40.5600	4,236,370
AUD	1,288,236	23.7350	30,576,281
HKD	1,549,954	3.8730	6,002,972
SGD	63,019	22.3000	1,405,324
CAD	84,742	24.2800	2,057,536
ZAR	1,495,540	2.2300	3,335,054
JPY	54,387,134	0.2693	14,646,455
EUR	491,590	35.7500	17,574,343
RMB	19,101,532	4.5510	86,931,072
Non-monetary items			
USD	191,476	30.2600	5,794,064

(Continued)

	September 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 9,674,011	30.2600	$ 292,735,573
GBP	88,029	40.5600	3,570,456
AUD	1,036,861	23.7350	24,609,896
HKD	1,342,439	3.8730	5,199,266
CAD	92,788	24.2800	2,252,893
ZAR	2,412,285	2.2300	5,379,396
JPY	55,794,728	0.2693	15,025,520
EUR	485,277	35.7500	17,348,653
RMB	15,171,218	4.5510	69,044,213
Non-monetary items			
USD	410,532	30.2600	12,422,698

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,363,307	32.2200	$ 237,245,752
GBP	107,309	39.6100	4,250,509
AUD	1,062,016	23.3450	24,792,764
HKD	1,269,706	4.1540	5,274,359
CAD	75,519	23.9200	1,806,414
ZAR	2,111,595	2.3700	5,004,480
JPY	54,909,216	0.2771	15,215,344
EUR	476,775	33.9800	16,200,815
RMB	16,578,816	4.6240	76,660,445
Non-monetary items			
USD	177,822	32.2200	5,729,425
Financial liabilities			
Monetary items			
USD	8,672,121	32.2200	279,415,739
GBP	99,479	39.6100	3,940,363
AUD	939,097	23.3450	21,923,219
HKD	1,239,671	4.1540	5,149,593
CAD	82,682	23.9200	1,977,753
ZAR	2,490,908	2.3700	5,903,452
JPY	52,799,150	0.2771	14,630,644
EUR	505,965	33.9800	17,192,691
RMB	15,923,218	4.6240	73,628,960
Non-monetary items			
USD	401,490	32.2200	12,936,008

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary items			
USD	$ 7,149,404	31.3600	$ 224,205,309
GBP	142,822	40.6600	5,807,143
AUD	920,754	23.9250	22,029,039
HKD	1,529,892	4.0430	6,185,353
CAD	87,067	23.8500	2,076,548
ZAR	2,234,408	2.2500	5,027,418
JPY	88,515,479	0.3104	27,475,205
EUR	417,963	35.1800	14,703,938
RMB	18,346,123	4.6940	86,116,701
Non-monetary items			
USD	203,286	31.3600	6,375,049
<u>Financial liabilities</u>			
Monetary items			
USD	8,789,380	31.3600	275,634,957
GBP	116,064	40.6600	4,719,162
AUD	837,370	23.9250	20,034,077
HKD	1,348,176	4.0430	5,450,676
CAD	85,395	23.8500	2,036,671
ZAR	2,555,411	2.2500	5,749,675
JPY	65,167,801	0.3104	20,228,085
EUR	433,153	35.1800	15,238,323
RMB	16,288,177	4.6940	76,456,703
Non-monetary items			
USD	558,873	31.3600	17,526,257

For the three months ended September 30, 2017 and 2016, net foreign exchange gains were $121,348 thousand and $41,248 thousand, respectively. For the nine months ended September 30, 2017 and 2016, net foreign exchange gains and losses were $9,137 thousand and $(41,549) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank entities.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

i. To meet the needs of risk management, the Bank continues to enhance corporate and personal finance credit application management system and various risk management techniques and efficiency.

ii. The Bank continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Bank's capital requirement and expected loss to become more risk sensitive.

iii. The Bank continues to develop and implement credit risk stress testing in compliance with the requirements of the competent authority supervising risk management and improve the effectiveness of the Bank's risk management.

iv. The Bank is building a complete after-loan monitoring mechanism to efficiently identify and manage potential problematic loans, establish appropriate monitoring procedures, track the frequency and the specific responsive measures in order to achieve active management in the process of credit risk identification, measurement, monitoring and reporting

v. The Bank is building a knowledge base to facilitate learning and assessment. To meet the business demand, it holds risk management seminars and trainings to shape the Bank's risk management culture

The Bank's credit risk management procedures and measuring methods for major business are described as follows:

i. Credit business (including loan commitments and guarantees)

Levels are as follows:

i) Classification of credit assets

The Bank's credit assets are grouped into five categories. Except for normal credit assets, the remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time overdue, and grouped into "special-mentioned", "substandard", and "losses".

In order to manage problematic credit loans, the Bank has set up "Operating Points of Assets Assessment", "Assessment Operating Details of Handling Debts to Normal Borrowers", "Principle of Overdue Loans, Delinquent Loans and Doubtful Debts Handling Authority", "Regulations Governing Overdue Loans, Delinquent Loans and Doubtful Collection" and other regulations managing credit loans and collection of loans.

ii) Credit quality level

For risk management purposes, the Bank has set up internal rating models for credit risks in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, the Bank has developed a credit rating model for clients. After taking into account client-related information, the Bank developed a corporate credit rating model and classified as 21 levels. The Bank reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result.

The Bank evaluates the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, the Bank annually conducts validity test and back-testing of the models using data on customers' actual defaults.

The Bank classifies the credit qualities of corporate loans as strong, medium, weak and non-rating.

The Bank developed a scoring model for housing loans, credit loans and credit card applications by statistical method and by the judgement of experts to measure the credit risk of consumer finance. The loan reviewer would get advice from the scoring result. The scoring result is classified in 10 percentile range. The Bank reviews semi-annually the stability of the scoring model to maintain the effectiveness semi-annually.

ii. Call loans to banks

The Bank evaluates the credit status of counterparties before deals are closed. The Bank grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting.

iii. Debt instrument and derivatives financial instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Bank conducts derivative transactions are mostly considered investment grade. The Bank monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Bank classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

c) Credit risk hedging or mitigation policies

i. Collateral

The Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Bank manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Bank stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Bank in order to reduce the Bank's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Bank has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Bank has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Bank has set credit limits by industry, conglomerate, transactions collateralized by stocks, and other categories and integrated within one system to supervise concentration of credit risk in these categories.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheet:

<u>September 30, 2017</u>

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Loans	$ 896,713,602	$ -	$ -	$ 896,713,602
Financial assets at fair value through profit or loss	3,992,137	-	-	3,992,137
Available-for-sale financial assets	2,899,799	-	-	2,899,799
Held-to-maturity financial assets	1,049,985	-	-	1,049,985

<u>December 31, 2016</u>

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Loans	$ 868,885,432	$ -	$ -	$ 868,885,432
Financial assets at fair value through profit or loss	17,648,990	-	-	17,648,990
Available-for-sale financial assets	4,342,564	-	-	4,342,564
Held-to-maturity financial assets	1,799,845	-	-	1,799,845

<u>September 30, 2016</u>

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Loans	$ 843,052,820	$ -	$ -	$ 843,052,820
Financial assets at fair value through profit or loss	15,773,846	-	-	15,773,846
Available-for-sale financial assets	3,274,967	-	-	3,274,967
Held-to-maturity financial assets	1,799,783	-	-	1,799,783

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Bank are the same as per book amounts. Refer to the notes to the financial statements.

As of September 30, 2017, December 31, 2016 and September 30, 2016, 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	September 30, 2017	December 31, 2016	September 30, 2016
Unused loan commitments (excluding credit cards)	$ 79,282,344	$ 93,836,687	$ 94,773,582
Credit card credit commitment	341,182	371,718	433,099
Unused issued letters of credit	27,809,028	23,053,060	20,166,297
Guarantees in guarantee business	41,783,347	44,626,870	43,021,926

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

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

	September 30, 2017	
Industry Type	Carrying Value	Percentage of Item (%)
Financial and insurance	$ 67,104,331	5
Manufacturing	345,522,128	25
Wholesale and retail	120,067,077	9
Real estate and leasing	107,254,794	8
Service	42,403,572	3
Individuals	456,036,553	33
Others	233,494,709	17
	$ 1,371,883,164	

Industry Type	December 31, 2016 Carrying Value	Percentage of Item (%)
Financial and insurance	$ 64,187,414	5
Manufacturing	337,151,780	24
Wholesale and retail	121,089,857	9
Real estate and leasing	98,686,674	7
Service	43,032,933	3
Individuals	444,708,300	32
Others	274,525,907	20
	$ 1,383,382,865	

Industry Type	September 30, 2016 Carrying Value	Percentage of Item (%)
Financial and insurance	$ 57,829,522	4
Manufacturing	331,059,470	25
Wholesale and retail	117,575,415	9
Real estate and leasing	95,685,376	7
Service	40,181,879	3
Individuals	436,967,406	33
Others	235,359,100	19
	$ 1,314,658,168	

Geographic Location	September 30, 2017 Carrying Value	Percentage of Item (%)
Asia	$ 1,309,139,860	96
America	45,223,372	3
Europe	16,262,749	1
Others	1,257,183	-
	$ 1,371,883,164	

Geographic Location	December 31, 2016 Carrying Value	Percentage of Item (%)
Asia	$ 1,316,938,252	95
America	47,678,320	4
Europe	16,835,940	1
Others	1,930,353	-
	$ 1,383,382,865	

Geographic Location	September 30, 2016 Carrying Value	Percentage of Item (%)
Asia	$ 1,251,120,542	96
America	44,359,557	3
Europe	17,485,311	1
Others	1,692,758	-
	$ 1,314,658,168	

Securities Type	September 30, 2017 Carrying Value	Percentage of Item (%)
Unsecured	$ 475,169,562	35
Secured		
Properties	745,921,877	54
Others	150,791,725	11
	$ 1,371,883,164	

Securities Type	December 31, 2016 Carrying Value	Percentage of Item (%)
Unsecured	$ 514,497,433	37
Secured		
Properties	722,217,556	52
Others	146,667,876	11
	$ 1,383,382,865	

Securities Type	September 30, 2016 Carrying Value	Percentage of Item (%)
Unsecured	$ 471,605,348	36
Secured		
Properties	702,718,791	53
Others	140,334,029	11
	$ 1,314,658,168	

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

Part of financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities investments purchased under resell agreement, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Besides the above, the credit quality analyses of other financial assets were as follows:

i. Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

Item	September 30, 2017										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
In-balance-sheet items											
Receivables	$ 6,639,000	$ 7,487,169	$ 210,235	$ 10,967,429	$ 25,303,833	$ 5,204	$ 464,611	$ 25,773,648	$ 415,467	$ 168,038	$ 25,190,143
Credit cards	-	-	-	1,934,895	1,934,895	-	29,971	1,964,866	13,976	5,418	1,945,472
Other	6,639,000	7,487,169	210,235	9,032,534	23,368,938	5,204	434,640	23,808,782	401,491	162,620	23,244,671
Loans	328,632,408	741,876,453	175,716,913	110,487,585	1,356,713,359	2,028,695	13,141,110	1,371,883,164	5,135,796	11,350,536	1,355,396,832

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
In-balance-sheet items											
Receivables	$ 8,673,298	$ 3,726,260	$ 205,451	$ 7,750,515	$ 20,355,524	$ 8,687	$ 489,081	$ 20,853,292	$ 416,622	$ 156,409	$ 20,280,261
Credit cards	-	-	-	1,752,029	1,752,029	-	22,625	1,774,654	11,543	5,157	1,757,954
Other	8,673,298	3,726,260	205,451	5,998,486	18,603,495	8,687	466,456	19,078,638	405,079	151,252	18,522,307
Loans	382,993,935	705,721,892	162,225,963	117,060,877	1,368,002,667	2,470,282	12,909,916	1,383,382,865	4,355,431	11,767,544	1,367,259,890

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
In-balance-sheet items											
Receivables	$ 9,277,345	$ 3,292,132	$ 171,783	$ 6,799,601	$ 19,540,861	$ 8,528	$ 195,179	$ 19,744,568	$ 133,272	$ 157,518	$ 19,453,778
Credit cards	-	-	-	1,682,607	1,682,607	-	27,378	1,709,985	16,107	4,932	1,688,946
Other	9,277,345	3,292,132	171,783	5,116,994	17,858,254	8,528	167,801	18,034,583	117,165	152,586	17,764,832
Loans	374,847,770	670,188,165	163,861,899	89,509,567	1,298,407,401	3,223,983	13,026,784	1,314,658,168	5,386,101	10,391,318	1,298,880,749

ii. Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

(In Thousands of New Taiwan Dollars)

Item	September 30, 2017				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 77,051,983	$ 174,512,703	$ 140,524,087	$ 60,291,141	$ 452,379,914
Corporation finance	251,580,425	567,363,750	35,192,826	50,196,444	904,333,445
Total	$ 328,632,408	$ 741,876,453	$ 175,716,913	$ 110,487,585	$ 1,356,713,359

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 74,995,708	$ 176,509,719	$ 129,253,570	$ 60,247,928	$ 441,006,925
Corporation finance	307,998,227	529,212,173	32,972,393	56,812,949	926,995,742
Total	$ 382,993,935	$ 705,721,892	$ 162,225,963	$ 117,060,877	$ 1,368,002,667

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 78,625,536	$ 159,205,889	$ 135,783,100	$ 59,000,833	$ 432,615,358
Corporation finance	296,222,234	510,982,276	28,078,799	30,508,734	865,792,043
Total	$ 374,847,770	$ 670,188,165	$ 163,861,899	$ 89,509,567	$ 1,298,407,401

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	September 30, 2017										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Available-for-sale financial assets	$ 81,190,166	$ -	$ -	$ 137,118	$ 81,327,284	$ -	$ 150,000	$ 81,477,284	$ 120,000	$ -	$ 81,357,284
Bonds	75,907,999	-	-	137,118	76,045,117	-	-	76,045,117	-	-	76,045,117
Stocks	3,687,383	-	-	-	3,687,383	-	150,000	3,837,383	120,000	-	3,717,383
Bills	1,594,784	-	-	-	1,594,784	-	-	1,594,784	-	-	1,594,784
Held-to-maturity financial assets	243,006,468	-	-	-	243,006,468	-	-	243,006,468	-	-	243,006,468
Bonds	11,152,806	-	-	-	11,152,806	-	-	11,152,806	-	-	11,152,806
Bills	231,853,602	-	-	-	231,853,662	-	-	231,853,662	-	-	231,853,662
Other financial assets	70,197	-	-	-	70,197	-	139,794 (Note)	209,991	139,794	-	70,197
Securities	70,197	-	-	-	70,197	-	139,794 (Note)	209,991	139,794	-	70,197

Note: Cost on the reclassification date.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Available-for-sale financial assets	$ 76,659,070	$ -	$ -	$ 135,796	$ 76,794,866	$ -	$ 150,000	$ 76,944,866	$ 120,000	$ -	$ 76,824,866
Bonds	72,045,422	-	-	135,796	72,181,218	-	-	72,181,218	-	-	72,181,218
Stocks	2,963,065	-	-	-	2,963,065	-	150,000	3,113,065	120,000	-	2,993,065
Bills	1,650,583	-	-	-	1,650,583	-	-	1,650,583	-	-	1,650,583
Held-to-maturity financial assets	204,864,541	-	-	-	204,864,541	-	-	204,864,541	-	-	204,864,541
Bonds	14,139,268	-	-	-	14,139,268	-	-	14,139,268	-	-	14,139,268
Bills	190,725,273	-	-	-	190,725,273	-	-	190,725,273	-	-	190,725,273
Other financial assets	88,555	-	-	-	88,555	-	148,846 (Note)	237,401	148,846	-	88,555
Securities	88,555	-	-	-	88,555	-	148,846 (Note)	237,401	148,846	-	88,555

Note: Cost on the reclassification date.

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Available-for-sale financial assets	$ 75,165,430	$ -	$ -	$ 139,861	$ 75,305,291	$ -	$ 150,000	$ 75,455,291	$ 120,000	$ -	$ 75,335,291
Bonds	71,360,018	-	-	139,861	71,499,879	-	-	71,499,879	-	-	71,499, 879
Stocks	3,096,506	-	-	-	3,096,506	-	150,000	3,246,506	120,000	-	3,126,506
Bills	708,906	-	-	-	708,906	-	-	708,906	-	-	708,906
Held-to-maturity financial assets	204,426,448	-	-	-	204,426,448	-	-	204,426,448	-	-	204,426,448
Bonds	15,176,342	-	-	-	15,176,342	-	-	15,176,342	-	-	15,176,342
Bills	189,250,106	-	-	-	189,250,106	-	-	189,250,106	-	-	189,250,106
Other financial assets	892,316	-	-	-	892,316	-	144,873 (Note)	1,037,189	144,873	-	892,316
Securities and bonds	892,316	-	-	-	892,316	-	144,873 (Note)	1,037,189	144,873	-	892,316

Note: Cost on the reclassification date.

g) Aging analysis of financial assets that are past due but not impaired

The aging analyses of financial assets that were past due but not impaired of the Bank were as follows:

(In Thousands of New Taiwan Dollars)

Item	September 30, 2017		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 1,473,156	$ 429,504	$ 1,902,660
Corporation finance	117,309	8,726	126,035

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 1,552,701	$ 678,358	$ 2,231,059
Corporation finance	156,639	82,584	239,223

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 2,466,300	$ 560,591	$ 3,026,891
Corporation finance	170,160	26,932	197,092

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about liquidity risk assessment should be reported to the board of directors to let high-level management understand Chang Hwa Bank's funding liquidity.

As of September 30, 2017 and 2016, the ratio of liquidity reserve is 17.85% and 18.09%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	September 30, 2017					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Major maturity funds inflows						
Cash and cash equivalents	$ 15,071,040	$ -	$ -	$ -	$ -	$ 15,071,040
Due from the Central Bank and call loans to other banks	21,592,964	3,951,153	5,206,579	5,970,466	24,961,970	61,683,132
Financial assets at fair value through profit or loss	7,197,763	-	-	-	-	7,197,763
Receivables	18,091,825	804,539	463,174	226,569	1,550,332	21,136,439
Loans	86,191,498	139,789,544	92,758,714	162,895,124	640,862,183	1,122,497,063
Available-for-sale financial assets	-	-	-	200,856	35,883,275	36,084,131
Held-to-maturity financial assets	159,735,000	8,399,929	6,299,823	15,187,246	13,200,101	202,822,099
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,910,304	13,910,304
	307,880,090	152,945,165	104,728,290	184,480,261	734,535,174	1,484,568,980
Major maturity funds outflows						
Due to the Central Bank and banks	319,358	404,273	331,024	1,227,649	-	2,282,304
Due to the Central Bank and call loans to other banks	5,000	10,000	-	-	-	15,000
Securities sold under repurchase agreements	1,249,955	1,779,973	17,023	-	-	3,046,951
Payables	23,000,558	1,572,118	383,998	1,967,354	854,463	27,778,491
Deposits and remittances	118,100,653	119,161,764	157,422,234	180,518,571	692,108,575	1,267,311,797
Bank notes payable	-	-	2,200,000	-	39,300,000	41,500,000
Other maturity funds outflows items	22,739	54,946	39,815	183,560	5,330,222	5,631,282
	142,698,263	122,983,074	160,394,094	183,897,134	737,593,260	1,347,565,825
Gap	$ 165,181,827	$ 29,962,091	$ (55,665,804)	$ 583,127	$ (3,058,086)	$ 137,003,155

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 28,562,791	$ -	$ -	$ -	$ -	$ 28,562,791
Due from the Central Bank and call loans to other banks	28,590,804	4,105,577	4,208,647	6,431,842	24,518,721	67,855,591
Financial assets at fair value through profit or loss	19,947,216	-	-	-	-	19,947,216
Receivables	26,827,203	442,399	413,230	153,625	101,354	27,937,811
Loans	112,894,443	93,978,294	118,365,113	208,310,194	598,088,284	1,131,636,328
Available-for-sale financial assets	399,839	-	-	-	30,203,961	30,603,800
Held-to-maturity financial assets	139,700,000	5,830,000	3,604,845	5,964,923	9,823,470	164,923,238
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,869,857	13,869,857
	356,922,296	104,356,270	126,591,835	220,860,584	680,772,656	1,489,503,641
Major maturity funds outflows						
Due to the Central Bank and banks	390,565	496,895	218,254	1,282,762	-	2,388,476
Due to the Central Bank and call loans to other banks	20,865,000	10,000	-	-	-	20,875,000
Securities sold under repurchase agreements	1,303,656	1,300,946	350,379	-	-	2,954,981
Payables	45,670,601	1,085,140	473,936	1,312,601	1,269,324	49,811,602
Deposits and remittances	106,798,518	128,591,766	132,141,902	201,945,122	674,037,801	1,243,515,109
Bank notes payable	-	-	-	-	31,300,000	31,300,000
Other maturity funds outflows items	35,453	77,707	17,528	230,262	5,431,745	5,792,695
	175,063,793	131,562,454	133,201,999	204,770,747	712,038,870	1,356,637,863
Gap	$ 181,858,503	$ (27,206,184)	$ (6,610,164)	$ 16,089,837	$ (31,266,214)	$ 132,865,778

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

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 17,621,370	$ -	$ -	$ -	$ -	$ 17,621,370
Due from the Central Bank and call loans to other banks	40,300,200	3,874,906	4,985,543	6,041,082	22,846,453	78,048,184
Financial assets at fair value through profit or loss	27,686,265	-	-	-	-	27,686,265
Receivables	20,660,928	478,339	320,352	156,510	92,909	21,709,038
Loans	101,244,358	106,011,590	115,013,056	166,863,354	576,441,331	1,065,573,689
Available-for-sale financial assets	2,003	-	390,031	-	30,593,415	30,985,449
Held-to-maturity financial assets	136,900,000	6,690,044	1,330,000	7,835,028	11,958,578	164,713,650
Debts instrument without active market	800,000	-	-	-	-	800,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,871,019	13,871,019
	345,215,124	117,054,879	122,038,982	180,895,974	659,970,714	1,425,175,673
Major maturity funds outflows						
Due to the Central Bank and banks	423,763	464,448	393,224	1,349,324	-	2,630,759
Due to the Central Bank and call loans to other banks	7,105,000	10,000	-	-	-	7,115,000
Securities sold under repurchase agreements	2,239,820	1,025,465	78,000	-	-	3,343,285
Payables	32,716,034	1,335,358	738,769	1,012,574	786,744	36,589,479
Deposits and remittances	106,270,447	119,145,806	153,692,385	186,232,115	640,755,616	1,206,096,369
Bank notes payable	-	-	-	-	31,300,000	31,300,000
Other maturity funds outflows items	27,798	64,065	76,363	194,086	5,198,392	5,560,704
	148,782,862	122,045,142	154,978,741	188,788,099	678,040,752	1,292,635,596
Gap	$ 196,432,262	$ (4,990,263)	$ (32,939,759)	$ (7,892,125)	$ (18,070,038)	$ 132,540,077

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

(In Thousands of United States Dollars)

Item	September 30, 2017					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Major maturity funds inflows						
Cash and cash equivalents	$ 733,321	$ 317,650	$ 200,000	$ 300,000	$ -	$ 1,550,971
Due from the Central Bank and call loans to other banks	1,895,986	820,227	366,136	201,317	3,769	3,287,435
Financial assets at fair value through profit or loss	171,803	-	-	-	-	171,803
Receivables	474,347	101,107	246,194	12,913	14,324	848,885
Loans	512,642	669,423	571,372	403,323	4,022,056	6,178,816
Available-for-sale financial assets	-	-	14,112	4,971	429,119	448,202
Held-to-maturity financial assets	7,999	10,003	-	-	8,002	26,004
Debts instrument without active market	-	-	-	-	2,320	2,320
Other maturity funds inflow items	5,000	-	16,500	25,000	5,583	52,083
	3,801,098	1,918,410	1,414,314	947,524	4,485,173	12,566,519
Major maturity funds outflows						
Due to the Central Bank and banks	941,391	30,859	1,186	2,334	20,156	995,926
Due to the Central Bank and call loans to other banks	1,439,925	549,000	95,000	-	110,000	2,193,925
Financial liabilities at fair value through profit or loss	-	112,212	-	-	291,391	403,603
Payables	677,262	47,492	2,464	2,245	3,045	732,508
Deposits and remittances	2,139,360	2,043,472	1,089,116	1,314,834	3,320,835	9,907,617
Other maturity funds outflows items	36,412	599	267	87	78,397	115,762
	5,234,350	2,783,634	1,188,033	1,319,500	3,823,824	14,349,341
Gap	$ (1,433,252)	$ (865,224)	$ 226,281	$ (371,976)	$ 661,349	$ (1,782,822)

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

(In Thousands of United States Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 402,769	$ 37,800	$ -	$ -	$ -	$ 440,569
Due from the Central Bank and call loans to other banks	1,155,329	793,328	380,862	1,160,917	4,617	3,495,053
Financial assets at fair value through profit or loss	254,130	-	-	-	-	254,130
Receivables	577,954	155,087	80,083	3,868	11,541	828,533
Loans	547,484	821,746	674,675	238,193	3,885,297	6,167,395
Available-for-sale financial assets	-	-	10,005	-	399,931	409,936
Held-to-maturity financial assets	-	10,017	7,992	23,037	2	41,048
Debts instrument without active market	-	-	-	-	2,748	2,748
Other maturity funds inflow items	5,000	-	10,500	15,000	5,615	36,115
	2,942,666	1,817,978	1,164,117	1,441,015	4,309,751	11,675,527
Major maturity funds outflows						
Due to the Central Bank and banks	601,435	343,431	611	1,215	20,044	966,736
Due to the Central Bank and call loans to other banks	1,476,245	708,000	10,000	-	(20,000)	2,174,245
Financial liabilities at fair value through profit or loss	-	-	-	108,754	282,515	391,269
Payables	565,008	25,623	2,474	1,263	3,902	598,270
Deposits and remittances	2,137,691	1,667,612	927,629	1,120,633	2,976,677	8,830,242
Other maturity funds outflows items	44,095	287	148	548	59,609	104,687
	4,824,474	2,744,953	940,862	1,232,413	3,322,747	13,065,449
Gap	$ (1,881,808)	$ (926,975)	$ 223,255	$ 208,602	$ 987,004	$ (1,389,922)

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

(In Thousands of United States Dollars)

Item	September 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 377,532	$ 33,004	$ -	$ -	$ -	$ 410,536
Due from the Central Bank and call loans to other banks	1,323,268	872,328	445,862	765,917	4,616	3,411,991
Financial assets at fair value through profit or loss	262,564	-	-	-	-	262,564
Receivables	480,333	170,029	109,874	2,668	1,366	764,270
Loans	518,746	914,729	566,249	399,717	3,831,477	6,230,918
Available-for-sale financial assets	-	-	-	10,034	305,789	315,823
Held-to-maturity financial assets	-	-	10,045	14,988	16,048	41,081
Debts instrument without active market	-	-	-	-	2,944	2,944
Other maturity funds inflow items	-	-	-	-	19,674	19,674
	2,962,443	1,990,090	1,132,030	1,193,324	4,181,914	11,459,801
Major maturity funds outflows						
Due to the Central Bank and banks	620,595	342,631	30,853	1,690	36,044	1,031,813
Due to the Central Bank and call loans to other banks	1,804,657	713,000	15,000	-	(20,000)	2,512,657
Financial liabilities at fair value through profit or loss	-	150,869	-	-	387,513	538,382
Payables	875,007	24,489	2,652	1,297	4,032	907,477
Deposits and remittances	1,741,074	1,590,929	906,934	1,065,692	3,210,082	8,514,711
Other maturity funds outflows items	36,087	1,416	146	47	47,094	84,790
	5,077,420	2,823,334	955,585	1,068,726	3,664,765	13,589,830
Gap	$ (2,114,977)	$ (833,244)	$ 176,445	$ 124,598	$ 517,149	$ (2,130,029)

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

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

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

Item	September 30, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 94,908,388	$ 187,529,628	$ 42,379,099	$ 10,174,518	$ 364,592	$ 335,356,225
Inflows	95,227,655	187,729,090	42,473,100	10,082,357	364,822	335,877,024
Interest rate derivative instruments						
Outflows	1,059,100	6,037,577	4,262,580	5,039,414	-	16,398,671
Inflows	1,307,185	6,132,131	4,584,350	4,955,914	283,131	17,262,711
Total outflows	$ 95,967,488	$ 193,567,205	$ 46,641,679	$ 15,213,932	$ 364,592	$ 351,754,896
Total inflows	$ 96,534,840	$ 193,861,221	$ 47,057,450	$ 15,038,271	$ 647,953	$ 353,139,735

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

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 130,155,626	$ 207,646,380	$ 37,567,952	$ 35,437,810	$ -	$ 410,807,768
Inflows	130,759,071	207,995,125	37,745,214	35,451,238	-	411,950,648
Interest rate derivative instruments						
Outflows	7,245,265	9,092,079	13,476,017	15,267,339	8,628,394	53,709,094
Inflows	7,149,057	9,104,620	13,225,061	15,381,674	8,762,649	53,623,061
Total outflows	$ 137,400,891	$ 216,738,459	$ 51,043,969	$ 50,705,149	$ 8,628,394	$ 464,516,862
Total inflows	$ 137,908,128	$ 217,099,745	$ 50,970,275	$ 50,832,912	$ 8,762,649	$ 465,573,709

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

Item	September 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 131,531,179	$ 347,395,257	$ 58,281,027	$ 28,421,746	$ 28,224	$ 565,657,433
Inflows	131,468,567	347,200,157	58,028,600	28,654,965	27,949	565,380,238
Interest rate derivative instruments						
Outflows	963,500	3,999,280	16,453,285	21,300,328	14,484,558	57,200,951
Inflows	957,438	4,146,111	16,265,493	20,957,850	15,100,176	57,427,068
Total outflows	$ 132,494,679	$ 351,394,537	$ 74,734,312	$ 49,722,074	$ 14,512,782	$ 622,858,384
Total inflows	$ 132,426,005	$ 351,346,268	$ 74,294,093	$ 49,612,815	$ 15,128,125	$ 622,807,306

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	September 30, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 55,976,220	$ 1,010,427	$ 2,432,366	$ 6,354,905	$ 13,508,426	$ 79,282,344
Credit card credit commitment	-	839	3,025	9,571	327,747	341,182
Letters of credit issued yet unused	27,632,400	153,104	23,524	-	-	27,809,028
Guarantees	40,006,882	412,088	352,862	298,335	713,180	41,783,347
	$ 123,615,502	$ 1,576,458	$ 2,811,777	$ 6,662,811	$ 14,549,353	$ 149,215,901

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 69,486,885	$ 3,475,014	$ 4,165,725	$ 4,742,034	$ 11,967,029	$ 93,836,687
Credit card credit commitment	-	1,679	370	2,770	366,899	371,718
Letters of credit issued yet unused	22,937,841	97,675	17,544	-	-	23,053,060
Guarantees	43,349,844	270,698	58,954	680,756	266,618	44,626,870
	$ 135,774,570	$ 3,845,066	$ 4,242,593	$ 5,425,560	$ 12,600,546	$ 161,888,335

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 69,562,321	$ 1,847,384	$ 2,515,943	$ 10,553,355	$ 10,294,579	$ 94,773,582
Credit card credit commitment	3	5,721	1,026	1,411	424,938	433,099
Letters of credit issued yet unused	19,944,404	208,005	13,888	-	-	20,166,297
Guarantees	41,669,233	576,672	271,394	151,415	353,212	43,021,926
	$ 131,175,961	$ 2,637,782	$ 2,802,251	$ 10,706,181	$ 11,072,729	$ 158,394,904

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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type			September 30, 2017 Non-performing Loans (Note a)	September 30, 2017 Loans	September 30, 2017 Non-performing Loans Ratio (Note b)	September 30, 2017 Allowance for Loan Losses	September 30, 2017 Coverage Ratio (Note c)	September 30, 2016 Non-performing Loans (Note a)	September 30, 2016 Loans	September 30, 2016 Non-performing Loans Ratio (Note b)	September 30, 2016 Allowance for Loan Losses	September 30, 2016 Coverage Ratio (Note c)
Corporate finance	Secured		$ 1,935,386	$ 448,254,039	0.43%	$ 5,106,997	263.87%	$ 1,557,638	$ 413,859,450	0.38%	$ 4,605,345	295.66%
	Unsecured		417,524	467,592,536	0.09%	5,324,087	1,275.16%	822,995	463,823,126	0.18%	5,414,536	657.91%
Consumer finance	Mortgage loans (Note d)		1,153,985	282,263,860	0.41%	4,285,219	371.34%	691,578	276,797,102	0.25%	4,151,957	600.36%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		10,325	1,889,250	0.55%	21,772	210.87%	2,973	1,837,965	0.16%	20,905	703.16%
	Others (Note f)	Secured	472,317	170,439,773	0.28%	1,732,332	366.77%	407,010	156,860,214	0.26%	1,568,602	385.40%
		Unsecured	3,583	1,443,706	0.25%	15,925	444.46%	618	1,480,311	0.04%	16,074	2,600.97%
Total			3,993,120	1,371,883,164	0.29%	16,486,332	412.87%	3,482,812	1,314,658,168	0.26%	15,777,419	453.01%

Business Type	September 30, 2017 Non-performing Loans (Note a)	September 30, 2017 Loans	September 30, 2017 Non-performing Loans Ratio (Note b)	September 30, 2017 Allowance for Loan Losses	September 30, 2017 Coverage Ratio (Note c)	September 30, 2016 Non-performing Loans (Note a)	September 30, 2016 Loans	September 30, 2016 Non-performing Loans Ratio (Note b)	September 30, 2016 Allowance for Loan Losses	September 30, 2016 Coverage Ratio (Note c)
Credit card	$ 4,451	$ 1,811,135	0.25%	$ 22,222	499.26%	$ 5,701	$ 1,648,576	0.35%	$ 23,944	420.00%
No recourse receivable factoring (Note g)	-	11,956,384	-	119,564	-	-	9,247,964	-	92,480	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

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

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash cards business.

Business Type / Item	September 30, 2017		September 30, 2016	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	$ 27	$ 1,769	$ 60	$ 2,271
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	238	15,629	324	11,667
Total	265	17,398	384	13,938

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

September 30, 2017			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Group (other chemical product manufacturing)	$ 27,330,295	19.11
2	B Corporation (railway transportation industry)	26,839,664	18.76
3	C Group (airline industry)	20,902,756	14.61
4	D Group (synthesis construction industry)	14,526,046	10.15
5	E Group (concrete manufacturing industry)	12,514,450	8.75
6	F Group (real estate development industry)	7,863,800	5.50
7	G Group (steel manufacturing industry)	7,399,742	5.17
8	H Group (financial intermediation industry)	6,892,825	4.82
9	I Group (liquid crystal panel and components manufacturing industry)	5,676,269	3.97
10	J Group (wholesale of electronic equipment and parts)	5,634,902	3.94

September 30, 2016			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%)(Note d)**
1	A Group (investment advisory services industry)	$ 31,950,143	23.50
2	B Corporation (railway transportation industry)	31,165,874	22.93
3	C Group (airline industry)	20,783,637	15.29
4	E Group (marine transportation industry)	12,579,672	9.25
5	D Group (synthesis construction industry)	11,076,900	8.15
6	H Group (financial intermediation industry)	7,955,737	5.85
7	G Group (steel manufacturing industry)	7,383,006	5.43
8	I Group (liquid crystal panel and components manufacturing industry)	5,734,307	4.22
9	F Group (real estate development industry)	5,439,000	4.00
10	K Group (audio and video equipment manufacturing industry)	5,410,938	3.98

Note a: Sorted by the balance of loans on September 30, 2017 and 2016, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	September 30, 2017				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,258,845,522	$ 33,956,484	$ 48,808,362	$ 104,466,536	$ 1,446,076,904
Interest-sensitive liabilities	322,572,443	833,243,337	87,928,613	38,403,861	1,282,148,254
Interest sensitivity gap	936,273,079	(799,286,853)	(39,120,251)	66,062,675	163,928,650
Net equity					115,708,270
Ratio of interest-sensitive assets to liabilities					112.79%
Ratio of interest sensitivity gap to net equity					141.67%

(In Thousands of New Taiwan Dollars; %)

Item	September 30, 2016				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,196,005,549	$ 52,759,386	$ 20,884,224	$ 96,290,677	$ 1,365,939,836
Interest-sensitive liabilities	318,753,795	775,284,382	90,587,424	31,551,932	1,216,177,533
Interest sensitivity gap	877,251,754	(722,524,996)	(69,703,200)	64,738,745	149,762,303
Net equity					114,567,086
Ratio of interest-sensitive assets to liabilities					112.31%
Ratio of interest sensitivity gap to net equity					130.72%

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	September 30, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 12,349,945	$ 1,426,434	$ 569,534	$ 149,004	$ 14,494,917
Interest-sensitive liabilities	14,201,712	917,394	953,087	20,531	16,092,724
Interest sensitivity gap	(1,851,767)	509,040	(383,553)	128,473	(1,597,807)
Net equity					498,045
Ratio of interest-sensitive assets to liabilities					90.07%
Ratio of interest sensitivity gap to net equity					(320.82%)

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

Item	September 30, 2016				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 11,215,288	$ 1,312,170	$ 871,246	$ 185,772	$ 13,584,476
Interest-sensitive liabilities	13,661,591	721,213	709,697	20,141	15,112,642
Interest sensitivity gap	(2,446,303)	590,957	161,549	165,631	(1,528,166)
Net equity					347,002
Ratio of interest-sensitive assets to liabilities					89.89%
Ratio of interest sensitivity gap to net equity					(440.39%)

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		September 30, 2017	September 30, 2016
Return on total assets	Pretax	0.55%	0.57%
	After tax	0.46%	0.48%
Return on net equity	Pretax	7.94%	8.23%
	After tax	6.67%	7.02%
Profit margin		40.69%	40.14%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Gross income}}$

Note d: Profitability presented above is cumulative from January 1 to September 30 of 2017 and 2016, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	September 30, 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	$ 1,658,199,636	$ 165,210,787	$ 167,168,265	$ 251,699,492	$ 125,585,307	$ 192,701,552	$ 755,834,233
Major maturity cash outflows	2,147,879,246	83,756,964	150,450,612	339,170,444	288,163,216	398,731,792	887,606,218
Gap	(489,679,610)	81,453,823	16,717,653	(87,470,952)	(162,577,909)	(206,030,240)	(131,771,985)

(In Thousands of New Taiwan Dollars)

	Total	September 30, 2016 Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 1,793,255,424	$ 192,824,201	$ 175,829,413	$ 381,298,196	$ 154,642,337	$ 202,154,298	$ 686,506,979
Major maturity cash outflows	2,274,474,909	106,117,254	144,827,571	484,411,705	289,658,898	410,160,515	839,298,966
Gap	(481,219,485)	86,706,947	31,001,842	(103,113,509)	(135,016,561)	(208,006,217)	(152,791,987)

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	September 30, 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	$ 21,603,375	$ 8,420,437	$ 5,040,569	$ 2,197,714	$ 1,116,374	$ 4,828,281
Major maturity cash outflows	26,309,712	8,876,159	5,022,015	2,798,196	3,447,344	6,165,998
Gap	(4,706,337)	(455,722)	18,554	(600,482)	(2,330,970)	(1,337,717)

(In Thousands of U.S. Dollars)

	Total	September 30, 2016 Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 22,087,763	$ 8,546,334	$ 4,471,251	$ 2,343,822	$ 2,076,701	$ 4,649,655
Major maturity cash outflows	26,933,499	8,949,466	5,001,531	3,096,494	4,131,722	5,754,286
Gap	(4,845,736)	(403,132)	(530,280)	(752,672)	(2,055,021)	(1,104,631)

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

f. Sale of non-performing loans ("NPL")

(In Thousands of New Taiwan Dollars)

Transaction Date	Counterparty	Composition of NPL	Book Value	Sales Price	Gain on Disposal	Agreement with Added Terms	Relationship
2016.08.02	Deutsche Bank AG, London Branch	International syndication loan (foreign currency unsecured loans debt)	$ -	$ 177,972	$ 177,972	None	None

g. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of September 30, 2017 and 2016 were as follows:

	September 30	
	2017	**2016**
Special purpose trust accounts - domestic	$ 25,838,617	$ 23,890,059
Special purpose trust accounts - foreign	75,897,917	76,425,822
Insurance trust	1,046	1,055
Retirement and breeds trust	288,203	290,421
Umbilical-cord-blood trust	9,570,720	8,644,740
Money claim and guarantee trust	73,800	78,000
Marketable securities trust	777,550	3,017,132
Real estate trust	16,911,047	12,436,546
Securities under custody	133,607,680	121,634,353
Other money trust	1,266,331	1,071,663
	$ 264,232,911	$ 247,489,791

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's corporate director
Taishin International Bank	Owned by the same parent company
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Powertec Energy Corporation	Its director is the Bank's corporate director
China Airlines Ltd.	Its director is the Bank's corporate director
Taiwan Biotech Corporation Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Taiwan Financial Holdings	Its director is the Bank's corporate director
Adimmune Corporation	Its supervisor is the Bank's corporate director
MasterLink Securities Corporation	Its director is the Bank
Crown Department Company	Its director is the Bank's manager's spouse
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of September 30, 2017	$ 29,008,692	2.14
Balance as of December 31, 2016	1,221,091	0.09
Balance as of September 30, 2016	1,217,609	0.09

For the nine months ended September 30, 2017 and 2016, interest ranged from 0.00% to 3.67% and from 0.00% to 3.57%, interest revenues were $419,392 thousand and $13,513 thousand, respectively.

For the three months ended September 30, 2017 and 2016, interest revenues were $135,136 thousand and $4,354 thousand, respectively.

	September 30, 2017					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
30 accounts	$ 12,407	$ 13,397	$ 12,407	$ -	Credit	None
Self-use residential mortgage loans						
196 accounts	1,167,356	1,197,045	1,167,356	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	26,608,601	28,511,247	26,608,601	-	Credit and station equipment	None
Powertec Energy Corporation	531,656	546,656	531,656	-	Credit	None
China Airlines Ltd.	300,000	2,232,500	300,000	-	Credit	None
Taiwan Biotech Corporation Ltd.	110,127	373,824	110,127	-	Credit	None
Other - corporation 6 accounts (Note 1)	273,280	341,451	273,280	-	Credit and fund guarantee and real estate	None
Other - individual 11 accounts (Note 2)	5,265	6,201	5,265	-	Deposit	None

	December 31, 2016					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
30 accounts	$ 13,075	$ 13,875	$ 13,075	$ -	Credit	None
Self-use residential mortgage loans						
198 accounts	1,162,260	1,202,477	1,162,260	-	Real estate	None
Others						
Crown Department Company	35,150	74,300	35,150	-	Real estate	None
Other - individual 11 accounts (Note 2)	10,606	10,683	10,606	-	Foreign currency or deposit	None

	September 30, 2016					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
31 accounts	$ 13,333	$ 13,889	$ 13,333	$ -	Credit	None
Self-use residential mortgage loans						
196 accounts	1,159,989	1,186,948	1,159,989	-	Real estate	None
Others						
Crown Department Company	35,750	74,300	35,750	-	Real estate	None
Other - individual 11 accounts (Note 2)	8,537	9,343	8,537	-	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 September 30, 2017, December 31, 2016 and September 30, 2016. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

	September 30, 2017				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Kaohsiung Rapid Transit Corporation	$ 35,182	$ 50,280	$ -	0.50	None
Adimmune Corporation	19,236	19,246	-	1.80	Pledged demand deposit

	December 31, 2016				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan Financial Holdings	$ 5,360,000	$ 5,360,000	$ -	0.25	None

	September 30, 2016				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan Financial Holdings	$ 5,360,000	$ 5,360,000	$ -	0.25	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of September 30, 2017	$ 4,421,914	0.27
Balance as of December 31, 2016	4,002,457	0.25
Balance as of September 30, 2016	3,797,206	0.24

For the nine months ended September 30, 2017 and 2016, the interest rates interval were between 0.00% to 15.00% and 0.00% to 13.00%, respectively; the interest expense were $72,734 thousand and $40,537 thousand, respectively. For the three months ended September 30, 2017 and 2016, the interest expense were $18,659 thousand and $7,906 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)

	September 30, 2017					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended September 30, 2017 Interest Revenue**	**For the Nine Months Ended September 30, 2017 Interest Revenue**
Land Bank	OBU	USD	$ 100,000	1.18-1.80	$ 251	$ 721
	Singapore Branch	USD	10,000	1.30-1.68	12	12
	London Branch	USD	20,000	1.51	17	17
	Hong Kong Branch	USD	69,000	0.80-1.84	333	876
Taiwan Business Bank	OBU	USD	20,000	0.70-1.77	54	121
	Hong Kong Branch	USD	15,000	0.71-1.74	28	114

	December 31, 2016				
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Revenue**
Land Bank	OBU	USD	$ 55,000	0.44-1.28	$ 528
	Hong Kong Branch	USD	80,000	0.34-1.62	528
Taiwan Business Bank	Hong Kong Branch	USD	16,000	0.33-1.30	137

	September 30, 2016					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended September 30, 2016 Interest Revenue**	**For the Nine Months Ended September 30, 2016 Interest Revenue**
Land Bank	OBU	USD	$ 95,000	0.44-0.95	$ 191	$ 348
	Kunshan Branch	USD	1,000	0.82-2.753	11	11
	Hong Kong Branch	USD	70,000	0.34-1.10	107	316
Taiwan Business Bank	OBU	USD	10,000	0.37-0.88	46	163
	London Branch	USD	10,000	0.48-0.85	10	14
	Hong Kong Branch	USD	20,000	0.33-0.96	47	89
	Hong Kong Branch	RMB	25,000	0.70-6.00	24	27

Call loans from banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2017 Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended September 30, 2017 Interest Expense	For the Nine Months Ended September 30, 2017 Interest Expense
Land Bank	Singapore Branch	USD	$ 10,000	0.72-1.49	$ 60	$ 148
	Los Angeles Branch	USD	60,000	0.68-1.80	107	174
	London Branch	USD	50,000	0.95-1.79	134	448
Taiwan Business Bank	Hong Kong Branch	HKD	50,000	0.78	19	19

Name	Department	Currency	December 31, 2016 Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	Singapore Branch	USD	$ 10,000	0.50-1.21	$ 165
	New York Branch	USD	10,000	0.32-1.75	52
	London Branch	USD	75,000	0.41-1.40	351
	Hong Kong Branch	USD	4,000	0.35-1.62	3
Taiwan Business Bank	OBU	CAD	2,800	0.18-0.75	2
	Los Angeles Branch	USD	20,000	0.46-1.60	148

Name	Department	Currency	September 30, 2016 Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended September 30, 2016 Interest Expense	For the Nine Months Ended September 30, 2016 Interest Expense
Land Bank	Singapore Branch	USD	$ 30,000	0.51-0.97	$ 73	$ 117
	Los Angeles Branch	USD	5,000	0.32-0.98	5	21
	London Branch	USD	20,000	0.41-1.10	17	138
Taiwan Business Bank	New York Branch	USD	20,000	0.47-0.88	7	26
	Los Angeles Branch	USD	75,000	0.46-0.95	37	47

5) Due from banks and due to banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	September 30, 2017 Ending Balance	December 31, 2016 Ending Balance	September 30, 2016 Ending Balance
Land Bank	Domestic banking unit (“DBU”)	NTD	$ 784	$ 3	$ 3
Taiwan Business Bank	DBU	NTD	32	722	250

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2017 Ending Balance	December 31, 2016 Ending Balance	September 30, 2016 Ending Balance
The Export-Import Bank	DBU	NTD	$ 2,937	$ 613	$ 738
Taishin International Bank	New York Branch	USD	56	47	47
Land Bank	DBU	NTD	277	277	277

c. Compensation of directors and management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term benefits	$ 9,391	$ 10,379	$ 28,334	$ 29,061
Post-employment benefits	441	590	10,465	1,463
	$ 9,832	$ 10,969	$ 38,799	$ 30,524

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

d. Other

On March 17, 2017, the Bank entered into a contract with MasterLink Securities Corporation in the amount of $250 thousand. Based on the contract, the Bank would hire MasterLink Securities Corporation as a consultant for the sales of the Bank's subordinated financial bonds.

37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

Pledged Assets	Description	September 30, 2017	December 31, 2016	September 30, 2016
Available-for-sale financial assets	Government bonds	$ 5,804,900	$ 5,921,200	$ 5,804,200
Held-to-maturity financial assets	Bonds and certificate of deposits	36,788,512	36,819,687	36,804,470
Time deposits with original maturity more than 3 months	Time deposit	2,730,600	5,780,000	5,867,500
Refundable deposits	Cash	335,850	284,790	220,584

38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of September 30, 2017, December 31, 2016 and September 30, 2016:

	September 30, 2017	December 31, 2016	September 30, 2016
Trust liabilities	$ 264,232,911	$ 249,230,627	$ 247,489,791
Unused loan commitments (excluding credit cards)	79,282,344	93,836,687	94,773,582
Credit card credit commitments	341,182	371,718	433,099
Unused issued letters of credit	27,809,028	23,053,060	20,166,297
Guarantees issued in guarantee business	41,783,347	44,626,870	43,021,926
Repayment notes and times deposit held for custody	12,306,193	12,828,805	11,875,916
Liabilities on joint loans	816,233	512,886	395,490

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction and security as of September 30, 2017 were $295,175 thousand, $39,713 thousand, and $34,231 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages compensation in the amount of $45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of $11,448 thousand. The Bank is currently appealing with the Taiwan Superior Court.

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2017	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2017	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2017	None
4	Discount on fees income from related parties over NT$5 million	None
5	Receivables from related parties over NT$300 million or 10% of outstanding capital as of September 30, 2017	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	None
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of September 30, 2017	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2017	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2017	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2017	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of September 30, 2017	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 1

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenues and results

	For the Nine Months Ended September 30, 2017						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches	Others	Total
Net interest income	$ 10,014,727	$ 3,682,587	$ 624,518	$ -	$ 2,547,399	$ 76	$ 16,869,307
Net service fee and commission income	1,118,868	139,594	(27,704)	2,254,307	203,217	-	3,688,282
Net income on financial instruments	-	-	2,227,865	-	46,652	-	2,274,517
Others	9,498	-	2,909	51	2,563	141,841	156,862
Net revenue and gains	11,143,093	3,822,181	2,827,588	2,254,358	2,799,831	141,917	22,988,968
Bad debts expenses and guarantee liability provisions	858,427	-	-	-	(741,078)	-	117,349
Operating expenses	-	-	-	-	-	-	(11,960,511)
Income before income tax	$ 12,001,520	$ 3,822,181	$ 2,827,588	$ 2,254,358	$ 2,058,753	$ 141,917	$ 11,145,806

	For the Nine Months Ended September 30, 2016						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches	Others	Total
Net interest income	$ 10,077,005	$ 2,559,419	$ 872,396	$ -	$ 2,672,414	$ (54)	$ 16,181,180
Net service fee and commission income	1,152,297	140,581	(38,618)	2,598,301	261,897	-	4,114,458
Net income on financial instruments	-	-	2,645,826	-	37,481	-	2,683,307
Others	19,536	-	6,967	178	54,531	147,137	228,349
Net revenue and gains	11,248,838	2,700,000	3,486,571	2,598,479	3,026,323	147,083	23,207,294
Bad debts expenses and guarantee liability provisions	(292,156)	-	-	-	(563,746)	-	(855,902)
Operating expenses	-	-	-	-	-	-	(11,424,977)
Income before income tax	$ 10,956,682	$ 2,700,000	$ 3,486,571	$ 2,598,479	$ 2,462,577	$ 147,083	$ 10,926,415

The revenues and results on the segment information reported does not include inter-segment revenues.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	September 30, 2017						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustment	Total
Assets	$ 1,248,870,583	$ -	$ 661,811,023	$ 197,201,591	$ 65,286,432	$ (148,105,528)	$ 2,025,064,101
Liabilities	$ 3,134,524	$ 1,613,928,650	$ 193,774,359	$ 178,686,506	$ 40,592,716	$ (148,105,528)	$ 1,882,011,227

	December 31, 2016						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustment	Total
Assets	$ 1,254,886,726	$ -	$ 646,986,528	$ 198,250,477	$ 78,111,080	$ (173,083,307)	$ 2,005,151,504
Liabilities	$ 1,857,380	$ 1,575,105,439	$ 234,915,136	$ 181,449,462	$ 47,383,869	$ (173,083,307)	$ 1,867,627,979

	September 30, 2016						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustment	Total
Assets	$ 1,189,565,354	$ -	$ 643,470,415	$ 203,328,051	$ 64,513,917	$ (160,392,000)	$ 1,940,485,737
Liabilities	$ 1,764,214	$ 1,513,346,442	$ 219,985,829	$ 186,975,316	$ 42,875,692	$ (160,392,000)	$ 1,804,555,493

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of September 30, 2017	Accumulated Repatriation of Investment Income as of September 30, 2017	Note
					Outflow	Inflow							
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	$ 4,716,225 (US$ 155,174)	Note 1.c.	$ 4,716,225 (US$ 155,174)	$ -	$ -	$ 4,716,225 (US$ 155,174)	-	-	$ -	$ -	$ -	
Chang Hwa Commercial Bank, Ltd. Dongguan Branch	Banking	4,924,781 (US$ 162,641)	Note 1.c.	4,924,781 (US$ 162,641)	-	-	4,924,781 (US$ 162,641)	-	-	-	-	-	
Chang Hwa Commercial Bank, Ltd. Fuzhou Branch	Banking	2,476,283 (US$ 81,743)	Note 1.c.	2,476,283 (US$ 81,743)	-	-	2,476,283 (US$ 81,743)	-	-	-	-	-	

2.

Accumulated Outward Remittance for Investment in Mainland China September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ 12,117,289 (US$ 399,558)	$ 12,372,787 (US$ 410,928)	$ 21,457,931

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

a. Direct investment in mainland China.

b. Investment in mainland China through reinvestment in existing enterprise in a third area.

c. Others.

Note 2: Equity in the profits (losses):

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

b. The basis of recognizing equity in profits (losses) is categorized in the following three types and each entity should be noted according to its condition.

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

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

3) Others.

(Continued)

Note 3: In accordance with the “Bank, Financial Holding Corporation and Related Party Invest China Business Rules” announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

a. Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire shares or capital contributions from local shareholders in mainland China.

b. The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

(Concluded)