Chang Hwa Commercial Bank, Ltd.

Financial Statements for the
Six Months Ended June 30, 2017 and 2016 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank"), which comprise the balance sheets as of June 30, 2017, December 31, 2016 and June 30, 2016, and the statement of comprehensive income for the three months and the six months ended June 30, 2017 and 2016, and changes in equity and cash flows for the six months ended June 30, 2017 and 2016, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2017, December 31, 2016 and June 30, 2016, its financial performance for the three months and six months ended June 30,2017 and 2016, and its cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the six months ended June 30, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the financial statements of the Bank for the six months ended June 30, 2017.

Recognition of Loan Interest Revenue

Loan interest revenue is the most important source of revenue for the Bank. For the six months ended June 30, 2017, loan interest revenue was $13,678,402 thousand, accounting for 81% of the Bank's total interest income; thus, it is a significant account of the financial statements. Refer to Notes 4 and 29 to the Bank's financial statements for related information.

Loan interest revenue greatly depends on an automated calculation performed by the Bank's information system. The input controls of the program and the automated arithmetic logic of the system parameters have a great influence on the correctness of interest revenue. Therefore, our evaluation of the correctness of the loan interest revenue mainly included understanding the internal controls for the calculations of revenue from loans and the related interest. We selected samples from the loan system and checked the original data of the lenders. We tested the design and operating effectiveness of the related controls over the system. We used the loans as of June 30, 2017 as the sample population and selected all the lenders in June as samples to ensure the completeness of the loan cases and to test the accuracy of the loan interest revenue recognized during that month.

Impairment Assessment of Loans and Receivables

Loans and receivables are the most important assets of the Bank. As of June 30, 2017, the total amount of loans and receivables were $1,361,761,584 thousand, accounting for 69% of the Bank's total assets. Refer to Notes 4, 5, 8 and 9 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans and receivables depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans and receivables to be a key audit matter.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the six months ended June 30, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 25, 2017

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2017		December 31, 2016		June 30, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 4, 6 and 36)	$ 36,820,615	2	$ 45,199,330	2	$ 44,804,793	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	208,852,078	10	194,825,223	10	158,096,634	8
Financial assets at fair value through profit or loss (Notes 4 and 7)	22,691,133	1	34,699,024	2	37,192,049	2
Derivative financial assets for hedging (Notes 4 and 12)	229,525	-	86,265	-	255,529	-
Receivables, net (Notes 4, 8 and 9)	21,415,261	1	20,280,261	1	21,904,005	1
Current tax assets (Notes 4 and 30)	78,012	-	56,689	-	51,274	-
Loans, net (Notes 4, 5, 9, 35 and 36)	1,340,346,323	68	1,367,259,890	68	1,335,635,512	70
Available-for-sale financial assets, net (Notes 4, 10 and 37)	80,419,598	4	76,824,866	4	74,312,931	4
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 37)	217,334,897	11	204,864,541	10	193,148,149	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)	75,804	-	88,555	-	1,085,135	-
Other miscellaneous financial assets (Notes 4, 15 and 37)	13,476,336	1	18,842,264	1	11,536,390	1
Other financial assets, net	17,719,149	1	23,097,828	1	16,788,534	1
Property and equipment, net (Notes 4 and 16)	20,726,679	1	20,801,823	1	22,034,148	1
Investment property, net (Notes 4 and 17)	13,750,692	1	13,753,981	1	12,547,833	1
Intangible assets, net (Notes 4 and 18)	380,121	-	423,465	-	464,227	-
Deferred tax assets (Notes 4 and 30)	2,518,562	-	2,447,734	-	2,214,166	-
Other assets, net (Notes 19, 32 and 37)	526,260	-	530,584	-	630,270	-
TOTAL	$ 1,983,808,905	100	$ 2,005,151,504	100	$ 1,920,080,054	100
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Notes 4, 20 and 36)	$ 109,225,697	6	$ 139,162,582	7	$ 133,177,725	7
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	15,560,485	1	18,093,146	1	22,771,608	1
Securities sold under repurchase agreements (Note 4)	3,193,792	-	2,954,981	-	3,844,748	-
Payables (Notes 4, 21 and 28)	27,687,577	2	33,834,971	2	26,298,041	2
Current tax liabilities (Notes 4 and 30)	779,542	-	550,984	-	508,391	-
Deposits and remittances (Notes 4, 22 and 36)	1,628,136,755	82	1,624,429,817	81	1,552,896,075	81
Bank note payables (Notes 4 and 23)	41,722,327	2	31,375,226	2	30,261,254	2
Other financial liabilities (Notes 4 and 24)	3,419,366	-	2,718,964	-	2,489,622	-
Reserve for liabilities (Notes 4, 5 and 26)	4,351,089	-	4,524,224	-	4,224,562	-
Deferred tax liabilities (Notes 4 and 30)	6,770,700	-	6,672,201	-	6,683,194	-
Other liabilities (Notes 4, 25 and 32)	3,424,512	-	3,310,883	-	3,951,854	-
Total liabilities	1,844,271,842	93	1,867,627,979	93	1,787,107,074	93
EQUITY (Notes 4, 28 and 30)						
Capital stock						
Common stock	89,647,626	5	89,647,626	5	84,573,232	5
Reserve for capitalization	4,482,381	-	-	-	5,074,394	-
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	5,992,441	-	11,970,239	-	6,156,340	-
Other equity						
Exchange differences on translation of foreign financial statements	(922,470)	-	(8,125)	-	393,649	-
Unrealized gains on available-for-sale financial assets	845,399	-	108,319	-	969,899	-
Total equity	139,537,063	7	137,523,525	7	132,972,980	7
TOTAL	$ 1,983,808,905	100	$ 2,005,151,504	100	$ 1,920,080,054	100

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29 and 36)	$ 8,502,764	111	$ 8,136,954	107	$ 16,783,493	111	$ 16,416,564	107
INTEREST EXPENSES (Notes 29 and 36)	(2,882,677)	(38)	(2,731,994)	(36)	(5,700,143)	(38)	(5,649,355)	(37)
NET INTEREST INCOME	5,620,087	73	5,404,960	71	11,083,350	73	10,767,209	70
NET INCOME OTHER THAN NET INTEREST INCOME								
Net service fee and commission income (Notes 4 and 29)	1,115,680	15	1,603,960	21	2,480,363	17	2,703,037	18
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 29)	479,611	6	409,333	5	1,233,072	8	1,238,168	8
Realized gains on available-for-sale financial assets (Notes 4 and 29)	22,794	-	45,904	1	168,701	1	132,313	1
Foreign exchange gains (losses) (Notes 4 and 34)	221,911	3	88,570	1	(112,211)	(1)	(82,797)	(1)
Other miscellaneous net income (Note 12)	217,430	3	100,858	1	275,671	2	541,452	4
Net income other than net interest income	2,057,426	27	2,248,625	29	4,045,596	27	4,532,173	30
NET REVENUE AND GAINS	7,677,513	100	7,653,585	100	15,128,946	100	15,299,382	100
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9)	21,230	-	(525,715)	(7)	(411,348)	(3)	(473,418)	(3)
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 29)	(2,703,411)	(35)	(2,603,734)	(34)	(5,070,706)	(34)	(5,077,318)	(33)
Depreciation and amortization expenses (Notes 4 and 29)	(177,636)	(3)	(179,609)	(2)	(354,241)	(2)	(358,219)	(2)
Other general and administrative expenses	(1,165,049)	(15)	(1,131,285)	(15)	(2,191,112)	(14)	(2,209,518)	(15)
Total operating expenses	(4,046,096)	(53)	(3,914,628)	(51)	(7,616,059)	(50)	(7,645,055)	(50)
INCOME BEFORE INCOME TAX	3,652,647	47	3,213,242	42	7,101,539	47	7,180,909	47
INCOME TAX EXPENSE (Notes 4 and 30)	(563,382)	(7)	(537,390)	(7)	(1,145,534)	(8)	(1,110,942)	(7)
NET INCOME	3,089,265	40	2,675,852	35	5,956,005	39	6,069,967	40

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 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)	$ 200,069	3	$ (150,170)	(2)	$ (1,031,845)	(7)	$ (396,765)	(3)
Unrealized gains on available-for-sale financial assets (Note 4)	454,618	6	254,587	4	746,855	5	735,108	5
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	(36,748)	(1)	22,296	-	107,725	1	49,774	-
Other comprehensive income (loss) for the period, net of income tax	617,939	8	126,713	2	(177,265)	(1)	388,117	2
TOTAL COMPREHENSIVE INCOME	$ 3,707,204	48	$ 2,802,565	37	$ 5,778,740	38	$ 6,458,084	42
EARNINGS PER SHARE (Note 31)								
Basic	$ 0.33		$ 0.28		$ 0.63		$ 0.64	
Diluted	$ 0.33		$ 0.28		$ 0.63		$ 0.64	

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings			Other Equity		
	Shares (Thousand)	Amount	Reserve for Capitalization	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 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	-	-	5,074,394	-	-	(5,074,394)	-	-	-
Net income for the six months ended June 30, 2016	-	-	-	-	-	6,069,967	-	-	6,069,967
Other comprehensive income (loss) for the six months ended June 30, 2016, net of tax	-	-	-	-	-	-	(340,225)	728,342	388,117
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	6,069,967	(340,225)	728,342	6,458,084
BALANCE, JUNE 30, 2016	8,457,323	$ 84,573,232	$ 5,074,394	$ 23,784,945	$ 12,020,521	$ 6,156,340	$ 393,649	$ 969,899	$ 132,972,980
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	-	-	4,482,381	-	-	(4,482,381)	-	-	-
Net income for the six months ended June 30, 2017	-	-	-	-	-	5,956,005	-	-	5,956,005
Other comprehensive income (loss) for the six months ended June 30, 2017, net of tax	-	-	-	-	-	-	(914,345)	737,080	(177,265)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	5,956,005	(914,345)	737,080	5,778,740
BALANCE, JUNE 30, 2017	8,964,762	$ 89,647,626	$ 4,482,381	$ 27,410,736	$ 12,080,950	$ 5,992,441	$ (922,470)	$ 845,399	$ 139,537,063

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 7,101,539	$ 7,180,909
Non-cash (income and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	411,348	473,418
Depreciation expenses	268,380	279,168
Amortization expenses	85,861	79,051
Interest income	(16,783,493)	(16,416,564)
Interest expenses	5,700,143	5,649,355
Dividends income	(148,775)	(392,322)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(1,183,400)	1,213,561
Gain on disposal of investments	(168,701)	(125,562)
Unrealized foreign exchange gains	(49,672)	(2,451,729)
Other adjustments	(26,722)	(117,069)
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(432,867)	(13,471,375)
Decrease in financial assets at fair value through profit or loss	10,491,294	4,710,031
Increase in receivables	(1,102,492)	(3,102,008)
Decrease (increase) in loans	26,498,290	(13,937,794)
Increase in available-for-sale financial assets	(1,844,715)	(5,227,677)
(Increase) decrease in held-to-maturity financial assets	(12,470,356)	12,629,154
Decrease in other financial assets	5,362,435	14,958,285
Decrease (increase) in other assets	36	(274,237)
(Decrease) increase in due to the Central Bank and banks	(2,859,354)	1,915,137
Increase in deposits and remittances	3,706,938	5,156,364
(Decrease) increase in payables	(9,782,209)	569,453
Increase in financial liabilities at fair value through profit or loss	73,657	2,574,338
Decrease in reserve for liabilities	(140,256)	(178,909)
Increase in other financial liabilities	700,402	1,414,426
Increase in other liabilities	132,038	722,832
Cash flows generated from operations	13,539,349	3,830,236
Interest received	16,029,337	16,673,499
Dividends received	148,198	385,522
Interest paid	(5,826,282)	(6,053,528)
Income taxes paid	(781,580)	(507,810)
Income taxes refunded	25,251	-
Net cash flows generated from operating activities	23,134,273	14,327,919

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (211,267)	$ (79,217)
Acquisition of investment property	-	(180)
Acquisition of intangible assets	(37,168)	(37,824)
Proceeds from disposal of property and equipment	-	7
Net cash used in investing activities	(248,435)	(117,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and call loans from banks	(27,077,531)	3,357,520
Proceeds from issuance of bank notes	10,200,000	-
Repayment of bank notes	-	(4,854,000)
Increase (decrease) in securities sold under repurchase agreements	238,811	(767,299)
Net cash used in financing activities	(16,638,720)	(2,263,779)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,031,845)	(396,765)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,215,273	11,550,161
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	$ 173,192,978	$ 130,250,186

	June 30	
	2017	**2016**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	$ 36,820,615	$ 44,804,793
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	136,372,363	85,445,393
Cash and cash equivalents at end of period	$ 173,192,978	$ 130,250,186

The accompanying notes are an integral part of the financial statements. (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 August 25, 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 (Note 3)
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”

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 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
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.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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

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

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

Estimated Impairment of Loans and Receivables

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

Information about the book value of loans as of June 30, 2017 and 2016 is disclosed in Note 9.

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

a. Cash and cash equivalents

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	$ 10,725,692	$ 11,036,052	$ 10,321,040
Checks for clearing	6,141,742	17,454,559	4,515,736
Due from banks	18,433,966	15,083,232	28,457,430
Foreign currencies on hand	1,519,215	1,625,487	1,510,587
	$ 36,820,615	$ 45,199,330	$ 44,804,793

Refer to the statement of cash flows for the cash and cash equivalents reconciliation information as of June 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

	June 30, 2017	December 31, 2016	June 30, 2016
Call loans to banks	$ 136,372,363	$ 122,778,375	$ 85,445,393
Reserve for checking accounts	27,527,428	25,184,329	29,125,538
Reserve for demand accounts	40,388,978	39,605,276	38,865,006
Reserve for foreign deposits	416,200	401,760	381,376
Others	4,147,109	6,855,483	4,279,321
	$ 208,852,078	$ 194,825,223	$ 158,096,634

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets designated as at FVTPL			
Interest rate-linked combination instruments	$ 5,206,850	$ 5,448,301	$ 6,113,549
Derivative financial assets (not applying hedge accounting)			
Futures	156,743	77,803	84,467
Forward exchange contracts	198,185	221,512	303,902
Interest rate swaps	1,063,740	1,464,398	1,219,469
Cross-currency swaps	685,722	922,514	604,583
Currency swaps	2,428,390	3,340,446	1,508,847
Currency call option premiums	267,035	346,116	625,485
Non-derivative financial assets			
Investments in bills	10,604,708	20,970,079	21,170,992
Domestic listed stocks	92,839	-	34,310
Mutual funds	35,375	190,941	203,816
Government bonds	1,951,546	1,700,629	4,822,501
Corporate bonds	-	16,285	500,128
	17,484,283	29,250,723	31,078,500
	$ 22,691,133	$ 34,699,024	$ 37,192,049

The par values of bonds and notes provided for transactions with repurchase agreements were $697,200 thousand, $982,300 thousand and $1,420,300 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

Financial Liabilities at FVTPL

	June 30, 2017	December 31, 2016	June 30, 2016
Financial liabilities designated as at FVTPL			
Unsecured U.S. dollar-denominated bank notes	$ 12,151,164	$ 12,606,694	$ 17,209,761
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	90,586	259,933	109,376
Interest rate swaps	778,962	1,415,178	816,108
Cross-currency swaps	684,337	1,104,589	890,273
Currency swaps	1,585,833	2,357,964	3,117,689
Currency put option premiums	269,603	348,788	628,401
	3,409,321	5,486,452	5,561,847
	$ 15,560,485	$ 18,093,146	$ 22,771,608

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 six months ended June 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 six months ended June 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 June 30, 2017, December 31, 2016 and June 30, 2016 were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Currency swaps	$ 289,606,477	$ 363,182,300	$ 412,513,948
Currency options	83,477,771	117,144,777	178,281,717
Forward exchange contracts	22,428,708	27,481,811	28,002,544
Interest rate swaps and assets - swap options	392,987,265	412,196,722	277,889,233
Cross-currency swaps	23,751,358	52,851,494	53,969,381

8. RECEIVABLES, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable	$ 10,337,700	$ 8,990,029	$ 11,259,764
Revenue receivables	1,644	3,316	2,095
Interest receivables	3,440,518	3,395,881	2,605,408
Acceptance receivables	4,354,351	5,589,590	4,559,617
Credit card receivables	2,946,765	1,766,729	3,136,229
Settlement prices	454,256	426,554	264,298
Settlement price receivables	316,951	582,536	213,619
Other receivables	112,706	98,657	153,714
Less allowance for receivables	(549,630)	(573,031)	(290,739)
	$ 21,415,261	$ 20,280,261	$ 21,904,005

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

9. LOANS, NET

a. The details of loans are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Negotiated	$ 6,040,663	$ 6,139,403	$ 5,575,558
Overdraft	1,470,604	1,531,820	1,291,260
Short-term loans	339,698,944	358,167,831	359,193,913
Receivable amount for margin loans	295,407	259,931	260,410
Medium-term loans	440,629,370	467,363,994	441,572,732
Long-term loans	563,923,747	546,771,155	540,665,448
Delinquent loans	4,242,807	3,148,731	2,771,044
	1,356,301,542	1,383,382,865	1,351,330,365
Less allowance for loan losses	(15,955,219)	(16,122,975)	(15,694,853)
	$ 1,340,346,323	$ 1,367,259,890	$ 1,335,635,512

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

	For the Six Months Ended June 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	4,078	684,266	8,119	696,463
Provision for loan losses	12,706	415,277	16,244	444,227
Loans written off	(17,166)	(1,123,223)	(20,997)	(1,161,386)
Others	(23,019)	(144,076)	-	(167,095)
Balance, June 30, 2017	$ 549,630	$ 15,955,219	$ 29,303	$ 16,534,152

	For the Six Months Ended June 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	646	473,351	5,758	479,755
Provision for loan losses	193,017	236,646	30	429,693
Loans written off	(14,079)	(1,109,605)	(37,686)	(1,161,370)
Others	10,506	(40,431)	1,570	(28,355)
Balance, June 30, 2016	$ 290,739	$ 15,694,853	$ 14,712	$ 16,000,304

The delinquent loans of which the accrual of interest income was stopped internally as of June 30, 2017, December 31, 2016 and June 30, 2016 were $4,242,807 thousand, $3,148,731 thousand and $2,771,044 thousand, respectively. The interest income on delinquent loans not accrued in the six months ended June 30, 2017 and 2016 were $56,641 thousand and $37,271 thousand, respectively.

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Provision for receivable and loan (including delinquent loan) losses	$ 30,536	$ 483,135	$ 444,227	$ 429,693
Provision (reversal)for guarantees	(51,766)	42,580	(32,879)	43,725
	$ (21,230)	$ 525,715	$ 411,348	$ 473,418

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

Receivables

Item		Total Receivable		
		June 30, 2017	**December 31, 2016**	**June 30, 2016**
Objective evidence of impairment	Individual assessment of impairment	$ 413,655	$ 438,101	$ 326,039
	Combined assessment of impairment	86,096	50,980	53,691
None objective evidence of impairment	Combined assessment of impairment	21,465,140	20,364,211	21,815,014
Total		$ 21,964,891	$ 20,853,292	$ 22,194,744

Item		Total Allowance		
		June 30, 2017	**December 31, 2016**	**June 30, 2016**
Objective evidence of impairment	Individual assessment of impairment	$ 380,827	$ 398,440	$ 201,956
	Combined assessment of impairment	46,648	18,182	23,265
None objective evidence of impairment	Combined assessment of impairment	122,155	156,409	65,518
Total		$ 549,630	$ 573,031	$ 290,739

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

Loans

Item		Total Loans		
		June 30, 2017	December 31, 2016	June 30, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 9,245,487	$ 9,219,054	$ 8,038,975
	Combined assessment of impairment	3,827,724	3,690,862	3,494,395
None objective evidence of impairment	Combined assessment of impairment	1,343,228,331	1,370,472,949	1,339,796,995
Total		$ 1,356,301,542	$ 1,383,382,865	$ 1,351,330,365

Item		Total Allowance		
		June 30, 2017	December 31, 2016	June 30, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 3,538,878	$ 3,322,891	$ 3,475,461
	Combined assessment of impairment	878,854	1,032,540	1,039,746
None objective evidence of impairment	Combined assessment of impairment	11,537,487	11,767,544	11,179,646
Total		$ 15,955,219	$ 16,122,975	$ 15,694,853

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

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic quoted stocks	$ 3,739,656	$ 2,993,065	$ 2,879,996
Government bonds	29,264,472	27,813,944	26,293,626
Corporate bonds	12,937,675	12,418,531	12,578,819
Bank notes	32,005,777	31,719,418	31,831,860
Bonds issued by international organizations	889,903	229,325	-
Investment in bills	1,582,115	1,650,583	728,630
	$ 80,419,598	$ 76,824,866	$ 74,312,931

The par values of bonds provided for transactions with repurchase agreements were $2,258,800 thousand, $1,813,100 thousand and $2,190,300 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

Government bonds placed as deposits in courts were $366,100 thousand, $421,200 thousand and $310,800 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively. Government bonds placed as operating deposits were all $330,000 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016. Government bonds placed as reserve fund for trust compensation were all $170,000 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016. Government bonds pledged for call loans from banks were all $5,000,000 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016.

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Investment in bills	$ 205,491,692	$ 190,725,273	$ 176,871,238
Bank notes	1,862,806	2,645,392	2,749,637
Corporate bonds	9,614,991	10,524,271	12,554,646
Government bonds	365,408	969,605	972,628
	$ 217,334,897	$ 204,864,541	$ 193,148,149

The overseas branches' bonds as collateral for operations as of June 30, 2017, December 31, 2016 and June 30, 2016 were $491,499 thousand, $519,687 thousand and $582,846 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were all $36,000,000 thousand as of June 30, 2017, December 31, 2016 and June 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 June 30, 2017, December 31, 2016 and June 30, 2016.

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

12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2017	December 31, 2016	June 30, 2016
Derivative financial assets under hedge accounting			
Fair value hedges - interest rate swaps	$ 229,525	$ 86,265	$ 255,529

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 June 30, 2017, December 31, 2016 and June 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 six months ended June 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 $222,327 thousand, $75,226 thousand and $261,254 thousand as of June 30, 2017, December 31, 2016 and June 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 of hedging tools were $69,891 thousand and $54,148 thousand for the three months ended June 30, 2017 and 2016, respectively, and $173,462 thousand and $82,349 thousand for the six months ended June 30, 2017 and 2016, respectively, and the realized gain or loss of fair-value hedging were $(54,671) thousand and $(59,299) thousand, accounted as other non-interest net income and losses, for the three months ended June 30, 2017 and 2016, respectively, and the realized loss of fair-value hedging were $(147,102) thousand and $(77,674) thousand, accounted as other non-interest net income and losses, for the six months ended June 30, 2017 and 2016, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	June 30, 2017	December 31, 2016	June 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

	June 30, 2017	December 31, 2016	June 30, 2016
Beneficiary securities and asset based securities	$ 75,804	$ 88,555	$ 100,451
Corporate bonds and bank notes	-	-	984,684
	$ 75,804	$ 88,555	$ 1,085,135

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Inward remittance	$ 29,526	$ 11,953	$ 13,093
Delinquent loans reclassified from other accounts (excluding loans)	90,852	43,094	42,990
Call loans to securities company	-	161,100	-
Time deposits with original maturity more than 3 months	13,385,261	18,652,054	11,495,019
Less allowance for loan losses	(29,303)	(25,937)	(14,712)
	$ 13,476,336	$ 18,842,264	$ 11,536,390

The market rates of time deposits with original maturity more than 3 months were 1.75%-5.40% and 1.00%-3.65% for the six months ended June 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	-	24,636	75,868	10,734	27,889	40,365	422	31,353	211,267
Disposals	-	-	(65,114)	(5,908)	(12,230)	(21,938)	-	-	(105,190)
Reclassification	-	-	8,087	3,114	-	-	(3,114)	(11,284)	(3,197)
Effect of foreign currency exchange differences	-	(10,892)	(2,997)	(599)	(2,092)	(5,338)	-	(1,613)	(23,531)
Balance at June 30, 2017	$ 14,657,121	$ 9,121,873	$ 4,668,802	$ 715,906	$ 1,444,076	$ 959,009	$ 1,561	$ 71,950	$ 31,640,298
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	-	89,447	108,057	22,371	23,643	21,422	151	-	265,091
Disposals	-	-	(64,545)	(5,849)	(11,769)	(21,574)	-	-	(103,737)
Reclassification	-	-	-	1,730	-	-	(1,730)	-	-
Effect of foreign currency exchange differences	-	(314)	(1,581)	(315)	(1,535)	(3,116)	-	-	(6,861)
Balance at June 30, 2017	$ -	$ 4,202,778	$ 4,028,829	$ 588,903	$ 1,284,246	$ 808,276	$ 587	$ -	$ 10,913,619
Carrying amounts at June 30, 2017	$ 14,657,121	$ 4,919,095	$ 639,973	$ 127,003	$ 159,830	$ 150,733	$ 974	$ 71,950	$ 20,726,679
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	-	32,071	10,085	8,127	15,697	8,789	-	4,448	79,217
Disposals	-	-	(72,127)	(6,981)	(10,831)	(75)	-	-	(90,014)
Reclassification	(14,465)	(537)	5,639	62,180	(5,753)	-	(62,066)	(4,890)	(19,892)
Effect of foreign currency exchange differences	-	(3,509)	(715)	(110)	(818)	1,364	-	(283)	(4,071)
Balance at June 30, 2016	$ 15,865,635	$ 9,078,317	$ 5,149,794	$ 683,103	$ 1,497,155	$ 953,308	$ 50,166	$ 15,762	$ 33,293,240
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	-	88,811	115,896	18,271	22,636	25,149	5,086	-	275,849
Disposals	-	-	(72,127)	(6,977)	(10,831)	(75)	-	-	(90,010)
Reclassification	-	(537)	3,734	34,506	(3,758)	-	(34,482)	-	(537)
Effect of foreign currency exchange differences	-	(52)	(221)	(75)	(758)	(96)	-	-	(1,202)
Balance at June 30, 2016	$ -	$ 4,024,142	$ 4,504,195	$ 554,084	$ 1,344,406	$ 806,529	$ 25,736	$ -	$ 11,259,092
Carrying amounts at June 30, 2016	$ 15,865,635	$ 5,054,175	$ 645,599	$ 129,019	$ 152,749	$ 146,779	$ 24,430	$ 15,762	$ 22,034,148

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

	June 30, 2017	December 31, 2016	June 30, 2016
Completed investment property	$ 13,750,692	$ 13,753,981	$ 12,547,833

Except for depreciation recognized, the Bank had no significant additions, disposals, and impairment of investment properties during the six months ended June 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 Bank's investment property as of June 30, 2017 and December 31, 2016 were both $28,823,698 thousand. The fair value valuation was not performed by independent qualified professional valuers; management of the Bank used the valuation model that market participants would use in determining the fair value/the valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The fair value of the Bank's investment property as of June 30, 2016 was $27,600,219 thousand. The determination of fair value was performed and measured by independent qualified professional valuers of CCIS Real Estate Joint Appraisers Firm in July 2015. The significant unobservable inputs used in the valuation include discount rate 5.16% and capitalization rate 1.85%.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Rental incomes	$ 45,448	$ 45,962	$ 90,877	$ 88,728
Direct operating expenses	$ 29,938	$ 22,803	$ 59,813	$ 45,402

18. INTANGIBLE ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Computer software	$ 380,121	$ 423,465	$ 464,227

Except for amortization recognized, the Bank had no significant additions, disposals, and impairment of intangible assets during the six months ended June 30, 2017 and 2016.

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

19. OTHER ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Refundable deposits	$ 255,121	$ 284,790	$ 342,633
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	270,918	245,534	287,331
Others	221	260	306
	$ 526,260	$ 530,584	$ 630,270

20. DUE TO BANKS AND CENTRAL BANK

	June 30, 2017	December 31, 2016	June 30, 2016
Due to Central Bank	$ 22,131	$ 25,087	$ 23,108
Due to banks	24,896,443	27,576,736	32,232,765
Bank overdraft	983,920	294,424	666,825
Call loans from banks	81,267,946	109,034,973	97,641,270
Deposits transferred from the Postal Bureau	2,055,257	2,231,362	2,613,757
	$ 109,225,697	$ 139,162,582	$ 133,177,725

21. PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Checks issued to payees for clearing	$ 9,366,035	$ 18,236,396	$ 8,498,227
Accounts payable	3,006,471	1,411,016	3,217,022
Accrued expenses	1,973,410	2,567,345	2,053,739
Interest payable	1,570,024	1,700,411	1,471,293
Acceptances	4,431,644	6,186,691	4,700,929
Others	7,339,993	3,733,112	6,356,831
	$ 27,687,577	$ 33,834,971	$ 26,298,041

22. DEPOSITS

	June 30, 2017	December 31, 2016	June 30, 2016
Checking deposits	$ 31,804,913	$ 42,574,915	$ 32,714,305
Demand deposits	403,369,898	394,963,376	377,388,904
Time deposits	362,758,690	351,997,282	334,315,668
Negotiable certificates of deposit	11,910,722	6,209,967	7,382,000
Savings deposits	817,390,306	827,332,235	800,133,389
Remittances	902,226	1,352,042	961,809
	$ 1,628,136,755	$ 1,624,429,817	$ 1,552,896,075

23. BANK NOTES PAYABLE

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

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

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

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

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

The Bank issued $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	**June 30, 2017**	**December 31, 2016**	**June 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	222,327	75,226	261,254
	8,422,327	5,275,226	5,461,254
Non-hedged bank notes payable			
98-1, 7-year terms, interest payable annually, interest rate 2.30%, maturity date: September 15, 2016	-	-	5,000,000
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000	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

(Continued)

Bank Note, Interest Rate and Maturity Date	June 30, 2017	December 31, 2016	June 30, 2016
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
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	-
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	24,800,000
	$ 41,722,327	$ 31,375,226	$ 30,261,254

(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

	June 30, 2017	December 31, 2016	June 30, 2016
Principal structured products	$ 3,098,915	$ 2,410,781	$ 2,194,828
Appropriations for loan funds	319,935	307,807	290,690
Lease payables	516	376	4,104
	$ 3,419,366	$ 2,718,964	$ 2,489,622

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

	June 30, 2017	December 31, 2016	June 30, 2016
Unearned revenue	$ 813,200	$ 899,770	$ 901,903
Guarantee deposits	2,584,129	2,387,785	3,016,038
Deferred income	27,183	23,328	33,913
	$ 3,424,512	$ 3,310,883	$ 3,951,854

26. PROVISIONS

	June 30, 2017	December 31, 2016	June 30, 2016
Reserve for employee benefits	$ 3,846,407	$ 3,985,854	$ 3,740,668
Reserve for guarantee liabilities	504,682	538,370	483,894
	$ 4,351,089	$ 4,524,224	$ 4,224,562

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 collaterals and the length of time overdue. Except for provision, the reserve for guarantees of the Bank had no significant changes for the six months ended June 30, 2017 and 2016.

27. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Bank's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015 and the amount for the three months and six months ended June 30,2017 and 2016 were $56,275 thousand, $82,030 thousand, $165,721 thousand and $165,584 thousand, respectively.

28. EQUITY

a. Capital stock

Common stock

	June 30, 2017	December 31, 2016	June 30, 2016
Number of stocks authorized (in thousands)	9,000,000	9,000,000	9,000,000
Stocks authorized	$ 90,000,000	$ 90,000,000	$ 90,000,000
Number of stocks issued and fully paid (in thousands)	8,964,762	8,964,762	8,457,323
Stocks issued	$ 89,647,626	$ 89,647,626	$ 84,573,232

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

As of January 1, 2016, the Bank's authorized and registered capital was $90,000,000 thousand divided into 9,000,000 thousand stocks at a $10 par value; the total paid-in capital was $84,573,232 thousand. In August 2016, the Bank had resolved capitalization of earnings and increased the Bank's paid-in capital by $5,074,394 thousand. The amount of the Bank's authorized and registered capital at June 30, 2017 and December 31, 2016 was $90,000,000 thousand divided into 9,000,000 thousand stocks and, also at those dates, the amounts of total paid-in capital was $89,647,626 thousand, divided into 8,964,762 thousand outstanding stocks, at a $10 par value.

The Board approved to transfer of capital surplus to new shares by 448,238 thousand shares and 507,439 thousand shares, which accounted as the capital increased under shareholders' equity by $4,482,381 thousand and $5,074,394 thousand on June 16, 2017 and June 8, 2016, respectively. The Board resolution date of ex-dividend on August 15, 2017 and August 16, 2016 were July 21, 2017 and July 22, 2016, respectively.

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 expense".

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

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

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

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

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

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

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

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

The appropriations of earnings for 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

	June 30, 2017	**December 31, 2016**	**June 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 June 30		**For the Six Months Ended June 30**	
	2017	**2016**	**2017**	**2016**
Interest income				
Loans	$ 6,912,399	$ 6,803,381	$ 13,678,402	$ 13,677,907
Due from and call loans to banks	827,796	538,134	1,598,986	1,113,064
Investment in marketable securities	725,937	764,581	1,439,925	1,561,813
Others	36,632	30,858	66,180	63,780
	8,502,764	8,136,954	16,783,493	16,416,564

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest expense				
Deposits	$ (2,324,373)	$ (2,296,104)	$ (4,631,242)	$ (4,792,153)
Due to the Central Bank and call loans from banks	(363,492)	(257,953)	(722,228)	(485,913)
Others	(194,812)	(177,937)	(346,673)	(371,289)
	(2,882,677)	(2,731,994)	(5,700,143)	(5,649,355)
Net interest income	$ 5,620,087	$ 5,404,960	$ 11,083,350	$ 10,767,209

(Concluded)

b. Net service fee and commissions income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Service fee and commission income				
Fees from import and export	$ 84,382	$ 81,619	$ 173,957	$ 167,350
Remittance fees	118,697	119,673	239,783	237,132
Loan and guarantee fees	151,622	168,231	292,876	371,617
Fees from trustees	200,507	130,170	361,738	268,817
Fees from trustee business	64,764	63,065	127,327	125,267
Fees from insurance agency	485,909	1,001,412	1,262,630	1,329,447
Others	255,866	241,788	489,322	650,559
	1,361,747	1,805,958	2,947,633	3,150,189
Service fee and commission				
Interbank fees	(35,634)	(34,209)	(71,929)	(67,973)
Fees from trustees	(11,282)	(5,815)	(20,719)	(10,156)
Management fees	(23,159)	(20,459)	(41,864)	(42,739)
Fees from insurance agency	(61,794)	(33,124)	(105,954)	(109,234)
Others	(114,198)	(108,391)	(226,804)	(217,050)
	(246,067)	(201,998)	(467,270)	(447,152)
Net service fee and commissions income	$ 1,115,680	$ 1,603,960	$ 2,480,363	$ 2,703,037

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Disposal gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	$ 4,897	$ (457)	$ 25,919	$ 666
Bonds	13,799	24,365	13,105	62,610
Bills	5	16	5	19

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Derivative financial instruments	$ 758,642	$ 434,372	$ 1,137,017	$ 903,156
Net interest expense	(54,822)	(92,478)	(106,196)	(23,542)
Stock dividends and bonus	383	-	383	-
	722,904	365,818	1,070,233	942,909
Valuation gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	(3,938)	(133)	(21,505)	1,572
Bonds	2,968	(143,438)	7,520	(151,671)
Bills	(1,721)	4,900	(1,427)	8,608
Derivative financial instruments	(240,602)	182,186	178,251	436,750
	(243,293)	43,515	162,839	295,259
	$ 479,611	$ 409,333	$ 1,233,072	$ 1,238,168

(Concluded)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Stock dividends and bonus	$ -	$ 6,800	$ -	$ 6,800
Disposal gains				
Stock	20,924	32,672	59,706	64,880
Bonds	2,182	6,433	114,089	75,966
	23,106	45,905	173,795	147,646
Disposal losses				
Stock	-	-	(4,519)	(15,152)
Bonds	(312)	(1)	(575)	(181)
	(312)	(1)	(5,094)	(15,333)
	$ 22,794	$ 45,904	$ 168,701	$ 132,313

e. Depreciation and amortization expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property and equipment	$ 132,846	$ 137,778	$ 265,091	$ 275,849
Investment property	1,646	1,660	3,289	3,320
Intangible assets and other deferred assets	43,144	40,171	85,861	79,050
	$ 177,636	$ 179,609	$ 354,241	$ 358,219

f. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term benefits	$ 2,385,979	$ 2,363,368	$ 4,505,677	$ 4,597,499
Post-employment benefits				
Defined contribution plans	69,355	37,837	83,059	75,909
Defined benefit plans	56,275	82,030	165,721	165,584
High-yield savings account for employees	127,034	118,661	249,455	234,785
Other post-employment benefits	2,040	1,838	4,066	3,541
Termination benefits	62,728	-	62,728	-
	$ 2,703,411	$ 2,603,734	$ 5,070,706	$ 5,077,318

g. Employees' compensation and remuneration of directors

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Bank approved by the shareholders in their meeting on June 2016, the Bank accrued employees' compensation and remuneration of directors at the rates 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months and the six months ended June 30, 2017 and 2016, the employees' compensation and remuneration of directors were as follows:

Accrual rate

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	5.00%	4.67%	5.00%	4.67%
Remuneration of directors	0.40%	0.45%	0.40%	0.45%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	$ 228,000	$ 165,802	$ 372,000	$ 353,802
Remuneration of directors	$ 18,800	$ 22,200	$ 30,000	$ 34,200

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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	$ 463,739	$ 417,485	$ 871,374	$ 697,624
Adjustments for prior periods	75,796	1,874	75,796	1,874
Deferred tax				
In respect of the current period	(40,596)	4,947	1,605	241,434
Non-deductible tax of overseas branches	64,443	113,084	196,759	170,010
Income tax expense recognized in profit or loss	$ 563,382	$ 537,390	$ 1,145,534	$ 1,110,942

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Deferred tax				
In respect of the current period:				
Translation of foreign financial statement	$ 31,350	$ (27,402)	$ (117,499)	$ (56,540)
Fair value changes of available-for-sale financial asset	5,398	5,106	9,774	6,766
Total income tax recognized in other comprehensive income	$ 36,748	$ (22,296)	$ (107,725)	$ (49,774)

c. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Unappropriated earnings			
Generated on and after January 1, 1998	$ 5,992,441	$ 11,970,239	$ 6,156,340
Shareholder-imputed credits account	$ 1,124,577	$ 1,132,836	$ 1,067,650

	For the Years Ended December 31	
	2016 (Expected)	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 six months ended June 30, 2016 were adjusted retrospectively as followings:

Unit: NT$ Per Share

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
Basic earnings per share	$ 0.30	$ 0.68	$ 0.28	$ 0.64
Diluted earnings per share	$ 0.30	$ 0.67	$ 0.28	$ 0.64

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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Net profit for the period	$ 3,089,265	$ 2,675,852	$ 5,956,005	$ 6,069,967

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

	For the Three Months Ended June 30		For the Six Months Ended June 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	21,318	21,123	34,871	39,127
Weighted average number of common stocks used in the computation of diluted earnings per share	9,434,319	9,434,124	9,447,872	9,452,128

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

32. OPERATING LEASE ARRANGEMENTS

a. The Bank as lessee

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, refundable deposits paid under operation leases amounted to $38,814 thousand, $39,579 thousand and $40,920 thousand, respectively.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	$ 362,938	$ 557,224	$ 287,021
Later than 1 year and not later than 5 years	1,332,139	1,150,303	1,192,768
Later than 5 years	364,455	302,443	342,395
	$ 2,059,532	$ 2,009,970	$ 1,822,184

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 June 30, 2017, December 31, 2016 and June 30, 2016, refundable deposits received under operation leases amounted to $50,526 thousand, $51,430 thousand and $55,659 thousand, respectively.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	$ 115,903	$ 230,985	$ 119,892
Later than 1 year and not later than 5 years	588,975	551,598	613,063
Later than 5 years	77,442	77,655	77,442
	$ 782,320	$ 860,238	$ 810,397

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.

Capital Adequacy

Item \ Period			June 30, 2017	December 31, 2016	June 30, 2016
Self-owned capital	Common equity Tier I		$ 122,840,668	121,271,653	115,861,373
	Other Tier I capital		1,860,893	2,332,643	2,111,146
	Tier II capital		52,528,324	43,971,841	35,762,756
	Self-owned capital		177,229,885	167,576,137	153,735,275
Risk-weighted assets	Credit risk	Standardized approach	1,323,514,141	1,330,834,716	1,269,945,044
		IRB	-	-	-
		Securitization	15,161	17,711	20,090
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/optional standard	50,906,050	50,906,050	46,064,950
		Advanced internal rating based approach	-	-	-
	Market price risk	Standardized approach	15,533,725	13,292,788	13,790,938
		Internal model approach	-	-	-
	Total		1,389,969,077	1,395,051,265	1,329,821,022
Capital adequacy ratio			12.75%	12.01%	11.56%
Common equity Tier I to risk-weighted assets ratio			8.84%	8.69%	8.71%
Tier I capital to risk-weighted assets ratio			8.97%	8.86%	8.87%
Leverage ratio			5.87%	5.76%	5.76%

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

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

Note 3: Formula:

a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital

b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5

c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets

d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets

e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets

f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

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

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

	June 30, 2017		December 31, 2016		June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 217,334,897	$ 217,425,274	$ 204,864,541	$ 204,960,525	$ 193,148,149	$ 193,308,813
Bonds investment with no active market	75,804	79,692	88,555	91,914	1,085,135	1,092,989
Financial liabilities						
Bond payables	41,722,327	42,805,840	31,375,226	31,824,888	30,261,254	31,144,850

2) Fair value hierarchy

Fair value hierarchy as at June 30, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity investments	$ 217,425,274	$ 3,610,182	$ 213,815,092	$ -
Bonds investment with no active market	79,692	-	79,692	-
Financial liabilities				
Bond payables	42,805,840	-	8,422,327	34,383,513

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
Bonds investment 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 June 30, 2016

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity investments	$ 193,308,813	$ 3,722,559	$ 13,911,254	$ 175,675,000
Bonds investment with no active market	1,092,989	-	1,092,989	-
Financial liabilities				
Bond payables	31,144,850	-	7,461,254	23,683,596

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	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 17,891,318	$ 6,157,453	$ 11,733,865	$ -
Trading assets	12,684,468	1,164,965	11,519,503	-
Stocks and mutual funds	128,214	128,214	-	-
Bond investments	1,951,546	1,036,751	914,795	-
Others	10,604,708	-	10,604,708	-
Financial assets designated upon initial recognition as at fair value through profit or loss	5,206,850	4,992,488	214,362	-
Available-for-sale financial assets	80,419,598	46,347,808	34,071,790	-
Stock investments	3,739,656	3,739,656	-	-
Bond investments	75,097,827	41,026,037	34,071,790	-
Others	1,582,115	1,582,115	-	-
Liabilities				
Financial liabilities at FVTPL	12,151,164	-	12,151,164	-
Derivative financial products				
Assets				
Financial assets at FVTPL	4,799,815	156,743	4,643,072	-
Other financial assets				
Hedging derivative financial instruments	229,525	-	229,525	-
Liabilities				
Financial liabilities at FVTPL	3,409,321	-	3,409,321	-

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	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 32,845,296	$ 9,483,697	$ 23,361,599	$ -
Trading assets	26,731,747	4,384,945	22,346,802	-
Stock and mutual funds	238,126	238,126	-	-
Bond investments	5,322,629	4,146,819	1,175,810	-
Others	21,170,992	-	21,170,992	-
Financial assets designated upon initial recognition as at fair value through profit or loss	6,113,549	5,098,752	1,014,797	-
Available-for-sale financial assets	74,312,931	44,134,226	30,178,705	-
Stock investments	2,879,996	2,879,996	-	-
Bond investments	70,704,305	40,525,600	30,178,705	-
Others	728,630	728,630	-	-
Liabilities				
Financial liabilities at FVTPL	17,209,761	-	17,209,761	-
Derivative financial products				
Assets				
Financial assets at FVTPL	4,346,753	84,467	4,262,286	-
Other financial assets				
Hedging derivative financial instruments	255,529	-	255,529	-
Liabilities				
Financial liabilities at FVTPL	5,561,847	-	5,561,847	-

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 June 30, 2017 and 2016, the Bank's VaR factors based on historical simulation method were as follows:

	For the Six Months Ended June 30, 2017			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 167,493	$ 199,991	$ 129,991	$ 170,646
Interest rate VaR	18,899	32,732	8,393	12,788
Equity securities VaR	2,745	4,219	1,422	1,636
Value at risk	$ 189,137	$ 236,942	$ 139,806	$ 185,070

	For the Six Months Ended June 30, 2016			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 173,491	$ 228,770	$ 128,185	$ 179,081
Interest rate VaR	31,362	45,245	16,690	38,260
Equity securities VaR	1,158	1,639	543	1,299
Value at risk	$ 206,011	$ 275,654	$ 145,418	$ 218,640

2) Primary foreign currencies

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,649,731	30.4200	$ 232,704,817
GBP	113,658	39.6400	4,505,403
AUD	1,192,012	23.4450	27,946,721
HKD	1,332,084	3.8960	5,189,799
CAD	109,661	23.4500	2,571,550
ZAR	2,099,561	2.3300	4,891,977
JPY	55,794,296	0.2717	15,159,310
EUR	538,329	34.8100	18,739,232
RMB	17,270,734	4.4880	77,511,054
Non-monetary items			
USD	187,889	30.4200	5,715,583

(Continued)

	June 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 9,383,905	30.4200	$ 285,458,390
GBP	92,556	39.6400	3,668,920
AUD	989,892	23.4450	23,208,018
HKD	1,073,958	3.8960	4,184,140
CAD	107,152	23.4500	2,512,714
ZAR	2,497,097	2.3300	5,818,236
JPY	56,549,772	0.2717	15,364,573
EUR	515,162	34.8100	17,932,789
NZD	52,253	22.2900	1,164,719
RMB	15,846,819	4.4880	71,120,524
Non-monetary items			
USD	408,549	30.4200	12,428,061

(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
NZD	41,862	22.4600	940,221
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)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 6,056,936	32.3000	$ 195,639,033
GBP	137,608	43.3100	5,959,802
AUD	975,478	24.0350	23,445,614
HKD	1,837,934	4.1630	7,651,319
CAD	80,503	24.9400	2,007,745
ZAR	2,051,395	2.1800	4,472,041
JPY	72,646,544	0.3147	22,861,867
EUR	388,954	35.8800	13,955,670
RMB	15,934,831	4.8540	77,347,670
Non-monetary items			
USD	188,846	32.3000	6,099,726
Financial liabilities			
Monetary items			
USD	8,316,547	32.3000	268,624,468
GBP	105,540	43.3100	4,570,937
AUD	858,822	24.0350	20,641,787
HKD	1,495,046	4.1630	6,223,876
CAD	77,762	24.9400	1,939,384
ZAR	2,444,900	2.1800	5,329,882
JPY	49,307,775	0.3147	15,517,157
EUR	393,769	35.8800	14,128,432
NZD	35,397	22.9300	811,653
RMB	13,891,986	4.8540	67,431,700
Non-monetary items			
USD	546,062	32.3000	17,637,803

For the three months ended June 30, 2017 and 2016, net foreign exchange gain were $221,911 thousand, and $88,570 thousand, respectively. For the six months ended June 30, 2017 and 2016, net foreign exchange losses were $(112,211) thousand, and $(82,797) 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 collaterals and market liquidity risk of the collaterals.

b) Credit risk management policy

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

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

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

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

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

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

i. Credit business (including loan commitments and guarantees)

Levels are as follows:

i) Classification of credit assets

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

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

ii) Credit quality level

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

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

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

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

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

ii. Call loans to banks

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

iii. Debt instrument and derivatives financial instruments

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

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

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

c) Credit risk hedging or mitigation policies

i. Collaterals

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

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

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

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

June 30, 2017

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	Total
Loans	$ 891,890,106	$ -	$ -	$ 891,890,106
Financial assets at fair value through profit or loss	8,708,872	-	-	8,708,872
Available-for-sale financial assets	3,351,724	-	-	3,351,724
Held-to-maturity financial assets	1,299,972	-	-	1,299,972

December 31, 2016

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

June 30, 2016

	Maximum Exposure to Credit Risk Mitigated by			
`	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	Total
Loans	$ 838,852,221	$ -	$ -	$ 838,852,221
Financial assets at fair value through profit or loss	10,610,398	-	-	10,610,398
Available-for-sale financial assets	3,708,167	-	-	3,708,167
Held-to-maturity financial assets	2,074,797	-	-	2,074,797
Debt investments with no active market	184,684	-	-	184,684

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 June 30, 2017, December 31, 2016 and June 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	June 30, 2017	December 31, 2016	June 30, 2016
Unused loan commitments (excluding credit card)	$ 82,501,359	$ 93,836,687	$ 102,450,777
Credit card credit commitment	338,791	371,718	403,402
Unused issued letters of credit	23,382,832	23,053,060	22,502,281
Guarantees in guarantee business	40,626,564	44,626,870	39,341,958

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:

	June 30, 2017	
Industry Type	Carrying Value	Percentage of Item (%)
Financial and insurance	$ 63,353,265	5
Manufacturing	338,217,959	25
Wholesale and retail	119,928,756	9
Real estate and leasing	102,627,614	8
Service	40,603,806	3
Individuals	453,467,982	33
Others	238,102,160	17
	$ 1,356,301,542	

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	June 30, 2016 Carrying Value	Percentage of Item (%)
Financial and insurance	$ 74,829,838	6
Manufacturing	327,975,971	24
Wholesale and retail	121,635,566	9
Real estate and leasing	96,324,021	7
Service	41,928,021	3
Individuals	435,018,527	32
Others	253,618,421	19
	$ 1,351,330,365	

Geographic Location	June 30, 2017 Carrying Value	Percentage of Item (%)
Asia	$ 1,291,568,691	95
America	44,894,183	4
Europe	18,405,839	1
Others	1,432,829	-
	$ 1,356,301,542	

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	June 30, 2016 Carrying Value	 Percentage of Item (%)
Asia	$ 1,287,993,241	96
America	44,165,192	3
Europe	17,403,078	1
Others	1,768,854	-
	$ 1,351,330,365	

Securities Type	June 30, 2017 Carrying Value	 Percentage of Item (%)
Unsecured	$ 464,411,436	34
Secured		
Properties	740,210,147	55
Others	151,679,959	11
	$ 1,356,301,542	

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	June 30, 2016 Carrying Value	 Percentage of Item (%)
Unsecured	$ 512,478,144	38
Secured		
Properties	698,619,294	52
Others	140,232,927	10
	$ 1,351,330,365	

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	June 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	$ 6,132,873	$ 5,564,192	$ 178,065	$ 9,581,473	$ 21,456,603	$ 8,537	$ 499,751	$ 21,964,891	$ 427,475	$ 122,155	$ 21,415,261
Credit cards	-	-	-	2,929,250	2,929,250	-	29,059	2,958,309	10,349	8,600	2,939,360
Other	6,132,873	5,564,192	178,065	6,652,223	18,527,353	8,537	470,692	19,006,582	417,126	113,555	18,475,901
Loans	334,691,316	728,968,392	169,354,644	107,681,381	1,340,695,733	2,532,598	13,073,211	1,356,301,542	4,417,732	11,537,487	1,340,346,323

(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	June 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	$ 9,527,906	$ 2,784,823	$ 194,857	$ 9,298,236	$ 21,805,822	$ 9,192	$ 379,730	$ 22,194,744	$ 225,221	$ 65,518	$ 21,904,005
Credit cards	-	-	-	3,118,105	3,118,105	-	25,354	3,143,459	13,631	9,217	3,120,611
Other	9,527,906	2,784,823	194,857	6,180,131	18,687,717	9,192	354,376	19,051,285	211,590	56,301	18,783,394
Loans	380,144,541	671,127,620	163,280,716	122,653,992	1,337,206,869	2,590,126	11,533,370	1,351,330,365	4,515,207	11,179,646	1,335,635,512

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

(In Thousands of New Taiwan Dollars)

Item	June 30, 2017				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 79,420,123	$ 172,514,404	$ 139,204,484	$ 58,417,691	$ 449,556,702
Corporation finance	255,271,193	556,453,988	30,150,160	49,263,690	891,139,031
Total	$ 334,691,316	$ 728,968,392	$ 169,354,644	$ 107,681,381	$ 1,340,695,733

(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	June 30, 2016				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 73,426,856	$ 166,033,549	$ 135,653,643	$ 56,635,916	$ 431,749,964
Corporation finance	306,717,685	505,094,071	27,627,073	66,018,076	905,456,905
Total	$ 380,144,541	$ 671,127,620	$ 163,280,716	$ 122,653,992	$ 1,337,206,869

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	June 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	$ 80,255,547	$ -	$ -	$ 134,051	$ 80,389,598	$ -	$ 150,000	$ 80,539,598	$ 120,000	$ -	$ 80,419,598
Bonds	74,963,776	-	-	134,051	75,097,827	-	-	75,097,827	-	-	75,097,827
Stocks	3,709,656	-	-	-	3,709,656	-	150,000	3,859,656	120,000	-	3,739,656
Bills	1,582,115	-	-	-	1,582,115	-	-	1,582,115	-	-	1,582,115
Held-to-maturity financial assets	217,334,897	-	-	-	217,334,897	-	-	217,334,897	-	-	217,334,897
Bonds	13,429,897	-	-	-	13,429,897	-	-	13,429,897	-	-	13,429,897
Bills	203,905,000	-	-	-	203,905,000	-	-	203,905,000	-	-	203,905,000
Other financial assets	75,804	-	-	-	75,804	-	140,534 (Note)	216,338	140,534	-	75,804
Securities	75,804	-	-	-	75,804	-	140,534 (Note)	216,338	140,534	-	75,804

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	June 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	$ 74,142,453	$ -	$ -	$ 140,478	$ 74,282,931	$ -	$ 150,000	$ 74,432,931	$ 120,000	$ -	$ 74,312,931
Bonds	70,563,827	-	-	140,478	70,704,305	-	-	70,704,305	-	-	70,704,305
Stocks	2,849,996	-	-	-	2,849,996	-	150,000	2,999,996	120,000	-	2,879,996
Bills	728,630	-	-	-	728,630	-	-	728,630	-	-	728,630
Held-to-maturity financial assets	193,148,149	-	-	-	193,148,149	-	-	193,148,149	-	-	193,148,149
Bonds	17,473,149	-	-	-	17,473,149	-	-	17,473,149	-	-	17,473,149
Bills	175,675,000	-	-	-	175,675,000	-	-	175,675,000	-	-	175,675,000
Other financial assets	1,085,135	-	-	-	1,085,135	-	149,217 (Note)	1,234,352	149,217	-	1,085,135
Securities and bonds	1,085,135	-	-	-	1,085,135	-	149,217 (Note)	1,234,352	149,217	-	1,085,135

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	June 30, 2017		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 1,557,229	$ 591,156	$ 2,148,385
Corporation finance	51,495	332,718	384,213

(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	June 30, 2016		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 1,682,079	$ 386,583	$ 2,068,662
Corporation finance	271,047	250,417	521,464

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 June 30, 2017 and 2016, the ratio of liquidity reserve is 17.24% and 16.06%, 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	June 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	$ 16,984,547	$ -	$ -	$ -	$ -	$ 16,984,547
Due from the Central Bank and call loans to other banks	31,112,225	4,205,733	4,818,001	6,151,419	23,668,743	69,956,121
Financial assets at fair value through profit or loss	12,592,523	-	-	-	-	12,592,523
Receivables	19,820,073	764,153	536,771	180,764	105,019	21,406,780
Loans	85,831,421	100,184,793	136,229,855	145,547,863	641,841,689	1,109,635,621
Available-for-sale financial assets	-	-	-	201,151	33,187,332	33,388,483
Held-to-maturity financial assets	147,230,021	5,300,000	4,734,856	7,599,734	12,562,881	177,427,492
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,914,925	13,914,925
	313,570,810	110,454,679	146,319,483	159,680,931	729,447,598	1,459,473,501
Major maturity funds outflows						
Due to the Central Bank and banks	201,244	763,102	488,814	772,495	-	2,225,655
Due to the Central Bank and call loans to other banks	5,000	10,000	-	-	-	15,000
Securities sold under repurchase agreements	968,047	2,169,479	56,266	-	-	3,193,792
Payables	19,251,957	4,912,439	575,906	606,189	1,446,011	26,792,502
Deposits and remittances	110,285,253	129,260,785	148,431,416	189,510,913	666,802,182	1,244,290,549
Bank notes payable	-	-	-	2,200,000	39,300,000	41,500,000
Other maturity funds outflows items	43,914	52,465	54,959	195,416	5,337,094	5,683,848
	130,755,415	137,168,270	149,607,361	193,285,013	712,885,287	1,323,701,346
Gap	$ 182,815,395	$ (26,713,591)	$ (3,287,878)	$ (33,604,082)	$ 16,562,311	$ 135,772,155

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	June 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	$ 15,126,632	$ -	$ -	$ -	$ -	$ 15,126,632
Due from the Central Bank and call loans to other banks	33,569,581	4,083,503	4,483,302	8,157,781	19,268,123	69,562,290
Financial assets at fair value through profit or loss	23,297,642	-	-	-	-	23,297,642
Receivables	18,685,777	643,131	412,182	206,981	15,807	19,963,878
Loans	112,696,105	92,959,487	91,974,570	146,899,827	654,627,491	1,099,157,480
Available-for-sale financial assets	-	250,377	2,019	358,127	29,941,644	30,552,167
Held-to-maturity financial assets	126,300,000	7,540,056	1,990,123	4,334,695	12,959,290	153,124,164
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	-	-	-	-	12,664,311	12,664,311
	329,675,737	105,476,554	99,662,196	159,957,411	733,643,675	1,428,415,573
Major maturity funds outflows						
Due to the Central Bank and banks	238,016	1,077,839	554,232	948,600	-	2,818,687
Due to the Central Bank and call loans to other banks	5,505,000	10,000	-	-	-	5,515,000
Securities sold under repurchase agreements	2,198,127	1,515,997	130,624	-	-	3,844,748
Payables	24,796,227	4,278,558	566,909	712,035	1,118,384	31,472,113
Deposits and remittances	137,194,958	125,897,384	138,562,810	252,127,810	547,395,219	1,201,178,181
Bank notes payable	-	5,000,000	-	-	25,000,000	30,000,000
Other maturity funds outflows items	19,781	73,082	41,069	172,735	5,236,595	5,543,262
	169,952,109	137,852,860	139,855,644	253,961,180	578,750,198	1,280,371,991
Gap	$ 159,723,628	$ (32,376,306)	$ (40,193,448)	$ (94,003,769)	$ 154,893,477	$ 148,043,582

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

(In Thousands of United States Dollars)

Item	June 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	$ 394,328	$ 26,000	$ -	$ -	$ -	$ 420,328
Due from the Central Bank and call loans to other banks	1,538,574	1,329,005	901,420	226,266	3,731	3,998,996
Financial assets at fair value through profit or loss	174,188	-	-	-	-	174,188
Receivables	353,785	89,366	174,534	7,179	14,153	639,017
Loans	515,942	636,424	505,929	449,739	4,076,824	6,184,858
Available-for-sale financial assets	-	-	-	19,116	493,176	512,292
Held-to-maturity financial assets	-	5,000	13,013	5,000	8,002	31,015
Debts instrument without active market	-	-	-	-	2,492	2,492
Other maturity funds inflow items	-	-	10,000	10,000	4,993	24,993
	2,976,817	2,085,795	1,604,896	717,300	4,603,371	11,988,179
Major maturity funds outflows						
Due to the Central Bank and banks	912,723	20,568	731	1,416	20,220	955,658
Due to the Central Bank and call loans to other banks	1,530,848	518,000	85,000	-	(50,000)	2,083,848
Financial liabilities at fair value through profit or loss	-	-	111,047	-	288,400	399,447
Payables	667,372	22,484	2,439	1,860	1,960	696,115
Deposits and remittances	1,826,519	1,869,314	1,283,088	1,253,964	3,304,099	9,536,984
Other maturity funds outflows items	36,642	237	622	40	90,854	128,395
	4,974,104	2,430,603	1,482,927	1,257,280	3,655,533	13,800,447
Gap	$ (1,997,287)	$ (344,808)	$ 121,969	$ (539,980)	$ 947,838	$ (1,812,268)

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	June 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	$ 242,795	$ 91,003	$ -	$ -	$ -	$ 333,798
Due from the Central Bank and call loans to other banks	1,048,622	675,328	295,862	270,917	4,617	2,295,346
Financial assets at fair value through profit or loss	274,354	-	-	-	-	274,354
Receivables	574,537	154,842	113,411	1,474	1,315	845,579
Loans	499,628	643,149	601,088	408,641	3,994,488	6,146,994
Available-for-sale financial assets	-	-	-	10,049	274,025	284,074
Held-to-maturity financial assets	-	-	-	19,051	24,063	43,114
Debts instrument without active market	-	-	-	-	3,110	3,110
Other maturity funds inflow items	-	-	26,000	-	7,339	33,339
	2,639,936	1,564,322	1,036,361	710,132	4,308,957	10,259,708
Major maturity funds outflows						
Due to the Central Bank and banks	960,587	20,498	40,598	1,054	49	1,022,786
Due to the Central Bank and call loans to other banks	1,832,139	434,500	60,000	-	-	2,326,639
Financial liabilities at fair value through profit or loss	-	-	149,288	-	383,522	532,810
Payables	634,650	25,709	2,599	1,130	4,548	668,636
Deposits and remittances	2,190,101	1,257,037	943,498	1,210,908	2,539,429	8,140,973
Other maturity funds outflows items	30,685	3,152	1,191	62	54,500	89,590
	5,648,162	1,740,896	1,197,174	1,213,154	2,982,048	12,781,434
Gap	$ (3,008,226)	$ (176,574)	$ (160,813)	$ (503,022)	$ 1,326,909	$ (2,521,726)

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	June 30, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 92,401,407	$ 167,124,373	$ 56,596,740	$ 13,839,676	$ 359,641	$ 330,321,837
Inflows	93,018,524	167,632,783	56,576,202	13,783,112	359,871	331,370,492
Interest rate derivative instruments						
Outflows	2,044,821	5,893,320	6,750,055	9,618,057	-	24,306,253
Inflows	2,322,026	5,488,120	6,905,141	9,819,897	196,093	24,731,277
Total outflows	$ 94,446,228	$ 173,017,693	$ 63,346,795	$ 23,457,733	$ 359,641	$ 354,628,090
Total inflows	$ 95,340,550	$ 173,120,903	$ 63,481,343	$ 23,603,009	$ 555,964	$ 356,101,769

(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	June 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 134,535,461	$ 185,226,081	$ 75,573,758	$ 43,889,243	$ 24,225	$ 439,248,768
Inflows	134,439,677	184,780,048	75,294,074	43,643,640	24,125	438,181,564
Interest rate derivative instruments						
Outflows	2,821,427	1,270,880	5,362,280	30,246,880	14,975,982	54,677,449
Inflows	2,835,738	1,243,810	5,434,951	29,869,098	15,411,570	54,795,167
Total outflows	$ 137,356,888	$ 186,496,961	$ 80,936,038	$ 74,136,123	$ 15,000,207	$ 493,926,217
Total inflows	$ 137,275,415	$ 186,023,858	$ 80,729,025	$ 73,512,738	$ 15,435,695	$ 492,976,731

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	June 30, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 61,272,720	$ 1,432,298	$ 1,081,336	$ 5,932,855	$ 12,782,150	$ 82,501,359
Credit card credit commitment	-	279	2,106	7,616	328,790	338,791
Letters of credit issued yet unused	23,194,960	167,700	20,172	-	-	23,382,832
Guarantees	38,807,834	76,238	542,890	550,372	649,230	40,626,564
	$ 123,275,514	$ 1,676,515	$ 1,646,504	$ 6,490,843	$ 13,760,170	$ 146,849,546

(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	June 30, 2016					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Irrevocable loan commitments issued	$ 79,942,011	$ 766,936	$ 1,831,679	$ 7,866,516	$ 12,043,635	$ 102,450,777
Credit card credit commitment	10	4,522	8,702	1,892	388,276	403,402
Letters of credit issued yet unused	22,310,611	178,317	7,491	5,862	-	22,502,281
Guarantees	37,908,568	-	781,713	340,697	310,980	39,341,958
	$ 140,161,200	$ 949,775	$ 2,629,585	$ 8,214,967	$ 12,742,891	$ 164,698,418

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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			June 30, 2017 Non-performing Loans (Note a)	June 30, 2017 Loans	June 30, 2017 Non-performing Loans Ratio (Note b)	June 30, 2017 Allowance for Loan Losses	June 30, 2017 Coverage Ratio (Note c)	June 30, 2016 Non-performing Loans (Note a)	June 30, 2016 Loans	June 30, 2016 Non-performing Loans Ratio (Note b)	June 30, 2016 Allowance for Loan Losses	June 30, 2016 Coverage Ratio (Note c)
Corporate finance	Secured		$ 2,304,455	$ 446,459,069	0.52%	$ 4,924,508	213.70%	$ 1,370,989	$ 411,603,897	0.33%	$ 4,099,002	298.98%
	Unsecured		463,845	456,374,477	0.10%	5,014,686	1,081.11%	655,431	504,699,635	0.13%	5,089,606	776.53%
Consumer finance	Mortgage loans (Note d)		1,102,626	280,167,529	0.39%	4,256,618	386.04%	679,555	278,368,440	0.24%	4,175,526	614.45%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		9,794	1,871,975	0.52%	20,636	210.70%	3,430	1,786,767	0.19%	17,544	511.49%
	Others (Note f)	Secured	463,387	170,092,683	0.27%	1,724,596	372.17%	358,215	153,211,067	0.23%	2,298,166	641.56%
		Unsecured	575	1,335,809	0.04%	14,175	2,465.22%	683	1,660,559	0.04%	15,009	2,197.51%
Total			4,344,682	1,356,301,542	0.32%	15,955,219	367.24%	3,068,303	1,351,330,365	0.23%	15,694,853	511.52%

Business Type \ Item	June 30, 2017 Non-performing Loans (Note a)	June 30, 2017 Loans	June 30, 2017 Non-performing Loans Ratio (Note b)	June 30, 2017 Allowance for Loan Losses	June 30, 2017 Coverage Ratio (Note c)	June 30, 2016 Non-performing Loans (Note a)	June 30, 2016 Loans	June 30, 2016 Non-performing Loans Ratio (Note b)	June 30, 2016 Allowance for Loan Losses	June 30, 2016 Coverage Ratio (Note c)
Credit card	$ 5,745	$ 2,875,406	0.20%	$ 22,104	384.75%	$ 6,549	$ 3,067,654	0.21%	$ 20,348	310.70%
No recourse receivable factoring (Note g)	-	8,562,821	-	85,628	-	-	9,133,755	-	91,338	-

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 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, spouse or minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

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

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

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

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

Business Type \ Item	June 30, 2017		June 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)	$ 37	$ 1,884	$ 67	$ 2,455
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	255	15,079	354	11,374
Total	292	16,963	421	13,829

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

June 30, 2017			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Group (railway transportation industry)	$ 28,554,437	20.46
2	B Corporation (steel refining industry)	27,182,684	19.48
3	C Group (airline industry)	22,677,684	16.25
4	D Group (synthesis construction industry)	15,077,991	10.81
5	E Group (concrete manufacturing industry)	13,304,132	9.53
6	F Group (steel manufacturing industry)	7,175,015	5.14
7	G Group (real estate development industry)	7,145,000	5.12
8	H Group (financial intermediation industry)	7,009,112	5.02
9	I Group (liquid crystal panel and components manufacturing industry)	5,978,359	4.28
10	J Group (integrated circuit manufacturing industry)	5,602,316	4.01

June 30, 2016			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%)(Note d)**
1	A Corporation (railway transportation industry)	$ 31,359,070	23.58
2	B Group (investment consulting industry)	30,996,868	23.31
3	C Group (airline industry)	21,843,389	16.43
4	E Group (marine transportation industry)	12,918,696	9.72
5	D Group (synthesis construction industry)	11,077,068	8.33
6	F Group (steel manufacturing industry)	7,722,020	5.81
7	H Group (financial intermediation industry)	7,355,863	5.53
8	G Group (real estate development industry)	6,818,000	5.13
9	I Group (liquid crystal panel and components manufacturing industry)	5,485,037	4.12
10	K Group (liquid crystal panel and components manufacturing industry)	5,470,161	4.11

Note a: Sorted by the balance of loans on June 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	June 30, 2017				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,256,630,221	$ 40,312,863	$ 13,685,684	$ 97,848,298	$ 1,408,477,066
Interest-sensitive liabilities	324,923,782	799,953,182	95,550,228	38,694,209	1,259,121,401
Interest sensitivity gap	931,706,439	(759,640,319)	(81,864,544)	59,154,089	149,355,665
Net equity					114,776,831
Ratio of interest-sensitive assets to liabilities					111.86%
Ratio of interest sensitivity gap to net equity					130.13%

(In Thousands of New Taiwan Dollars; %)

Item	June 30, 2016				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,217,256,943	$ 53,328,201	$ 21,701,865	$ 93,668,688	$ 1,385,955,697
Interest-sensitive liabilities	324,789,861	764,322,096	95,624,841	25,218,148	1,209,954,946
Interest sensitivity gap	892,467,082	(710,993,895)	(73,922,976)	68,450,540	176,000,751
Net equity					112,745,872
Ratio of interest-sensitive assets to liabilities					114.55%
Ratio of interest sensitivity gap to net equity					156.10%

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	June 30, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 12,811,764	$ 1,869,635	$ 275,242	$ 252,187	$ 15,208,828
Interest-sensitive liabilities	14,564,682	1,093,062	901,024	20,443	16,579,211
Interest sensitivity gap	(1,752,918)	776,573	(625,782)	231,744	(1,370,383)
Net equity					460,851
Ratio of interest-sensitive assets to liabilities					91.73%
Ratio of interest sensitivity gap to net equity					(297.36%)

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

Item	June 30, 2016				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 9,813,468	$ 1,308,283	$ 394,620	$ 146,164	$ 11,662,535
Interest-sensitive liabilities	12,381,292	710,699	731,470	88	13,823,549
Interest sensitivity gap	(2,567,824)	597,584	(336,850)	146,076	(2,161,014)
Net equity					301,771
Ratio of interest-sensitive assets to liabilities					84.37%
Ratio of interest sensitivity gap to net equity					(716.11%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$ (U.S. dollars only)

d. Profitability

Item		June 30, 2017	June 30, 2016
Return on total assets	Pretax	0.36%	0.38%
	After tax	0.30%	0.32%
Return on net equity	Pretax	5.13%	5.47%
	After tax	4.30%	4.63%
Profit margin		39.37%	39.67%

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 June 30 of 2017 and 2016, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	June 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	$ 1,629,585,782	$ 184,346,315	$ 144,957,112	$ 204,401,376	$ 172,887,805	$ 172,170,650	$ 750,822,524
Major maturity cash outflows	2,113,411,950	88,104,045	132,150,145	337,823,430	285,453,710	408,140,371	861,740,249
Gap	(483,826,168)	96,242,270	12,806,967	(133,422,054)	(112,565,905)	(235,969,721)	(110,917,725)

(In Thousands of New Taiwan Dollars)

	Total	June 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	$ 1,650,548,405	$ 172,085,039	$ 176,866,236	$ 218,995,370	$ 130,363,838	$ 190,886,911	$ 761,351,011
Major maturity cash outflows	2,124,527,319	101,396,528	171,030,340	330,329,497	259,252,936	452,541,636	809,976,382
Gap	(473,978,914)	70,688,511	5,835,896	(111,334,127)	(128,889,098)	(261,654,725)	(48,625,371)

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	June 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	$ 22,032,632	$ 8,720,177	$ 4,537,780	$ 2,854,413	$ 977,095	$ 4,943,167
Major maturity cash outflows	27,049,450	9,552,810	4,361,703	3,455,474	3,638,422	6,041,041
Gap	(5,016,818)	(832,633)	176,077	(601,061)	(2,661,327)	(1,097,874)

(In Thousands of U.S. Dollars)

	Total	June 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	$ 20,432,328	$ 7,786,108	$ 3,487,336	$ 2,322,029	$ 1,768,766	$ 5,068,089
Major maturity cash outflows	25,360,125	8,964,410	3,757,470	3,413,312	4,696,901	4,528,032
Gap	(4,927,797)	(1,178,302)	(270,134)	(1,091,283)	(2,928,135)	540,057

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

f. Trust accounts

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

	June 30	
	2017	**2016**
Special purpose trust accounts - domestic	$ 23,720,934	$ 25,062,634
Special purpose trust accounts - foreign	76,717,047	78,342,929
Insurance trust	1,046	1,038
Retirement and breeds trust	324,529	307,717

(Continued)

	June 30	
	2017	2016
Umbilical-cord-blood trust	$ 9,306,390	$ 8,876,218
Money claim and guarantee trust	73,800	78,000
Marketable securities trust	3,453,722	773,254
Real estate trust	15,448,716	12,632,180
Securities under custody	122,372,404	125,642,808
Other money trust	1,136,393	1,396,030
	$ 252,554,981	$ 253,112,808

(Concluded)

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Balance Sheet of Trust

Trust Assets	June 30 2017	June 30 2016	Trust Liabilities	June 30 2017	June 30 2016
Bank deposits	$ 3,286,683	$ 4,149,043	Trust capital		
Insurance claims	73,800	78,000	Money trust	$ 111,028,287	$ 114,252,530
Financial assets			Insurance claims	73,800	78,000
Common stocks	3,889,745	1,193,494	Marketable securities trust	3,452,302	592,283
Mutual funds	106,605,680	107,492,612	Real estate trust	15,457,516	12,645,410
Bonds	2,341,724	1,989,715	Securities under custody payable	122,372,404	125,642,808
Interest receivable	-	10,957			
Prepayments	1,242	-	Administration payable	-	126
Land	8,438,969	8,828,840	Income taxes payable	-	504
Buildings	630,352	626,240	With holdings	61	-
Construction in progress	4,914,382	3,101,099	Profit and loss	106,107	707,101
Securities under custody	122,372,404	125,642,808	Unappropriated retained earnings - realized capital gain/loss	14,804	24,001
			Unappropriated retained earnings - gain on revenue/expense investment	517,082	404,272
			Unappropriated retained earning	(467,382)	(1,234,227)
Total trust assets	$ 252,554,981	$ 253,112,808	Total trust liabilities	$ 252,554,981	$ 253,112,808

Trust Assets Register

Investments	June 30 2017	June 30 2016
Bank deposits	$ 3,286,683	$ 4,149,043
Insurance claims	73,800	78,000
Financial assets		
Common stocks	3,889,745	1,193,494
Mutual funds	106,605,680	107,492,612
Bonds	2,341,724	1,989,715
Land	8,438,969	8,828,840
Buildings	630,352	626,240
Construction in progress	4,914,382	3,101,099
Others	1,242	10,957
Securities under custody	122,372,404	125,642,808
Total trust assets	$ 252,554,981	$ 253,112,808

Income Statement of Trust

Investments	For the Six Months Ended June 30 2017	2016
Revenue		
Interest income	$ 40,097	$ 579,915
Dividends	23,552	24,712
Rental revenues	36,837	6,535
Gain on mutual funds	9,296	9,033
Foreign exchange gains	556,073	591,991
Realized capital gain - mutual funds	901	2,539
Realized capital gain - bonds	2,346	30,054
Realized capital gain - quoted stocks	-	3,855
Unrealized capital gain - mutual funds	-	4,996
Unrealized capital gain - bonds	-	36,712
Unrealized capital gain - quoted stocks	-	186,762
	669,102	1,477,104
Expense		
Maintenance	(1,059)	(974)
Tax expense	(916)	(989)
Others	(68)	(44,441)
Foreign exchange losses	(530,077)	(573,306)
Realized capital loss - bonds	-	(834)
Unrealized capital loss - bonds	-	(649)
Realized capital loss - mutual funds	(21,488)	(13,061)
Unrealized capital loss - mutual funds	-	(46,216)
Realized capital losses - quoted stocks	(9,387)	-
Unrealized capital loss - quoted stocks	-	(89,533)
	(562,995)	(770,003)
	$ 106,107	$ 707,101

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	Same as above
Taiwan Business Bank	Same as above
Taiwan High Speed Rail Corporation	Same as above
Powertec Energy Corporation	Same as above
China Airlines Ltd.	Same as above

(Continued)

Name	Relationship
Taiwan Biotech Corporation Ltd.	Same as above
Ritdisplay Corporation	Same as above
Kaohsiung Rapid Transit Corporation	Same as above
Scino Pharm Taiwan, Ltd.	Same as above
Taiwan Financial Holdings	Same as above
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

(Concluded)

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of June 30, 2017	$ 31,084,226	2.32
Balance as of December 31, 2016	1,221,091	0.09
Balance as of June 30, 2016	1,221,423	0.09

For the six months ended June 30, 2017 and 2016, interest ranged from 0.00% to 3.67% and from 0.00% to 3.65%, interest revenues were $284,256 thousand and $9,159 thousand, respectively.

For the three months ended June 30, 2017 and 2016, interest revenues were $280,169 thousand and $4,386 thousand, respectively.

	June 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	$ 12,629	$ 13,998	$ 12,629	$ -	Credit	None
Self-use residential mortgage loans						
198 accounts	1,126,694	1,158,972	1,126,694	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	28,460,218	28,500,400	28,460,218	-	Credit and station equipment	None
Powertec Energy Corporation	540,000	540,000	540,000	-	Credit	None
China Airlines Ltd.	500,000	2,232,500	500,000	-	Credit	None
Taiwan Biotech Corporation Ltd.	155,281	263,627	155,281	-	Credit	None
Ritdisplay Corporation	103,600	103,600	103,600	-	Real estate	None
Other - corporation 6 accounts (Note1)	179,791	226,401	179,791	-	Credit and fund guarantee and real estate	None
Other - individual 10 accounts (Note2)	6,014	9,934	6,014	-	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 (Note2)	10,606	10,683	10,606	-	Foreign currency or deposit	None

	June 30, 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	$ 13,336	$ 13,878	$ 13,336	$ -	Credit	None
Self-use residential mortgage loans						
202 accounts	1,166,894	1,195,248	1,166,894	-	Real estate	None
Others						
Crown Department Company	36,350	74,300	36,350	-	Real estate	None
Other - individual 11 accounts (Note2)	4,843	5,859	4,843	-	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 bore interests at 1.26%, 1.26% and 1.33% in June 30, 2017, December 31, 2016 and June 30, 2016, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

	June 30, 2017				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Kaohsiung Rapid Transit Corporation	$ 32,862	$ 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

	June 30, 2016				
	Ending Balance	**Highest Amount**	**Reserve for Guarantee Liabilities**	**Interest Rate (Per Annum %)**	**Collateral**
Taiwan Financial Holdings	$ 1,160,000	$ 1,160,000	$ -	0.25	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of June 30, 2017	$ 18,463,018	1.13
Balance as of December 31, 2016	4,002,457	0.25
Balance as of June 30, 2016	3,981,273	0.26

For the six months ended June 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 $54,075 thousand and $32,631 thousand, respectively. For the three months ended June 30, 2017 and 2016, the interest expense were $41,125 thousand and $17,727 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) Transactions of derivative financial products

(In Thousands of U.S. Dollars and New Taiwan Dollars)

	June 30, 2017				Balance Sheet	
Name	**Contract**	**Duration**	**Nominal Principle Amount**	**Current Valuation Gain (Loss)**	**Subject**	**Amount**
Scino Pharm Taiwan, Ltd	Forward exchange contracts	2017.05.18-2017.07.20	US$ 850	$ (228)	Adjustments for change in value of financial liability held for trading	$ (228)
		2017.05.26-2017.07.27	US$ 940	(329)	Adjustments for change in value of financial liability held for trading	(329)
		2017.06.16-2017.08.17	US$ 1,000	(73)	Adjustments for change in value of financial liability held for trading	(73)

5) Call loans to banks and call loans from banks

<u>Call loans to banks</u>

(In Thousands of Original Currencies)

	June 30, 2017					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2017 Interest Revenue**	**For the Six Months Ended June 30, 2017 Interest Revenue**
Land Bank	OBU	USD	$ 50,000	1.18-1.58	$ 247	$ 471
	Hong Kong Branch	USD	76,000	0.80-1.62	272	543
Taiwan Business Bank	OBU	USD	30,000	0.70-1.50	52	67
	Hong Kong Branch	USD	5,000	0.71-1.50	33	86
	OBU	RMB	10,000	1.00-3.30	125	130

			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

			June 30, 2016			
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2016 Interest Revenue**	**For the Six Months Ended June 30, 2016 Interest Revenue**
Land Bank	OBU	USD	$ 10,000	0.44-0.83	$ 28	$ 157
	Hong Kong Branch	USD	70,000	0.34-0.86	120	209
Taiwan Business Bank	OBU	USD	40,000	0.37-0.88	56	116
	Hong Kong Branch	USD	30,000	0.33-0.83	25	43

Call loans from banks

(In Thousands of Original Currencies)

			June 30, 2017			
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2017 Interest Expense**	**For the Six Months Ended June 30, 2017 Interest Expense**
Land Bank	Singapore Branch	USD	$ 30,000	0.72-1.49	$ 68	$ 88
	London Branch	USD	30,000	0.95-1.64	144	314
	OBU	CAD	2,500	0.35-0.55	-	-
	OBU	RMB	20,000	1.00-3.50	34	54

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

			June 30, 2016			
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2016 Interest Expense**	**For the Six Months Ended June 30, 2016 Interest Expense**
Land Bank	OBU	AUD	$ 3,500	1.80-2.40	$ 23	$ 76
	Singapore Branch	USD	35,000	0.66-0.85	44	44
	London Branch	USD	10,000	0.41-0.80	29	121
	Kun Shan Branch	RMB	10,000	2.04	1	1
Taiwan Business Bank	Singapore Branch	USD	5,000	0.47-0.77	6	10

6) Due from banks and due to banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	June 30, 2017 Ending Balance	December 31, 2016 Ending Balance	June 30, 2016 Ending Balance
Land Bank	DBU	NTD	$ 784	$ 3	$ 405
Taiwan Business Bank	DBU	NTD	121	722	1

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	June 30, 2017 Ending Balance	December 31, 2016 Ending Balance	June 30, 2016 Ending Balance
The Export-Import Bank	DBU	NTD	$ 716	$ 613	$ 953
Taishin International Bank	New York Branch	USD	54	47	45
Land Bank	DBU	NTD	277	277	277

c. Compensation of directors and management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term benefits	$ 7,977	$ 6,424	$ 18,943	$ 18,682
Post-employment benefits	440	354	10,024	873
	$ 8,417	$ 6,778	$ 28,967	$ 19,555

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 June 30, 2017, December 31, 2016 and June 30, 2016 were as follows:

Pledged Assets	Description	June 30, 2017	December 31, 2016	June 30, 2016
Available-for-sale financial assets	Government bonds	$ 5,866,100	$ 5,921,200	$ 5,810,800
Held-to-maturity financial assets	Bonds and certificate of deposits	36,791,499	36,819,687	36,882,846
Time deposits with original maturity more than 3 months	Time deposit	2,692,800	5,780,000	6,067,500
Refundable deposits	Cash	255,121	284,790	342,633

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 June 30, 2017, December 31, 2016 and June 30, 2016:

	June 30, 2017	December 31, 2016	June 30, 2016
Trust liabilities	$ 252,554,981	$ 249,230,627	$ 253,112,808
Unused loan commitments	82,501,359	93,836,687	102,450,777
Credit card credit commitments	338,791	371,718	403,402
Unused issued letters of credit	23,382,832	23,053,060	22,502,281
Guarantees issued in guarantee business	40,626,564	44,626,870	39,341,958
Repayment notes and times deposit held for custody	12,222,778	12,828,805	10,483,729
Liabilities on joint loans	557,882	512,886	296,668

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction and security as of June 30, 2017 were $299,913 thousand, $34,768 thousand, and $66,327 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 six months ended June 30, 2017	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2017	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 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 June 30, 2017	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the 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 June 30, 2017	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2017	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2017	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2017	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of June 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. INFORMATION ON THE BANK'S INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Shares	Imputed Shares (Note b)	Shares	Ownership Interest (%)
MasterLink Securities Corp.	Taipei City	Security brokerage	4.01	$ 531,185	-	64,152,806	-	64,152,806	4.01
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	164,250	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,132,525	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	72,012	-	20,310,706	-	20,310,706	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	44,309	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,872,923	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	7,000	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,250	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	500,000	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	18,043	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.16	46,446	-	6,047,370	-	6,047,370	1.16
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	20,000	-	3,060,002	-	3,060,002	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,500,000	-	150,000,000	-	150,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	50,000	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	9,860	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	6,749	-	292,499	-	292,499	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	417	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	18,000	-	1,800,000		1,800,000	3.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note 3)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note 3)	-	556,965	-	556,965	1.47

Note a: The investees' voting shares, and imputed shares were owned by the Bank and related parties.

Note b: Imputed shares are considered if equity securities such as convertible bonds, warrants, etc., or derivative contracts such as stock options, are converted.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

41. SEGMENT INFORMATION

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

a. Segment revenues and results

	For the Six Months Ended June 30, 2017						
	Loans	**Deposits and Remittances**	**Financial Instruments and Investments**	**Wealth Management**	**Oversea Branch**	**Others**	**Total**
Net interest income	$ 6,649,127	$ 2,329,411	$ 425,130	$ -	$ 1,679,649	$ 33	$ 11,083,350
Net service fee and commissions income	704,406	87,337	(19,323)	1,570,597	137,346	-	2,480,363
Net income on financial instrument	-	-	1,434,670	-	30,026	-	1,464,696
Others	4,382	-	2,778	51	2,380	90,946	100,537
Net revenue and gains	7,357,915	2,416,748	1,843,255	1,570,648	1,849,401	90,979	15,128,946
Bad debts expenses and guarantee liability provisions	(78,569)	-	-	-	(332,779)	-	(411,348)
Operating expenses	-	-	-	-	-	-	(7,616,059)
Income before income tax	$ 7,279,346	$ 2,416,748	$ 1,843,255	$ 1,570,648	$ 1,516,622	$ 90,979	$ 7,101,539

	For the Six Months Ended June 30, 2016						
	Loans	**Deposits and Remittances**	**Financial Instruments and Investments**	**Wealth Management**	**Oversea Branch**	**Others**	**Total**
Net interest income	$ 6,739,634	$ 1,672,765	$ 582,800	$ -	$ 1,772,098	$ (88)	$ 10,767,209
Net service fee and commissions income	709,125	94,105	(25,573)	1,742,649	182,731	-	2,703,037
Net income on financial instrument	-	-	1,657,526	-	20,400	-	1,677,926
Others	2,876	-	408	206	52,850	94,870	151,210
Net revenue and gains	7,451,635	1,766,870	2,215,161	1,742,855	2,028,079	94,782	15,299,382
Bad debts expenses and guarantee liability provisions	(105,159)	-	-	-	(368,259)	-	(473,418)
Operating expenses	-	-	-	-	-	-	(7,645,055)
Income before income tax	$ 7,346,476	$ 1,766,870	$ 2,215,161	$ 1,742,855	$ 1,659,820	$ 94,782	$ 7,180,909

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

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

b. Segment total assets and liabilities

	June 30, 2017						
	Loans	**Deposits and Remittances**	**Financial Instruments and Investments**	**Oversea Branch**	**Others**	**Adjustment**	**Total**
Assets	$ 1,232,628,592	$ -	$ 666,758,177	$ 192,172,436	$ 70,467,593	$ (178,217,893)	$ 1,983,808,905
Liabilities	$ 1,700,261	$ 1,584,134,832	$ 208,086,735	$ 175,083,268	$ 53,484,639	$ (178,217,893)	$ 1,844,271,842

	December 31, 2016						
	Loans	**Deposits and Remittances**	**Financial Instruments and Investments**	**Oversea Branch**	**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

	June 30, 2016						
	Loans	**Deposits and Remittances**	**Financial Instruments and Investments**	**Oversea Branch**	**Others**	**Adjustment**	**Total**
Assets	$ 1,225,652,787	$ -	$ 561,165,809	$ 194,705,096	$ 62,940,422	$ (124,384,060)	$ 1,920,080,054
Liabilities	$ 1,911,333	$ 1,503,157,172	$ 188,357,516	$ 178,434,244	$ 39,630,869	$ (124,384,060)	$ 1,787,107,074

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 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 June 30, 2017	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of June 30, 2017	Accumulated Repatriation of Investment Income as of June 30, 2017	Note
					Outflow	Inflow							
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	$ 4,618,293 (US$ 155,174)	Note 1.c.	$ 4,618,293 (US$ 155,174)	$ -	$ -	$ 4,618,293 (US$ 155,174)	-	-	$ -	$ -	$ -	
Chang Hwa Commercial Bank, Ltd. Dongguan Branch	Banking	4,924,781 (US$ 162,641)	Note 1.c.	4,924,781 (US$ 162,641)	-	-	4,924,781 (US$ 162,641)	-	-	-	-	-	
Chang Hwa Commercial Bank, Ltd. Fuzhou Branch	Banking	2,550,956 (US$ 81,743)	Note 1.c.	2,550,956 (US$ 81,743)	-	-	2,550,956 (US$ 81,743)	-	-	-	-	-	

2.

Accumulated Outward Remittance for Investment in Mainland China June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ 12,094,030 (US$ 399,558)	$ 12,372,787 (US$ 410,928)	$ 20,930,559

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)