Chang Hwa Commercial Bank, Ltd.

Financial Statements for the Nine Months Ended September 30, 2016 and 2015 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") as of September 30, 2016 and 2015, and related statements of comprehensive income, for the three months ended September 30, 2016 and 2015; nine months ended September 30, 2016 and 2015, and changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

November 8, 2016

<u>*Notice to Readers*</u>

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2016 (Reviewed) Amount	%	December 31, 2015 (Audited) Amount	%	September 30, 2015 (Reviewed) Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	$ 32,140,659	2	$ 31,225,679	2	$ 50,393,221	3
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	205,612,781	11	146,654,212	8	111,940,677	6
Financial assets at fair value through profit or loss (Notes 4 and 7)	42,531,153	2	43,518,615	2	54,497,689	3
Derivative financial assets for hedging (Notes 4 and 12)	235,086	-	192,521	-	128,501	-
Receivables, net (Notes 4, 8 and 9)	19,453,778	1	19,729,443	1	19,658,172	1
Current tax assets	50,623	-	55,436	-	275,599	-
Loans, net (Notes 4, 5, 9, 35 and 36)	1,298,880,749	67	1,321,934,363	69	1,327,288,065	70
Available-for-sale financial assets, net (Notes 4, 10 and 37)	75,335,291	4	67,415,202	3	62,337,960	3
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 37)	204,426,448	10	205,777,255	11	199,922,565	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)	892,316	-	2,051,074	-	2,103,651	-
Other miscellaneous financial assets (Notes 4, 15 and 37)	18,907,123	1	25,530,337	2	34,280,277	2
Other financial assets, net	23,966,448	1	31,748,420	2	40,550,937	2
Property and equipment, net (Notes 4 and 16)	20,802,934	1	22,253,008	1	22,291,966	1
Investment property, net (Notes 4 and 17)	13,755,321	1	12,536,509	1	12,537,514	1
Intangible assets, net (Notes 4 and 18)	432,663	-	500,710	-	438,274	-
Deferred tax assets (Notes 4 and 5)	2,261,993	-	2,367,489	-	2,798,930	-
Other assets (Notes 19, 32 and 37)	599,810	-	348,357	-	496,616	-
TOTAL	$ 1,940,485,737	100	$ 1,906,257,219	100	$ 1,905,556,686	100
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Notes 4, 20 and 36)	$ 134,922,580	7	$ 124,025,228	7	$ 145,131,360	8
Finance due to banks	-	-	3,879,840	-	2,735,680	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	23,003,159	1	22,732,139	1	24,104,941	1
Securities sold under repurchase agreements (Note 4)	3,343,285	-	4,612,047	-	4,288,651	-
Payables (Notes 4, 21 and 28)	29,086,403	2	23,164,932	1	41,054,892	2
Current tax liabilities	370,822	-	146,692	-	217,381	-
Deposits and remittances (Notes 4, 22 and 36)	1,565,172,801	81	1,547,739,711	81	1,501,579,110	79
Bank note payables (Notes 4 and 23)	31,524,608	2	35,176,580	2	43,663,946	2
Other financial liabilities (Notes 4 and 24)	2,362,139	-	1,075,196	-	918,627	-
Reserve for liabilities (Notes 4, 5 and 26)	4,271,183	-	4,371,316	-	3,987,007	-
Deferred tax liabilities (Note 4)	6,615,449	-	6,644,859	1	7,070,374	1
Other liabilities (Notes 4, 25 and 32)	3,883,064	-	3,213,720	-	3,564,938	-
Total liabilities	1,804,555,493	93	1,776,782,260	93	1,778,316,907	93
EQUITY (Notes 4, 28 and 30)						
Capital stock						
Common stock	89,647,626	5	84,573,232	5	84,573,232	5
Retained earnings						
Legal reserve	23,784,945	1	20,291,944	1	20,291,944	1
Special reserve	12,020,521	1	12,020,521	1	12,020,521	1
Unappropriated earnings	9,402,069	-	11,613,831	-	9,538,631	-
Other equity						
Exchange differences on translation of foreign financial statements	(181,924)	-	733,874	-	1,033,393	-
Unrealized gains (losses) on available-for-sale financial assets	1,257,007	-	241,557	-	(217,942)	-
Total equity	135,930,244	7	129,474,959	7	127,239,779	7
TOTAL	$ 1,940,485,737	100	$ 1,906,257,219	100	$ 1,905,556,686	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)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29 and 36)	$ 7,982,222	101	$ 8,433,306	108	$ 24,398,786	105	$ 24,636,607	114
INTEREST EXPENSES (Notes 29 and 36)	(2,568,251)	(33)	(3,055,783)	(39)	(8,217,606)	(35)	(9,101,891)	(42)
NET INTEREST INCOME	5,413,971	68	5,377,523	69	16,181,180	70	15,534,716	72
NET INCOME OTHER THAN NET INTEREST INCOME								
Net service fee and commissions income (Notes 4 and 29)	1,411,421	18	1,192,871	15	4,114,458	18	3,653,215	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 29)	475,023	6	(620,913)	(8)	1,713,191	7	83,444	1
Realized gain on available-for-sale financial assets (Notes 4 and 29)	201,483	3	214,127	3	333,796	1	278,932	1
Foreign exchange gains (losses) (Notes 4 and 34)	41,248	-	1,340,328	17	(41,549)	-	1,487,760	7
Other miscellaneous net income (Note 12)	364,766	5	283,598	4	906,218	4	493,025	2
Net income other than net interest income	2,493,941	32	2,410,011	31	7,026,114	30	5,996,376	28
NET REVENUE AND GAINS	7,907,912	100	7,787,534	100	23,207,294	100	21,531,092	100
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY (PROVISIONS) RESERVE (Notes 4 and 9)	(382,484)	(5)	14,029	-	(855,902)	(4)	810,320	3
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 29)	(2,536,259)	(32)	(2,563,298)	(33)	(7,613,577)	(33)	(7,433,943)	(35)
Depreciation and amortization expenses (Notes 4 and 29)	(180,558)	(2)	(173,563)	(2)	(538,777)	(2)	(525,260)	(2)
Other general and administrative expenses	(1,063,105)	(14)	(1,206,271)	(15)	(3,272,623)	(14)	(3,454,513)	(16)
Total operating expenses	(3,779,922)	(48)	(3,943,132)	(50)	(11,424,977)	(49)	(11,413,716)	(53)
INCOME BEFORE INCOME TAX	3,745,506	47	3,858,431	50	10,926,415	47	10,927,696	50
INCOME TAX EXPENSE (Notes 4 and 30)	(499,777)	(6)	(596,867)	(8)	(1,610,719)	(7)	(1,729,335)	(8)
NET INCOME	3,245,729	41	3,261,564	42	9,315,696	40	9,198,361	42

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CHANG HWA COMMERCIAL BANK, LTD.

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 4)	$ (665,062)	(9)	$ 779,357	10	$ (1,061,827)	(4)	$ 349,401	2
Unrealized gain (loss) on available-for-sale financial assets (Note 4)	290,372	4	(282,210)	(4)	1,025,480	4	89,588	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	86,225	1	(102,551)	(1)	135,999	1	(57,864)	-
Other comprehensive income for the period, net of income tax	(288,465)	(4)	394,596	5	99,652	1	381,125	2
TOTAL COMPREHENSIVE INCOME	$ 2,957,264	37	$ 3,656,160	47	$ 9,415,348	41	$ 9,579,486	44
EARNINGS PER SHARE (Note 31)								
Basic	$ 0.36		$ 0.36		$ 1.04		$ 1.03	
Diluted	$ 0.36		$ 0.36		$ 1.03		$ 1.02	

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)
(Reviewed, Not Audited)

	Capital Stock		Retained Earnings			Other Equity		
	Shares (Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2015	7,904,040	$ 79,040,404	$ 17,022,790	$ 12,020,521	$ 10,723,060	$ 750,956	$ (316,630)	$ 119,241,101
Appropriation of 2014 earnings								
Legal reserve	-	-	3,269,154	-	(3,269,154)	-	-	-
Cash dividends	-	-	-	-	(1,580,808)	-	-	(1,580,808)
Stock dividends	553,283	5,532,828	-	-	(5,532,828)	-	-	-
Net income for the nine months ended September 30, 2015	-	-	-	-	9,198,361	-	-	9,198,361
Other comprehensive income for the nine months ended September 30, 2015, net of tax	-	-	-	-	-	282,437	98,688	381,125
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	9,198,361	282,437	98,688	9,579,486
BALANCE, SEPTEMBER 30, 2015	8,457,323	$ 84,573,232	$ 20,291,944	$ 12,020,521	$ 9,538,631	$ 1,033,393	$ (217,942)	$ 127,239,779
BALANCE, JANUARY 1, 2016	8,457,323	$ 84,573,232	$ 20,291,944	$ 12,020,521	$ 11,613,831	$ 733,874	$ 241,557	$ 129,474,959
Appropriation of 2015 earnings								
Legal reserve	-	-	3,493,001	-	(3,493,001)	-	-	-
Cash dividends	-	-	-	-	(2,960,063)	-	-	(2,960,063)
Stock dividends	507,439	5,074,394	-	-	(5,074,394)	-	-	-
Net income for the nine months ended September 30, 2016	-	-	-	-	9,315,696	-	-	9,315,696
Other comprehensive income for the nine months ended September 30, 2016, net of tax	-	-	-	-	-	(915,798)	1,015,450	99,652
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	9,315,696	(915,798)	1,015,450	9,415,348
BALANCE, SEPTEMBER 30, 2016	8,964,762	$ 89,647,626	$ 23,784,945	$ 12,020,521	$ 9,402,069	$ (181,924)	$ 1,257,007	$ 135,930,244

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)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 10,926,415	$ 10,927,696
Non-cash (revenues and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	855,902	(810,320)
Depreciation expenses	418,961	427,147
Amortization expenses	119,816	98,113
Interest income	(24,398,786)	(24,636,607)
Interest expenses	8,217,606	9,101,891
Dividends income	(789,842)	(345,033)
Net gain on financial assets and liabilities at fair value through profit or loss	(124,808)	(1,152,814)
Gain on disposal of investments	(190,031)	(179,861)
Unrealized foreign exchange (gain) loss	(1,588,383)	1,069,370
Other adjustments	(283,576)	87,825
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and banks	(24,036,510)	14,513,707
Decrease (increase) in financial assets at fair value through profit or loss	1,128,802	(13,476,438)
(Increase) decrease in receivables	(489,494)	1,489,030
Decrease (increase) in loans	22,509,664	(67,113,400)
Increase in available-for-sale financial assets	(5,480,629)	(15,039,520)
Decrease (increase) in held-to-maturity financial assets	1,350,865	(16,285,506)
Decrease in other financial assets	7,762,717	38,160,881
Increase in other assets	(247,152)	(78,335)
(Decrease) increase in due to the Central Bank and banks	(4,184,198)	11,892,355
Increase in deposits and remittances	17,433,090	48,609,825
Increase in payables	5,968,842	11,309,626
Increase (decrease) in financial liabilities at fair value through profit or loss	1,440,315	(20,598)
Decrease in reserve for liabilities	(177,042)	(44,397)
Increase in other financial liabilities	1,286,943	294,211
Increase in other liabilities	653,121	602,927
Cash generated from operations	18,082,608	9,401,775
Interest received	24,149,958	24,591,718
Dividend received	782,812	339,105
Interest paid	(8,269,394)	(8,882,590)
Income taxes paid	(1,174,504)	(1,699,747)
Income taxes refund	-	309,664
Net cash generated from operating activities	33,571,480	24,059,925

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CHANG HWA COMMERCIAL BANK, LTD.

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

	For the Nine Months Ended September 30	
	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (203,462)	$ (413,849)
Acquisition of investment property	(800)	(358)
Acquisition of intangible assets	(47,275)	(61,988)
Proceeds from disposal of property and equipment	38	32
Net cash used in investing activities	(251,499)	(476,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and call loans from banks	11,201,710	10,869,403
Proceeds from issuance of banks notes	6,300,000	-
Repayment of bank notes	(9,694,000)	(5,000,000)
Cash dividends distributed	(2,960,063)	(1,580,808)
Decrease in securities sold under repurchase agreements	(1,268,762)	(238,043)
Net cash generated from financing activities	3,578,885	4,050,552
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,061,827)	349,401
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,837,039	27,983,715
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	118,700,025	82,228,233
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 154,537,064	$ 110,211,948

Reconciliation of cash and cash equivalents:

	September 30	
	2016	**2015**
Cash and cash equivalents in balance sheet	$ 32,140,659	$ 50,393,221
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	122,396,405	59,818,727
Cash and cash equivalents at end of period	$ 154,537,064	$ 110,211,948

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

CHANG HWA COMMERCIAL BANK, LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors and authorized for issue on November 8, 2016.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

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

As of the date the financial statements were authorized for issue, the Bank continues assessing other possible impacts that application of the aforementioned amendments will have on the Bank's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

Hedge accounting

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

2) IFRS 16 "Leases"

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

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

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

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

3) 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.

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 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. Other significant accounting policies

Except for the following, the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

1) 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

2) 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

The critical accounting judgments and key sources of estimation uncertainty applied to these financial statements are consistent with those applied to the consolidated financial statements for the year ended December 31, 2015. For the summary information, please refer to the consolidated financial statements for the year ended December 31, 2015.

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

a. Cash and cash equivalents

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	$ 10,566,330	$ 10,040,168	$ 10,490,350
Checks for clearing	6,837,200	5,715,580	17,915,118
Due from banks	13,281,158	13,901,421	20,299,940
Foreign currencies on hand	1,455,971	1,568,510	1,687,813
	$ 32,140,659	$ 31,225,679	$ 50,393,221

Cash and cash equivalents as of December 31, 2015 as shown in the statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the statement of cash flows for the reconciliation information as of September 30, 2016 and 2015:

	December 31, 2015
Cash and cash equivalents	$ 31,225,679
Call loans to banks	87,474,346
	$ 118,700,025

b. Due from Central Bank and call loans to banks

	September 30, 2016	December 31, 2015	September 30, 2015
Call loans to banks	$ 122,396,405	$ 87,474,346	$ 59,818,727
Reserve for checking account	36,847,951	11,917,753	9,254,646
Reserve for demand account	39,123,901	38,419,375	38,418,075
Reserve for foreign deposit	371,176	303,044	304,076
Others	6,873,348	8,539,694	4,145,153
	$ 205,612,781	$ 146,654,212	$ 111,940,677

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	September 30, 2016	December 31, 2015	September 30, 2015
Financial assets designated as at FVTPL			
Interest rate-linked combination instruments	$ 5,569,464	$ 6,118,506	$ 6,442,719
Derivative financial assets (not applying hedge accounting)			
Forward exchange contracts	295,238	123,948	161,674
Interest rate swaps	1,316,266	1,103,962	1,300,095
Cross-currency swaps	1,051,355	1,279,807	1,412,112
Currency swaps	2,513,374	2,551,295	5,018,884
Currency call option premium	686,091	914,542	1,357,130
Futures	78,323	42,697	34,892
Non-derivative financial assets			
Investment in bills	26,209,950	28,601,913	36,496,393
Domestic listed stock	35,336	-	33,844
Mutual funds	203,256	207,362	209,610
Government bonds	4,084,023	2,523,596	1,789,532
Corporate bonds and bank notes	488,477	50,987	240,804
	36,961,689	37,400,109	48,054,970
	$ 42,531,153	$ 43,518,615	$ 54,497,689

The par values of bonds and notes provided for transactions with repurchase agreements were $810,800 thousand, $1,932,800 thousand and $1,274,600 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

Financial Liabilities at FVTPL

	September 30, 2016	December 31, 2015	September 30, 2015
Financial liabilities designated as at FVTPL			
Unsecured U.S. dollar-denominated bank notes	$ 16,883,645	$ 17,156,385	$ 17,003,038
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	65,142	239,827	801,251
Interest rate swaps	751,562	1,075,950	795,879
Cross-currency swaps	1,376,018	1,464,804	1,092,895
Currency swaps	3,237,067	1,880,631	3,050,077
Currency put option premium	689,725	914,542	1,361,801
	6,119,514	5,575,754	7,101,903
	$ 23,003,159	$ 22,732,139	$ 24,104,941

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

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

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

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

b. The Bank designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce a measurement or recognition inconsistency. During the nine months ended September 30, 2016, there was no amount of changes in fair value attributable to changes in the credit risk of the bank notes mentioned above.

The Bank entered into derivative contracts during the nine months ended September 30, 2016 and 2015 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Currency swaps	$ 397,575,638	$ 360,237,048	$ 368,319,363
Currency options	142,409,370	191,109,535	240,189,970
Forward exchange contracts	22,306,887	24,580,018	30,917,728
Interest rate swaps and asset-swap options	354,329,806	348,578,627	285,391,420
Cross-currency swaps	55,912,191	55,146,025	59,171,038

8. RECEIVABLES, NET

	September 30, 2016	December 31, 2015	September 30, 2015
Accounts receivable	$ 10,325,380	$ 9,659,711	$ 9,676,610
Revenue receivable	1,430	198,368	195,792
Interest receivable	2,780,237	3,336,637	3,294,420
Acceptance receivable	4,082,957	4,583,300	4,726,597
Credit card receivable	1,700,552	1,717,950	1,648,791
Settlement price	507,550	130,629	213,085
Settlement price receivable	172,099	158,765	159,396
Other receivables	174,363	44,732	42,553
Less allowance for receivables	(290,790)	(100,649)	(299,072)
	$ 19,453,778	$ 19,729,443	$ 19,658,172

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

9. LOANS, NET

a. The details of loans are as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Negotiated	$ 5,133,216	$ 4,970,696	$ 5,992,578
Overdraft	1,320,887	1,667,655	1,466,554
Short-term loans	321,760,183	358,647,815	374,737,879
Receivable amount for margin loans	297,285	260,820	240,223
Medium-term loans	444,000,801	430,311,252	419,884,326
Long-term loans	538,972,112	539,373,447	537,356,104
Delinquent loans	3,173,684	2,837,570	2,350,212
	1,314,658,168	1,338,069,255	1,342,027,876
Less allowance for loan losses	(15,777,419)	(16,134,892)	(14,739,811)
	$ 1,298,880,749	$ 1,321,934,363	$ 1,327,288,065

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

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

	For the Nine Months Ended September 30, 2015			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2015	$ 295,867	$ 14,671,234	$ 41,776	$ 15,008,877
Recovery of loans written off	17,703	1,465,903	7,340	1,490,946
Provision (reserve) for loan losses	(9,973)	(857,860)	10,266	(857,567)
Loans written off	(5,505)	(698,511)	(13,663)	(717,679)
Others	980	159,045	578	160,603
Balance, September 30, 2015	$ 299,072	$ 14,739,811	$ 46,297	$ 15,085,180

The delinquent loans of which the accrual of interest income was stopped internally as of September 30, 2016, December 31, 2015 and September 30, 2015 were $3,173,684 thousand, $2,837,570 thousand and $2,350,212 thousand, respectively. The interest income on delinquent loans not accrued in the nine months ended September 30, 2016 and 2015 was $63,553 thousand and $50,060 thousand, respectively.

The Bank did not write off any loans without legal claim process in the nine months ended September 30, 2016 and 2015.

c. Details of provision for loan losses for the three months and nine months ended September 30, 2016 and 2015 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Provision (reserve) for receivable and loan (including delinquent loan) losses	$ 337,730	$ (39,736)	$ 767,423	$ (857,567)
Provision for guarantees	44,754	25,707	88,479	47,247
	$ 382,484	$ (14,029)	$ 855,902	$ (810,320)

d. Details of receivables and allowance for loan accounts as of September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

Receivables

Item		Total Receivable		
		September 30, 2016	December 31, 2015	September 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 136,106	$ 221,100	$ 225,647
	Combined assessment of impairment	59,073	47,618	42,337
None objective evidence of impairment	Combined assessment of impairment	19,549,389	19,561,374	19,689,260
Total		$ 19,744,568	$ 19,830,092	$ 19,957,244

Item		Total Allowance		
		September 30, 2016	December 31, 2015	September 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 107,871	$ 11,059	$ 213,619
	Combined assessment of impairment	25,401	21,502	19,131
None objective evidence of impairment	Combined assessment of impairment	157,518	68,088	66,322
Total		$ 290,790	$ 100,649	$ 299,072

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

Loans

Item		Total Loans		
		September 30, 2016	December 31, 2015	September 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 9,376,930	$ 6,138,564	$ 5,348,139
	Combined assessment of impairment	3,649,854	3,038,210	2,751,421
None objective evidence of impairment	Combined assessment of impairment	1,301,631,384	1,328,892,481	1,333,928,316
Total		$ 1,314,658,168	$ 1,338,069,255	$ 1,342,027,876

Item		Total Allowance		
		September 30, 2016	December 31, 2015	September 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 4,355,433	$ 2,891,827	$ 2,362,283
	Combined assessment of impairment	1,030,668	853,573	801,227
None objective evidence of impairment	Combined assessment of impairment	10,391,318	12,389,492	11,576,301
Total		$ 15,777,419	$ 16,134,892	$ 14,739,811

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Domestic quoted stocks	$ 3,126,506	$ 2,811,056	$ 2,254,749
Government bonds	26,378,138	26,903,320	26,654,175
Corporate bonds	12,820,093	9,936,707	9,743,239
Bank notes	32,066,422	26,734,901	22,651,973
Bonds issued by international organizations	235,226	197,149	196,845
Investment in bills	708,906	832,069	836,979
	$ 75,335,291	$ 67,415,202	$ 62,337,960

The par values of bonds provided for transactions with repurchase agreements were $2,308,200 thousand, $2,193,500 thousand and $2,721,500 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

Government bonds placed as deposits in courts were $304,200 thousand, $257,300 thousand and $164,300 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively. Government bonds placed as operating deposits were all $330,000 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively. Government bonds placed as reserve fund for trust compensation were all $170,000 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively. Government bonds pledged for call loans from banks were $5,000,000 thousand as of September 30, 2016 and December 31, 2015.

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Investment in bills	$ 188,240,000	$ 189,538,946	$ 184,211,989
Bank notes	2,659,030	2,237,422	2,156,502
Corporate bonds	11,573,905	13,008,643	13,554,074
Government bonds	1,953,513	992,244	-
	$ 204,426,448	$ 205,777,255	$ 199,922,565

The overseas branches' bonds as collateral for operations as of September 30, 2016, December 31, 2015 and September 30, 2015 were $504,470 thousand, $492,991 thousand and $428,399 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were all $36,000,000 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively. Certificate of deposits which was issued by the Central Bank pledged for call loans from banks were $300,000 thousand, $300,000 thousand and $5,300,000 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

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

12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2016	December 31, 2015	September 30, 2015
Derivative financial assets under hedge accounting			
Fair value hedges - interest rate swaps	$ 235,086	$ 192,521	$ 128,501

The Bank used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes the interest rate swaps are highly effective hedging instruments. The nominal principal amount of the outstanding interest rate swaps of the Bank at the end of September 30, 2016, December 31, 2015 and September 30, 2015 were all $5,200,000 thousand.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the nine months ended September 30, 2016 and 2015, the swaps were effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the fixed-rate borrowings was adjusted by $224,608 thousand, $183,580 thousand and $119,946 thousand as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transaction was as follows:

a. Hedging type: Fair value hedging.

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

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

d. Hedging effect: The actual offset result is within 80%-125%, which has met the hedging accounting criterion suggested in IFRSs. The realized gain or loss of hedging tools were $(9,526) thousand and $110,570 thousand for the three months ended September 30, 2016 and 2015, respectively, and $72,823 thousand and $145,027 thousand for the nine months ended September 30, 2016 and 2015, respectively, and the realized gain or loss of fair-value hedging were $36,646 thousand and $(102,875) thousand, accounted as other non-interest net income and losses, for the three months ended September 30, 2016 and 2015, respectively, and the realized loss of fair-value hedging were $(41,028) thousand and $(105,007) thousand, accounted as other non-interest net income and losses, for the nine months ended September 30, 2016 and 2015, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2016	December 31, 2015	September 30, 2015
Domestic unquoted common stocks	$ 4,167,009	$ 4,167,009	$ 4,167,009

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

14. BOND INVESTMENT WITH NO ACTIVE MARKET

	September 30, 2016	December 31, 2015	September 30, 2015
Beneficiary securities and asset based securities	$ 92,316	$ 112,792	$ 119,736
Corporate bonds and bank notes	800,000	1,938,282	1,983,915
	$ 892,316	$ 2,051,074	$ 2,103,651

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

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Inward remittance	$ 11,313	$ 29,112	$ 52,494
Delinquent loans reclassified from other accounts (excluding loans)	42,635	78,112	88,302
Time deposits with original maturity more than 3 months	18,879,572	25,468,153	34,185,778
Less allowance for loan losses	(26,397)	(45,040)	(46,297)
	$ 18,907,123	$ 25,530,337	$ 34,280,277

The market rates of time deposits with original maturity more than 3 months were 1.26%-3.60% and 0.46%-4.70% for the nine months ended September 30, 2016 and 2015, respectively. Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

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

16. PROPERTY AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building and Equipment	Total
Cost									
Balance at January 1, 2016	$ 15,880,100	$ 9,050,292	$ 5,206,912	$ 619,887	$ 1,498,860	$ 943,230	$ 112,232	$ 16,487	$ 33,328,000
Additions	-	45,911	94,287	11,811	25,556	9,616	-	16,281	203,462
Disposals	-	-	(640,129)	(16,707)	(28,594)	(15,341)	-	-	(700,771)
Reclassification	(1,222,979)	(537)	5,639	62,180	(5,752)	-	(62,066)	(4,890)	(1,228,405)
Effect of foreign currency exchange differences	-	(9,196)	(2,440)	(540)	(2,189)	(1,611)	-	(775)	(16,751)
Balance at September 30, 2016	$ 14,657,121	$ 9,086,470	$ 4,664,269	$ 676,631	$ 1,487,881	$ 935,894	$ 50,166	$ 27,103	$ 31,585,535
Accumulated depreciation and impairment									
Balance at January 1, 2016	$ -	$ 3,935,920	$ 4,456,913	$ 508,359	$ 1,337,117	$ 781,551	$ 55,132	$ -	$ 11,074,992
Depreciation expense	-	133,500	174,223	28,475	34,151	37,168	6,478	-	413,995
Disposals	-	-	(640,129)	(16,703)	(28,593)	(15,341)	-	-	(700,766)
Reclassification	-	(537)	3,733	34,506	(3,758)	-	(34,482)	-	(538)
Effect of foreign currency exchange differences	-	(167)	(1,063)	(291)	(1,786)	(1,775)	-	-	(5,082)
Balance at September 30, 2016	$ -	$ 4,068,716	$ 3,993,677	$ 554,346	$ 1,337,131	$ 801,603	$ 27,128	$ -	$ 10,782,601
Carrying amounts at September 30, 2016	$ 14,657,121	$ 5,017,754	$ 670,592	$ 122,285	$ 150,750	$ 134,291	$ 23,038	$ 27,103	$ 20,802,934
Cost									
Balance at January 1, 2015	$ 17,407,630	$ 8,854,428	$ 5,471,249	$ 552,854	$ 1,476,265	$ 909,546	$ 168,860	$ 55,664	$ 34,896,496
Additions	-	236,872	82,627	17,118	32,604	31,161	-	13,467	413,849
Disposals	-	(842)	(50,631)	(9,542)	(10,896)	(227)	-	-	(72,138)
Reclassification as held for sale	(1,527,531)	(59,736)	-	-	-	-	-	(587)	(1,587,854)
Effect of foreign currency exchange differences	-	3,210	2,475	373	1,625	3,803	-	741	12,227
Balance at September 30, 2015	$ 15,880,099	$ 9,033,932	$ 5,505,720	$ 560,803	$ 1,499,598	$ 944,283	$ 168,860	$ 69,285	$ 33,662,580
Accumulated depreciation and impairment									
Balance at January 1, 2015	$ -	$ 3,821,181	$ 4,688,809	$ 459,539	$ 1,304,751	$ 730,121	$ 69,251	$ -	$ 11,073,652
Depreciation expense	-	129,239	179,142	22,067	37,624	40,228	14,072	-	422,372
Disposals	-	(839)	(50,522)	(9,537)	(10,896)	(227)	-	-	(72,021)
Reclassification	-	(57,772)	-	-	-	-	-	-	(57,772)
Effect of foreign currency exchange differences	-	34	1,276	170	1,116	1,787	-	-	4,383
Balance at September 30, 2015	$ -	$ 3,891,843	$ 4,818,705	$ 472,239	$ 1,332,595	$ 771,909	$ 83,323	$ -	$ 11,370,614
Carrying amounts at September 30, 2015	$ 15,880,099	$ 5,142,089	$ 687,015	$ 88,564	$ 167,003	$ 172,374	$ 85,537	$ 69,285	$ 22,291,966

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

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

17. INVESTMENT PROPERTIES

	September 30, 2016	December 31, 2015	September 30, 2015
Completed investment property	$ 13,755,321	$ 12,536,509	$ 12,537,514

	Completed Investment Property
Cost	
Balance at January 1, 2016	$ 12,873,554
Reclassification	1,223,516
Additions	800
Disposals	(2,104)
Balance at September 30, 2016	$ 14,095,766
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 337,045
Reclassification	537
Depreciation expense	4,966
Disposals	(2,103)
Balance at September 30, 2016	$ 340,445
Carrying amounts at September 30, 2016	$ 13,755,321
Cost	
Balance at January 1, 2015	$ 11,285,548
Reclassification	1,587,267
Additions	358
Disposals	(259)
Balance at September 30, 2015	$ 12,872,914
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ 273,108
Reclassification	57,772
Depreciation expense	4,775
Disposals	(255)
Balance at September 30, 2015	$ 335,400
Carrying amounts at September 30, 2015	$ 12,537,514

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

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

The fair value of the Bank's investment property as of September 30, 2016, December 31, 2015 and September 30, 2015 were all $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 nine months ended September 30, 2016 and 2015 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Rental incomes	$ 48,477	$ 43,382	$ 137,205	$ 133,575
Direct operating expenses	$ 23,230	$ 18,004	$ 68,632	$ 53,767

18. INTANGIBLE ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Computer software	$ 432,663	$ 500,710	$ 438,274

	Computer Software
Cost	
Balance at January 1, 2016	$ 500,710
Additions	47,275
Amortization	(119,698)
Reclassification	4,889
Effect of foreign currency exchange difference	(513)
Balance at September 30, 2016	$ 432,663

Except for amortization recognized, the Bank had no significant addition, disposal, and impairment of intangible assets during the nine months ended September 30, 2015.

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

19. OTHER ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Refundable deposits	$ 220,584	$ 109,225	$ 109,757
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	378,947	238,536	386,134
Others	279	596	725
	$ 599,810	$ 348,357	$ 496,616

20. DUE TO BANKS AND CENTRAL BANK

	September 30, 2016	December 31, 2015	September 30, 2015
Due to Central Bank	$ 26,716	$ 20,249	$ 25,419
Due to banks	26,446,799	30,117,635	30,750,904
Bank overdraft	765,255	951,895	4,997,041
Call loans from banks	105,387,030	90,118,840	106,489,242
Deposits transferred from the Postal Bureau	2,296,780	2,816,609	2,868,754
	$ 134,922,580	$ 124,025,228	$ 145,131,360

21. PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Checks issued to payees for clearing	$ 10,664,003	$ 9,333,298	$ 19,657,527
Accounts payable	1,431,457	1,898,732	2,914,572
Accrued expenses	1,764,238	2,517,194	1,777,930
Interest payable	1,820,329	1,867,700	2,366,456
Acceptances	4,114,852	4,715,573	4,781,428
Others	9,291,524	2,832,435	9,556,979
	$ 29,086,403	$ 23,164,932	$ 41,054,892

22. DEPOSITS

	September 30, 2016	December 31, 2015	September 30, 2015
Checking deposit	$ 33,030,228	$ 37,344,978	$ 40,220,054
Demand deposit	381,189,180	363,453,070	341,555,352
Time deposit	328,222,977	333,234,816	313,963,261
Negotiable certificates of deposit	6,184,996	7,576,400	7,352,200
Savings deposit	815,415,201	804,891,721	796,988,763
Remittances	1,130,219	1,238,726	1,499,480
	$ 1,565,172,801	$ 1,547,739,711	$ 1,501,579,110

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

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

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

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

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

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

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

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

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

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

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

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

Bank Note, Interest Rate and Maturity Date	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**
Hedged financial liabilities at fair value			
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	$ 2,200,000	$ 2,200,000	$ 2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000	3,000,000
Valuation adjustment	224,608	183,580	119,946
	5,424,608	5,383,580	5,319,946
Non-hedged bank notes payable			
97-2, 7-year terms, interest payable annually, interest rate 3.05%, maturity date: December 15, 2015	-	-	8,350,000
98-1, 7-year terms, interest payable annually, interest rate 2.30%, maturity date: September 15, 2016	-	5,000,000	5,000,000
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000	5,000,000
100-1 Note A, 7-year terms, interest payable annually, interest rate 1.65%, maturity date: March 11, 2018	2,200,000	2,200,000	2,200,000
100-1 Note B, 10-year terms, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000	1,100,000

(Continued)

Bank Note, Interest Rate and Maturity Date	September 30, 2016	December 31, 2015	September 30, 2015
100-2, 10-year terms, interest payable annually, floating rate, maturity date: April 18, 2021	$ 6,700,000	$ 6,700,000	$ 6,700,000
102-1, 3-year terms, interest payable annually, interest rate 2.90%, maturity date: May 29, 2016	-	4,993,000	5,194,000
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	3,000,000	-	-
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	-	-
	26,100,000	29,793,000	38,344,000
	$ 31,524,608	$ 35,176,580	$ 43,663,946

(Concluded)

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

24. OTHER FINANCIAL LIABILITIES

	September 30, 2016	December 31, 2015	September 30, 2015
Principal structured products	$ 2,065,205	$ 829,163	$ 659,178
Appropriations for loan fund	295,509	232,195	238,717
Lease payable	1,425	13,838	20,732
	$ 2,362,139	$ 1,075,196	$ 918,627

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

25. OTHER LIABILITIES

	September 30, 2016	December 31, 2015	September 30, 2015
Unearned revenue	$ 912,646	$ 856,983	$ 913,345
Guarantee deposits	2,934,052	2,328,710	2,600,699
Deferred income	36,366	28,027	50,894
	$ 3,883,064	$ 3,213,720	$ 3,564,938

26. PROVISIONS

	September 30, 2016	December 31, 2015	September 30, 2015
Reserve for employee benefits	$ 3,742,928	$ 3,919,132	$ 3,527,758
Reserve for guarantee liabilities	527,987	452,184	458,984
Others	268	-	265
	$ 4,271,183	$ 4,371,316	$ 3,987,007

a. The details of reserve for employee benefits please refer to Note 27.

b. Under guidelines of Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, reserve for guarantees was allocated based on the status of the loan collaterals and the length of time overdue. Except for provision, the reserve for guarantees of the Bank had no significant changes for the nine months ended September 30, 2016 and 2015.

27. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Bank's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014 and the amount please refer to Note 29, item 6, employee benefits expense.

28. EQUITY

a. Share capital

Common stock

	September 30, 2016	December 31, 2015	September 30, 2015
Number of shares authorized (in thousands)	9,000,000	9,000,000	9,000,000
Shares authorized	$ 90,000,000	$ 90,000,000	$ 90,000,000
Number of shares issued and fully paid (in thousands)	8,964,762	8,457,323	8,457,323
Shares issued	$ 89,647,626	$ 84,573,232	$ 84,573,232

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

As of January 1, 2015, the Bank's authorized and registered capital was $80,000,000 thousand divided into 8,000,000 thousand shares at $10 par value; the total paid-in capital was $79,040,404 thousand. In June 2015, the Bank increased the Bank's registered capital by $10,000,000 thousand. In August 2016 and 2015, the Bank had resolved capitalization of earnings and increased the Bank's paid-in capital by $5,074,394 thousand and $5,532,828 thousand, respectively. The amount of the Bank's authorized and registered capital at September 30, 2016 and 2015 were both $90,000,000 thousand divided into 9,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were $89,647,626 thousand and $84,573,232 thousand, divided into 8,964,762 thousand outstanding shares and 8,457,323 thousand outstanding shares, respectively, at $10 par value.

b. Distribution of earnings and dividend policy

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

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

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

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

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Bank should appropriate or reverse to a special reserve.

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

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

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

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

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

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

c. Special reserve

	September 30, 2016	December 31, 2015	September 30, 2015
Special reserves appropriated following first-time adoption of IFRSs	$ 11,778,829	$ 11,778,829	$ 11,778,829
Others	241,692	241,692	241,692
	$ 12,020,521	$ 12,020,521	$ 12,020,521

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

29. NET INCOME

a. Net interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest income				
Loans	$ 6,641,499	$ 6,962,227	$ 20,319,406	$ 20,259,322
Due from and call loans to banks	566,629	615,770	1,679,693	2,073,781
Investment in marketable securities	739,104	826,464	2,300,917	2,216,006
Others	34,990	28,845	98,770	87,498
	7,982,222	8,433,306	24,398,786	24,636,607
Interest expense				
Deposits	(2,179,077)	(2,575,991)	(6,971,230)	(7,705,679)
Due to the Central Bank and call loans from banks	(238,851)	(218,176)	(724,764)	(571,289)
Others	(150,323)	(261,616)	(521,612)	(824,923)
	(2,568,251)	(3,055,783)	(8,217,606)	(9,101,891)
Net interest income	$ 5,413,971	$ 5,377,523	$ 16,181,180	$ 15,534,716

b. Net service fee and commissions income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Service fee and commissions income				
Fees from import and export	$ 78,329	$ 88,722	$ 245,679	$ 271,917
Remittance fees	119,385	119,302	356,517	343,780
Loan and guarantees fees	265,669	151,606	637,286	428,316
Fees from trustee	143,398	169,173	412,215	629,664
Fees from trustee business	64,951	67,721	190,218	201,259
Others	996,070	861,567	2,976,077	2,488,015
	1,667,802	1,458,091	4,817,992	4,362,951
Service fee and commissions				
Interbank fees	(35,037)	(33,498)	(103,010)	(100,009)
Fees from trustee business	(6,657)	(6,634)	(16,813)	(28,620)
Management fees	(20,669)	(22,914)	(63,408)	(65,412)
Others	(194,018)	(202,174)	(520,303)	(515,695)
	(256,381)	(265,220)	(703,534)	(709,736)
Net service fee and commissions income	$ 1,411,421	$ 1,192,871	$ 4,114,458	$ 3,653,215

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Disposal gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	$ 1,568	$ (6,101)	$ 2,234	$ 13,769
Bonds	15,140	28,814	77,750	44,217
Bills	7	1	26	30
Derivative financial instruments	562,816	169,664	1,465,972	458,693
Net interest income	(61,161)	59,705	(84,703)	155,106
Stock dividends and bonuses	2,317	1,470	2,317	1,470
	520,687	253,553	1,463,596	673,285
Valuation gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	1,230	5,569	2,802	(7,665)
Bonds	(16,400)	(202,373)	(168,071)	(420,552)
Bills	(4,509)	(11,133)	4,099	(12,661)
Derivative financial instruments	(25,985)	(666,529)	410,765	(148,963)
	(45,664)	(874,466)	249,595	(589,841)
	$ 475,023	$ (620,913)	$ 1,713,191	$ 83,444

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Stock dividends and bonus	$ 137,023	$ 86,877	$ 143,823	$ 99,071
Disposal gains				
Stock	64,550	-	129,430	14,680
Bonds	5,222	131,105	81,188	169,115
	206,795	217,982	354,441	282,866
Disposal losses				
Stock	(5,313)	-	(20,465)	-
Bonds	1	(3,855)	(180)	(3,934)
	(5,312)	(3,855)	(20,645)	(3,934)
	$ 201,483	$ 214,127	$ 333,796	$ 278,932

e. Depreciation and amortization expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Property and equipment	$ 138,146	$ 137,941	$ 413,995	$ 422,372
Investment property	1,646	1,628	4,966	4,775
Intangible assets and other deferred assets	40,766	33,994	119,816	98,113
	$ 180,558	$ 173,563	$ 538,777	$ 525,260

f. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term benefits	$ 2,178,121	$ 2,322,912	$ 6,775,620	$ 6,720,359
Post-employment benefits				
Defined contribution plans	39,158	37,374	115,067	107,990
Defined benefit plans	87,736	84,310	253,320	252,501
High-yield savings account for employees	120,346	117,072	355,131	348,118
Other post-employment benefits	110,898	1,630	114,439	4,975
	$ 2,536,259	$ 2,563,298	$ 7,613,577	$ 7,433,943

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Bank's Articles in June 2016; the amendments stipulate distribution of employees' compensation and remuneration to directors at the rates 1%-6% and no higher than 8%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. For the three months and nine months ended September 30, 2016, the employees' compensation and the remuneration to directors represented 4.47% and 0.42%, respectively, of the net profit before income tax.

The Articles of Incorporation of the Bank before the amendment stipulated to distribute bonus to employees and remuneration to directors at 8% and 1.25% were after tax net income (net of the bonus to employees and remuneration to directors) minus legal reserve. For the three months and nine months ended September 30, 2015, the bonus to employees and the remuneration to directors represented as above mentioned percentage respectively.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Employees' compensation	$ 159,700	$ 184,000	$ 513,502	$ 516,000
Remuneration to directors	$ 13,800	$ 29,000	$ 48,000	$ 81,000

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

The appropriations of employees' compensation and remuneration to directors for 2015 were resolved by the board of directors on March 17, 2016, and the appropriations of bonus to employees and remuneration to directors and supervisors for 2014 were approved in the shareholders' meetings on June 12, 2015. The amounts of the employees' bonus and remuneration to directors and supervisors are disclosed on the table below. After the amendments to the Articles had been resolved in the shareholders' meeting held on June 8, 2016, the appropriations of the employees' compensation and remuneration to directors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31	
	2015	2014
	Cash	Cash
Bonus to employees	$ 723,255	$ 610,242
Remuneration of directors and supervisors	57,860	95,350

The employees' compensation and the remuneration to directors and supervisors for 2015 resolved by the board of directors on March 17, 2016, the amounts of the bonus to employees and the remuneration to directors and supervisors for 2014 approved in the shareholders' meetings on June 12, 2015, respectively, and the respective amounts recognized in the financial statements, were as follows:

	For the Year Ended December 31			
	2015		2014	
	Employees' Compensation	Remuneration to Directors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in shareholders' meetings	$ -	$ -	$ 610,242	$ 95,350
Amounts resolved by the board of directors	$ 723,255	$ 57,860	$ -	$ -
Amounts recognized in respective financial statements	$ 723,768	$ 101,600	$ 610,242	$ 95,350
Differences	$ (513)	$ (43,740)	$ -	$ -

The differences were adjusted to profit and loss for the years ended December 31, 2016 and 2015, respectively.

Information on the employees' compensation and remuneration to directors for 2015 resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors for 2014 resolved by the shareholders' meeting in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

30. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Current tax				
In respect of the current year	$ 475,427	$ 424,729	$ 1,173,051	$ 977,608
Adjustment for prior year	(534)	-	1,340	(63,366)
Deferred tax				
In respect of the current year	(29,349)	131,473	212,085	661,588
Additional income tax on unappropriated earnings	-	-	-	30,298
Non-deductible tax of overseas branches	54,233	40,665	224,243	123,207
Income tax expense recognized in profit or loss	$ 499,777	$ 596,867	$ 1,610,719	$ 1,729,335

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Deferred tax				
In respect of the current year:				
Translation of foreign operations	$ (152,795)	$ 115,777	$ (146,029)	$ 66,963
Fair value changes of available-for-sale financial asset	66,570	(13,226)	10,030	(9,099)
Total income tax expense (benefit) recognized in other comprehensive income	$ (86,225)	$ 102,551	$ (135,999)	$ 57,864

c. Information about integrated income tax was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Unappropriated earnings generated on and after January 1, 1998	$ 9,402,069	$ 11,613,831	$ 9,538,631
Imputation credits accounts	$ 1,067,650	$ 859,993	$ 803,561

The creditable ratio for distribution of earnings of 2015 and 2014 were 9.19% and 9.83%, respectively.

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

31. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 16, 2016. The basic and diluted after-tax earnings per share for the three months and nine months ended September 30, 2015 were adjusted retrospectively as followings:

Unit: NT$ Per Share

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Basic earnings per share	$ 0.39	$ 1.09	$ 0.36	$ 1.03
Diluted earnings per share	$ 0.38	$ 1.08	$ 0.36	$ 1.02

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Net profit for the year	$ 3,245,729	$ 3,261,564	$ 9,315,696	$ 9,198,361

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	8,964,762	8,964,762	8,964,762	8,964,762
Effect of potentially dilutive ordinary shares:				
Employees’ compensation or bonus issue to employees	31,994	31,852	43,997	54,785
Weighted average number of ordinary shares used in the computation of diluted earnings per share	8,996,756	8,996,614	9,008,759	9,019,547

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

32. OPERATING LEASE ARRANGEMENTS

a. The Bank as lessee

Operating leases relate to leases of land with lease terms between 5 to 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 September 30, 2016, December 31, 2015 and September 30, 2015, refundable deposits paid under operation leases amounted to $41,016 thousand, $39,006 thousand and $39,364 thousand, respectively.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Not later than 1 year	$ 142,878	$ 561,595	$ 144,982
Later than 1 year and not later than 5 years	1,234,943	1,066,544	1,445,390
Later than 5 years	319,379	365,478	419,484
	$ 1,697,200	$ 1,993,617	$ 2,009,856

b. The Bank as lessor

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, refundable deposits paid under operation leases amounted to $52,222 thousand, $49,272 thousand and $47,368 thousand, respectively.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Not later than 1 year	$ 59,627	$ 191,030	$ 56,843
Later than 1 year and not later than 5 years	676,441	422,066	508,432
Later than 5 years	77,442	77,442	73,809
	$ 813,510	$ 690,538	$ 639,084

33. CAPITAL RISK MANAGEMENT

The goals and procedures of capital risk management of the Bank are the same description in the consolidated financial report, for the year ended December 31, 2015.

34. FINANCIAL INSTRUMENTS

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

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

	September 30, 2016		December 31, 2015		September 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 204,426,448	$ 204,580,658	$ 205,777,255	$ 205,870,456	$ 199,922,565	$ 200,001,790
Bonds investment with no active market	892,316	896,397	2,051,074	2,065,441	2,103,651	2,111,481
Financial liabilities						
Bond payables	31,524,608	32,441,744	35,176,580	36,206,685	43,663,946	44,580,501

2) Fair value hierarchy

Fair value hierarchy as at September 30, 2016

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

Fair value hierarchy as at December 31, 2015

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

Fair value hierarchy as at September 30, 2015

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity investments	$ 200,001,790	$ 1,235,308	$ 14,831,482	$ 183,935,000
Bonds investment with no active market	2,111,481	1,298,169	813,312	-
Financial liabilities				
Bond payables	44,580,501	-	7,319,946	37,260,555

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

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

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

Fair Value Measurement of Financial Instruments	September 30, 2015			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 45,212,902	$ 7,321,347	$ 37,891,555	$ -
Trading assets	38,770,183	2,268,176	36,502,007	-
Stock and mutual funds	243,454	243,454	-	-
Bond investments	2,030,336	2,024,722	5,614	-
Others	36,496,393	-	36,496,393	-
Financial assets designated upon initial recognition as at fair value through profit or loss	6,442,719	5,053,171	1,389,548	-
Available-for-sale financial assets	62,337,960	45,162,132	17,175,828	-
Stock investments	2,254,749	2,254,749	-	-
Bond investments	59,246,232	42,070,404	17,175,828	-
Others	836,979	836,979	-	-
Liabilities				
Financial liabilities at FVTPL	17,003,038	-	17,003,038	-
Derivative financial products				
Assets				
Financial assets at FVTPL	9,284,787	34,892	9,249,895	-
Other financial assets				
Hedging derivative financial instruments	128,501	-	128,501	-
Liabilities				
Financial liabilities at FVTPL	7,101,903	-	7,101,903	-

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

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

Item	For the Nine Months Ended September 30, 2015						
	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer In	Sell, Disposal	Transfer Out	
Financial assets designated upon initial recognition as at fair value through profit or loss	$ 2,368,757	$ 6,493	$ -	$ -	$ -	$ (2,375,250) (Note)	$ -

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

Valuation gains (losses) mentioned above recognized in current profits or losses in the amounts of $6,493 thousand was attributed to gains (losses) on assets owned during the nine months ended September 30, 2015.

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

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

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates;

c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

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

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

b) Market risk management policy

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

The market risk management regulations are as follows:

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

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

iii. Follow the regulations of Basel Accord.

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

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

c) Market risk management procedures

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

i. Identifying and measuring

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

ii. Monitoring and reporting

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

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

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

iii. Stress testing

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

d) Trading book market risk management

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

i. Strategy

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

ii. Management policy and procedures

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

iii. Valuation policy

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

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DV01. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

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

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

e) Trading book interest rate risk management

i. Definition of interest rate risk

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

ii. Management procedures on trading book interest rate risk

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

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DV01. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

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

ii. Management strategy on banking book interest rate risk

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

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

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

g) Exchange rate risk management

i. Definition of exchange rate risk

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

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

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

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

h) Equity security price risk management

i. Definition of equity security price risk

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

ii. Equity security price risk management purpose

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

iii. Equity security price risk management procedures

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

iv. Measuring methods

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

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

i) Market risk measuring method

i. Value at Risk, "VaR"

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

The Bank changed the VaR method to historical simulation method on January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

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

ii. As of September 30, 2016 and 2015, the Bank's VaR factors based on historical simulation method were as follows:

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

	For the Nine Months Ended September 30, 2015			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 219,400	$ 261,123	$ 194,456	$ 227,827
Interest rate VaR	29,790	40,857	22,437	24,986
Equity securities VaR	1,353	2,107	726	1,596
Value at risk	$ 250,543	$ 304,087	$ 217,619	$ 254,409

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,149,404	31.3600	$ 224,205,309
GBP	142,822	40.6600	5,807,143
AUD	920,754	23.9250	22,029,039
HKD	1,529,892	4.0430	6,185,353
CAD	87,067	23.8500	2,076,548
ZAR	2,234,408	2.2500	5,027,418
JPY	88,515,479	0.3104	27,475,205
EUR	417,963	35.1800	14,703,938
RMB	18,346,123	4.6940	86,116,701
Non-monetary items			
USD	203,286	31.3600	6,375,049
Financial liabilities			
Monetary items			
USD	8,789,380	31.3600	275,634,957
GBP	116,064	40.6600	4,719,162

(Continued)

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
AUD	$ 837,370	23.9250	$ 20,034,077
HKD	1,348,176	4.0430	5,450,676
CAD	85,395	23.8500	2,036,671
ZAR	2,555,411	2.2500	5,749,675
JPY	65,167,801	0.3104	20,228,085
EUR	433,153	35.1800	15,238,323
RMB	16,288,177	4.6940	76,456,703
Non-monetary items			
USD	558,873	31.3600	17,526,257

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	$ 5,678,038	32.9600	$ 187,148,132
GBP	59,986	49.9600	2,996,901
AUD	851,657	23.0850	19,660,502
HKD	3,592,486	4.2520	15,275,250
CAD	137,414	24.5500	3,373,514
ZAR	3,412,931	2.3700	8,088,646
JPY	48,352,681	0.2750	13,296,987
EUR	397,096	37.0800	14,724,320
NZD	101,490	20.9800	2,129,260
RMB	15,520,774	5.1940	80,614,900
Non-monetary items			
USD	209,481	32.9600	6,904,494
<u>Financial liabilities</u>			
Monetary items			
USD	7,216,740	32.9600	237,863,750
GBP	59,680	49.9600	2,981,613
AUD	813,039	23.0850	18,769,005
HKD	2,209,146	4.2520	9,393,289
CAD	182,570	24.5500	4,482,094
ZAR	3,241,555	2.3700	7,682,485
JPY	43,772,222	0.2750	12,037,361
EUR	454,740	37.0800	16,861,759
NZD	99,347	20.9800	2,084,300
RMB	14,074,658	5.1940	73,103,774
Non-monetary items			
USD	550,240	32.9600	18,135,910

For the three months ended September 30, 2016 and 2015, net foreign exchange gains were $41,248 thousand and $1,340,328 thousand, respectively. For the nine months ended September 30, 2016 and 2015, net foreign exchange (losses) gains were $(41,549) thousand and $1,487,760 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 the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes. The Bank assesses the credit limits to counterparties based on their levels and financial status and efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reports.

iii. Debt instrument and derivatives financial instruments

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

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

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

c) Credit risk hedging or mitigation policies

i. Collaterals

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

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

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

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

September 30, 2016

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

December 31, 2015

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

September 30, 2015

	Maximum Exposure to Credit Risk Mitigated by			
`	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Loans	$ 806,862,193	$ -	$ -	$ 806,862,193
Financial assets at fair value through profit or loss	25,151,283	-	-	25,151,283
Available-for-sale financial assets	3,108,979	-	-	3,108,979
Held-to-maturity financial assets	2,274,980	-	-	2,274,980
Debt investments with no active market	885,509	-	-	885,509

d) Maximum exposure to credit risk

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealable maximum amount of exposure) were as follows:

Financial Instrument Type	September 30, 2016	December 31, 2015	September 30, 2015
Unused loan commitments (excluding credit card)	$ 94,773,582	$ 107,576,609	$ 84,968,153
Credit card credit commitment	433,099	347,862	376,348
Unused issued letters of credit	20,166,297	17,841,443	20,555,255
Guarantees in guarantee business	43,021,926	34,838,957	35,166,759

e) Situation of credit risk concentration

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

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

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

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

	September 30, 2015	
Industry Type	Carrying Value	Percentage of Item (%)
Financial and insurance	$ 79,793,797	6
Manufacturing	350,623,452	26
Wholesale and retail	124,231,761	9
Real estate and leasing	93,330,331	7
Service	35,265,768	3
Individuals	436,763,152	33
Others	222,019,615	16
	$ 1,342,027,876	

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

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

Geographic Location	September 30, 2015 Carrying Value	Percentage of Item (%)
Asia	$ 1,274,306,121	95
America	50,415,881	4
Europe	15,934,222	1
Others	1,371,652	-
	$ 1,342,027,876	

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

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

Securities Type	September 30, 2015 Carrying Value	Percentage of Item (%)
Unsecured	$ 535,165,683	40
Secured		
Properties	665,140,749	49
Others	141,721,444	11
	$ 1,342,027,876	

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

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

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

i. Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	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	$ 8,256,011	$ 3,754,199	$ 233,619	$ 7,311,855	$ 19,555,684	$ 5,690	$ 268,718	$ 19,830,092	$ 32,561	$ 68,088	$ 19,729,443
Credit cards	-	-	-	1,705,377	1,705,377	-	21,946	1,727,323	11,842	4,910	1,710,571
Other	8,256,011	3,754,199	233,619	5,606,478	17,850,307	5,690	246,772	18,102,769	20,719	63,178	18,018,872
Loans	360,671,585	691,923,764	167,048,979	107,337,347	1,326,981,675	1,910,806	9,176,774	1,338,069,255	3,745,400	12,389,492	1,321,934,363

(In Thousands of New Taiwan Dollars)

Item	September 30, 2015										
	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	$ 7,906,478	$ 3,446,626	$ 220,321	$ 8,104,694	$ 19,678,119	$ 11,141	$ 267,984	$ 19,957,244	$ 232,750	$ 66,322	$ 19,658,172
Credit cards	-	-	-	1,643,580	1,643,580	-	19,844	1,663,424	9,993	4,461	1,648,970
Other	7,906,478	3,446,626	220,321	6,461,114	18,034,539	11,141	248,140	18,293,820	222,757	61,861	18,009,202
Loans	392,880,873	685,213,671	168,930,676	82,697,865	1,329,723,085	4,205,231	8,099,560	1,342,027,876	3,163,510	11,576,301	1,327,288,065

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

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 75,713,515	$ 167,667,619	$ 139,937,877	$ 54,055,386	$ 437,374,397
Corporation finance	284,958,070	524,256,145	27,111,102	53,281,961	889,607,278
Total	$ 360,671,585	$ 691,923,764	$ 167,048,979	$ 107,337,347	$ 1,326,981,675

(In Thousands of New Taiwan Dollars)

Item	September 30, 2015				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 76,728,554	$ 163,392,952	$ 140,464,791	$ 51,659,934	$ 432,246,231
Corporation finance	316,152,319	521,820,719	28,465,885	31,037,931	897,476,854
Total	$ 392,880,873	$ 685,213,671	$ 168,930,676	$ 82,697,865	$ 1,329,723,085

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	September 30, 2016										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Available-for-sale financial assets	$ 75,165,430	$ -	$ -	$ 139,861	$ 75,305,291	$ -	$ 150,000	$ 75,455,291	$ 120,000	$ -	$ 75,335,291
Bonds	71,360,018	-	-	139,861	71,499,879	-	-	71,499,879	-	-	71,499, 879
Stocks	3,096,506	-	-	-	3,096,506	-	150,000	3,246,506	120,000	-	3,126,506
Bills	708,906	-	-	-	708,906	-	-	708,906	-	-	708,906
Held-to-maturity financial assets	204,426,448	-	-	-	204,426,448	-	-	204,426,448	-	-	204,426,448
Bonds	16,186,448	-	-	-	16,186,448	-	-	16,186,448	-	-	16,186,448
Bills	188,240,000	-	-	-	188,240,000	-	-	188,240,000	-	-	188,240,000
Other financial assets	892,316	-	-	-	892,316	-	144,873 (Note)	1,037,189	144,873	-	892,316
Securities and bonds	892,316	-	-	-	892,316	-	144,873 (Note)	1,037,189	144,873	-	892,316

Note: Cost on the reclassification date.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	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	$ 67,093,360	$ -	$ -	$ 291,842	$ 67,385,202	$ -	$ 150,000	$ 67,535,202	$ 120,000	$ -	$ 67,415,202
Bonds	63,480,235	-	-	291,842	63,772,077	-	-	63,772,077	-	-	63,772,077
Stocks	2,781,056	-	-	-	2,781,056	-	150,000	2,931,056	120,000	-	2,811,056
Bills	832,069	-	-	-	832,069	-	-	832,069	-	-	832,069
Held-to-maturity financial assets	205,777,255	-	-	-	205,777,255	-	-	205,777,255	-	-	205,777,255
Bonds	16,238,309	-	-	-	16,238,309	-	-	16,238,309	-	-	16,238,309
Bills	189,538,946	-	-	-	189,538,946	-	-	189,538,946	-	-	189,538,946
Other financial assets	1,401,984	-	-	649,090	2,051,074	-	151,896 (Note)	2,202,970	151,896	-	2,051,074
Securities and bonds	1,401,984	-	-	649,090	2,051,074	-	151,896 (Note)	2,202,970	151,896	-	2,051,074

Note: Cost on the reclassification date.

(In Thousands of New Taiwan Dollars)

Item	September 30, 2015										
	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	$ 62,307,960	$ -	$ -	$ -	$ 62,307,960	$ -	$ 150,000	$ 62,457,960	$ 120,000	$ -	$ 62,337,960
Bonds	59,246,232	-	-	-	59,246,232	-	-	59,246,232	-	-	59,246,232
Stocks	2,224,749	-	-	-	2,224,749	-	150,000	2,374,749	120,000	-	2,254,749
Bills	836,979	-	-	-	836,979	-	-	836,979	-	-	836,979
Held-to-maturity financial assets	199,922,565	-	-	-	199,922,565	-	-	199,922,565	-	-	199,922,565
Bonds	15,710,576	-	-	-	15,710,576	-	-	15,710,576	-	-	15,710,576
Bills	184,211,989	-	-	-	184,211,989	-	-	184,211,989	-	-	184,211,989
Other financial assets	1,428,431	-	-	675,220	2,103,651	-	152,267 (Note)	2,255,918	152,267	-	2,103,651
Securities and bonds	1,428,431	-	-	675,220	2,103,651	-	152,267 (Note)	2,255,918	152,267	-	2,103,651

Note: Cost on the reclassification date.

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

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

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

Item	September 30, 2015		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 3,026,121	$ 549,244	$ 3,575,365
Corporation finance	608,225	21,641	629,866

4) Liquidity risk management

a) The definition of liquidity risk

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

b) Liquidity risk management procedures

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

As of September 30, 2016 and 2015, the ratio of liquidity reserve is 18.09% and 16.95%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

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

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

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 15,844,045	$ -	$ -	$ -	$ -	$ 15,844,045
Due from the Central Bank and call loans to other banks	26,469,047	4,179,952	3,889,574	8,416,082	22,571,460	65,526,115
Financial assets at fair value through profit or loss	30,495,415	-	-	-	-	30,495,415
Receivables	30,347,555	868,017	336,169	185,511	23,442	31,760,694
Loans	126,948,235	85,399,511	79,069,950	127,263,918	662,062,408	1,080,744,022
Available-for-sale financial assets	-	-	-	253,180	28,659,717	28,912,897
Held-to-maturity financial assets	142,100,000	5,400,000	749,957	4,830,568	13,429,830	166,510,355
Debts instrument without active market	-	-	-	800,000	-	800,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,812,491	13,812,491
	372,204,297	95,847,480	84,045,650	141,749,259	744,726,357	1,438,573,043
Major maturity funds outflows						
Due to the Central Bank and banks	309,593	614,799	279,206	1,759,635	-	2,963,233
Due to the Central Bank and call loans to other banks	7,005,000	15,000	-	-	-	7,020,000
Securities sold under repurchase agreements	2,385,469	1,851,277	124,649	-	-	4,361,395
Payables	26,642,222	1,740,480	438,972	1,452,177	603,646	30,877,497
Deposits and remittances	139,784,281	130,939,306	122,281,893	264,587,961	550,249,329	1,207,842,770
Bank notes payable	-	-	-	5,000,000	25,000,000	30,000,000
Other maturity funds outflows items	28,780	48,886	29,743	196,471	5,349,751	5,653,631
	176,155,345	135,209,748	123,154,463	272,996,244	581,202,726	1,288,718,526
Gap	$ 196,048,952	$ (39,362,268)	$ (39,108,813)	$ (131,246,985)	$ 163,523,631	$ 149,854,517

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

(In Thousands of New Taiwan Dollars)

Item	September 30, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 28,828,894	$ -	$ -	$ -	$ -	$ 28,828,894
Due from the Central Bank and call loans to other banks	24,332,872	4,019,542	4,680,686	7,950,030	18,790,050	59,773,180
Financial assets at fair value through profit or loss	38,259,740	-	-	-	-	38,259,740
Receivables	17,135,543	708,817	519,658	155,615	211,545	18,731,178
Loans	103,764,429	130,642,230	71,856,395	111,116,469	650,072,486	1,067,452,009
Available-for-sale financial assets	-	-	-	251,363	33,006,315	33,257,678
Held-to-maturity financial assets	136,300,000	4,600,000	600,000	2,090,317	13,795,699	157,386,016
Debts instrument without active market	-	-	-	-	800,000	800,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,638,508	13,638,508
	348,621,478	139,970,589	77,656,739	121,563,794	734,481,612	1,422,294,212
Major maturity funds outflows						
Due to the Central Bank and banks	598,914	487,172	472,289	1,814,435	-	3,372,810
Due to the Central Bank and call loans to other banks	12,910,000	10,000	-	-	-	12,920,000
Securities sold under repurchase agreements	2,704,799	1,573,805	10,047	-	-	4,288,651
Payables	40,347,923	1,778,142	857,613	1,074,047	735,377	44,793,102
Deposits and remittances	140,230,979	123,797,417	144,519,460	245,462,761	532,174,438	1,186,185,055
Bank notes payable	-	8,350,000	-	5,000,000	25,000,000	38,350,000
Other maturity funds outflows items	47,514	43,114	49,807	169,505	4,966,870	5,276,810
	196,840,129	136,039,650	145,909,216	253,520,748	562,876,685	1,295,186,428
Gap	$ 151,781,349	$ 3,930,939	$ (68,252,477)	$ (131,956,954)	$ 171,604,927	$ 127,107,784

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

(In Thousands of United States Dollars)

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

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

(In Thousands of United States Dollars)

Item	December 31, 2015					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Major maturity funds inflows						
Cash and cash equivalents	$ 249,869	$ 82,003	$ -	$ -	$ -	$ 331,872
Due from the Central Bank and call loans to other banks	1,084,240	934,188	35,771	5,820	414,131	2,474,150
Financial assets at fair value through profit or loss	188,072	-	-	-	-	188,072
Receivables	582,754	120,925	120,979	1,537	630	826,825
Loans	510,173	774,879	680,161	549,105	3,844,856	6,359,174
Available-for-sale financial assets	-	21,004	9,875	-	83,213	114,092
Held-to-maturity financial assets	-	-	-	-	45,178	45,178
Debts instrument without active market	-	-	-	-	3,430	3,430
Other maturity funds inflow items	-	-	11,000	-	16,357	27,357
	2,615,108	1,932,999	857,786	556,462	4,407,795	10,370,150
Major maturity funds outflows						
Due to the Central Bank and banks	890,299	23,612	672	1,112	16,044	931,739
Due to the Central Bank and call loans to other banks	1,816,668	406,000	38,000	20,000	410,000	2,690,668
Financial liabilities at fair value through profit or loss	-	-	-	146,160	375,628	521,788
Payables	929,844	16,834	1,987	904	4,037	953,606
Deposits and remittances	1,929,078	1,305,611	770,315	1,082,320	2,291,970	7,379,294
Other maturity funds outflows items	41,242	942	228	1,074	10,291	53,777
	5,607,131	1,752,999	811,202	1,251,570	3,107,970	12,530,872
Gap	$ (2,992,023)	$ 180,000	$ 46,584	$ (695,108)	$ 1,299,825	$ (2,160,722)

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

(In Thousands of United States Dollars)

Item	September 30, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 389,880	$ 83,005	$ -	$ -	$ -	$ 472,885
Due from the Central Bank and call loans to other banks	726,024	419,188	15,771	820	4,132	1,165,935
Financial assets at fair value through profit or loss	195,471	-	-	-	-	195,471
Receivables	483,037	98,355	112,717	1,571	576	696,256
Loans	689,873	1,024,741	656,408	497,507	3,903,787	6,772,316
Available-for-sale financial assets	-	-	21,013	9,755	23,620	54,388
Held-to-maturity financial assets	-	-	-	5,998	7,000	12,998
Debts instrument without active market	-	-	-	-	3,633	3,633
Other maturity funds inflow items	-	-	16,500	11,000	16,269	43,769
	2,484,285	1,625,289	822,409	526,651	3,959,017	9,417,651
Major maturity funds outflows						
Due to the Central Bank and banks	861,194	44,591	20,621	995	16,063	943,464
Due to the Central Bank and call loans to other banks	1,928,684	508,000	-	38,000	-	2,474,684
Financial liabilities at fair value through profit or loss	-	-	-	-	515,869	515,869
Payables	373,086	13,786	2,114	1,015	5,252	395,253
Deposits and remittances	1,438,282	1,090,130	785,226	993,632	2,267,341	6,574,611
Other maturity funds outflows items	47,109	411	212	69	9,190	56,991
	4,648,355	1,656,918	808,173	1,033,711	2,813,715	10,960,872
Gap	$ (2,164,070)	$ (31,629)	$ 14,236	$ (507,060)	$ 1,145,302	$ (1,543,221)

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

d) Maturity analysis of derivative financial assets and liabilities

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

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

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

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

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

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

Item	September 30, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 79,102,904	$ 211,905,510	$ 58,847,863	$ 36,147,452	$ -	$ 386,003,729
Inflows	79,585,494	212,582,803	59,466,456	36,017,970	-	387,652,723
Interest rate derivative instruments						
Outflows	3,080,424	6,484,832	16,599,768	23,173,343	9,074,989	58,413,356
Inflows	3,295,999	6,729,633	17,028,867	22,667,725	9,506,930	59,229,154
Total outflows	$ 82,183,328	$ 218,390,342	$ 75,447,631	$ 59,320,795	$ 9,074,989	$ 444,417,085
Total inflows	$ 82,881,493	$ 219,312,436	$ 76,495,323	$ 58,685,695	$ 9,506,930	$ 446,881,877

e) Maturity analysis of off-balance-sheet items

Bank’s off-balance-sheet items - irrevocable loans, guarantees, letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

Item	September 30, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 61,678,976	$ 693,678	$ 1,579,731	$ 9,223,198	$ 11,792,570	$ 84,968,153
Credit card credit commitment	-	83	3,524	11,786	360,955	376,348
Letters of credit issued yet unused	20,472,144	46,840	36,271	-	-	20,555,255
Guarantees	33,842,368	520,767	256,766	97,536	449,322	35,166,759
	$ 115,993,488	$ 1,261,368	$ 1,876,292	$ 9,332,520	$ 12,602,847	$ 141,066,515

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

Item / Business Type			September 30, 2016					September 30, 2015				
			Non-performing Loans (Note a)	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance For Loan Losses**	**Coverage Ratio (Note c)**	**Non-performing Loans (Note a)**	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance For Loan Losses**	**Coverage Ratio (Note c)**
Corporate finance	Secured		$ 1,557,638	$ 413,859,450	0.38%	$ 4,605,345	295.66%	$ 1,423,892	$ 378,061,776	0.38%	$ 4,369,500	306.87%
	Unsecured		822,995	463,823,126	0.18%	5,414,536	657.91%	466,527	527,202,692	0.09%	6,500,096	1393.29%
Consumer finance	Mortgage loans (Note d)		691,578	276,797,102	0.25%	4,151,957	600.36%	547,983	286,793,564	0.19%	2,548,444	465.06%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		2,973	1,837,965	0.16%	20,905	703.16%	9,639	1,653,800	0.58%	22,294	231.29%
	Others (Note f)	Secured	407,010	156,860,214	0.26%	1,568,602	385.40%	180,758	146,640,462	0.12%	1,283,616	710.13%
		Unsecured	618	1,480,311	0.04%	16,074	2600.97%	10,843	1,675,582	0.65%	15,861	146.28%
Total			3,482,812	1,314,658,168	0.26%	15,777,419	453.01%	2,639,642	1,342,027,876	0.20%	14,739,811	558.40%

Item / Business Type	September 30, 2016					September 30, 2015				
	Non-performing Loans (Note a)	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance For Loan Losses**	**Coverage Ratio (Note c)**	**Non-performing Loans (Note a)**	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance For Loan Losses**	**Coverage Ratio (Note c)**
Credit card	$ 5,701	$ 1,648,576	0.35%	$ 23,944	420.00%	$ 3,396	$ 1,477,310	0.23%	$ 16,477	485.19%
No recourse receivable factoring (Note g)	-	9,247,964	-	92,480	-	-	7,136,195	-	20,412	-

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

Note b: Nonperforming loans ratio = Nonperforming loan ÷ Loans
Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

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

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

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

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

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

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

Business Type \ Item	September 30, 2016		September 30, 2015	
	Non-performing Loans Exempted from Reporting	**Non-performing Receivables Exempted from Reporting**	**Non-performing Loans Exempted from Reporting**	**Non-performing Receivables Exempted from Reporting**
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	$ 60	$ 2,271	$ 91	$ 3,229
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	324	11,667	446	8,434
Total	384	13,938	537	11,663

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

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

September 30, 2015			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%)
1	A Group (other chemical products manufacturing industry)	$ 35,279,510	27.73
2	B Corporation (railway transportation industry)	33,717,479	26.50
3	C Group (airline industry)	21,796,141	17.13
4	D Group (marine transportation industry)	15,467,396	12.16
5	E Group (synthesis construction industry)	11,039,718	8.68
6	I Group (real estate development industry)	7,696,440	6.05
7	K Group (liquid crystal panel and components manufacturing industry)	7,230,002	5.68
8	G Group (steel manufacturing industry)	7,028,768	5.52
9	H Group (liquid crystal panel and components manufacturing industry)	5,776,063	4.54
10	L Group (computers and peripheral equipment manufacturing industry)	5,596,179	4.40

Note a: Sorted by the balance of loans on September 30, 2016 and 2015, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

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

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

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

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

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

(In Thousands of New Taiwan Dollars; %)

Item	September 30, 2015				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,245,017,067	$ 44,994,693	$ 8,313,009	$ 86,813,246	$ 1,385,138,015
Interest-sensitive liabilities	354,023,811	734,431,557	86,271,464	29,766,009	1,204,492,841
Interest sensitivity gap	890,993,256	(689,436,864)	(77,958,455)	57,047,237	180,645,174
Net worth					110,140,656
Ratio of interest-sensitive assets to liabilities					115.00%
Ratio of interest sensitivity gap to net assets					164.01%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

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

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

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

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

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

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

Item	September 30, 2015				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 9,025,765	$ 1,063,674	$ 54,075	$ 276,484	$ 10,419,998
Interest-sensitive liabilities	10,598,144	523,207	620,639	515,967	12,257,957
Interest sensitivity gap	(1,572,379)	540,467	(566,564)	(239,483)	(1,837,959)
Net worth					222,654
Ratio of interest-sensitive assets to liabilities					85.01%
Ratio of interest sensitivity gap to net assets					(825.48%)

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		September 30, 2016	September 30, 2015
Return on total assets	Pretax	0.57%	0.59%
	After tax	0.48%	0.49%
Return on net worth	Pretax	8.23%	8.87%
	After tax	7.02%	7.46%
Profit margin		40.14%	42.72%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to September 30 of 2016 and 2015, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

	Total	September 30, 2015					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 1,620,618,578	$ 188,465,980	$ 176,826,322	$ 260,829,780	$ 96,982,875	$ 138,330,482	$ 759,183,139
Major maturity cash outflows	2,192,317,772	117,594,077	145,869,215	361,153,461	276,793,109	449,778,617	841,129,293
Gap	(571,699,194)	70,871,903	30,957,107	(100,323,681)	(179,810,234)	(311,448,135)	(81,946,154)

Note: The amounts listed above include accounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

	Total	September 30, 2015				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 17,726,042	$ 5,284,297	$ 4,469,514	$ 2,235,274	$ 1,246,127	$ 4,490,830
Major maturity cash outflows	22,316,622	7,246,365	3,579,336	2,651,152	4,046,892	4,792,877
Gap	(4,590,580)	(1,962,068)	890,178	(415,878)	(2,800,765)	(302,047)

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

f. Sale of non-performing loans

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

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

g. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of September 30, 2016 and 2015 were as follows:

	September 30	
	2016	2015
Special purpose trust accounts - domestic	$ 23,890,059	$ 25,020,810
Special purpose trust accounts - foreign	76,425,822	78,000,120
Insurance trust	1,055	1,040
Retirement and breeds trust	290,421	252,119
Umbilical-cord-blood trust	8,644,740	7,724,826
Money claim and guarantee trust	78,000	80,200
Marketable securities trust	3,017,132	936,070
Real estate trust	12,436,546	9,652,711
Securities under custody	121,634,353	129,930,428
Other money trust	1,071,663	1,583,452
	$ 247,489,791	$ 253,181,776

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Direct, supervisor and managers and the relatives	CHB's director, supervisor and managers and the relatives
Taishin Financial Holdings	CHB's corporate director
Taishin Bank	Owned by the same parent company
The Export-Import Bank	Its director is Chang Hwa Bank's corporate director
Land Bank	Same as above
Taiwan Business Bank	Same as above
Taiwan Financial Holdings	Same as above
Taiwan Cooperative Holdings	Same as above
Crown Department Company	Its director is the manager's spouse of Chang Hwa Bank
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of September 30, 2016	$ 1,217,609	0.09
Balance as of December 31, 2015	1,148,344	0.09
Balance as of September 30, 2015	1,650,941	0.12

For the nine months ended September 30, 2016 and 2015, interest ranged from 0.00% to 3.57% and from 0.00% to 4.51%, interest revenues were $13,513 thousand and $19,186 thousand, respectively.

For the three months ended September 30, 2016 and 2015, interest revenues were $4,354 thousand and $4,482 thousand, respectively.

	September 30, 2016					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
31 accounts	$ 13,333	$ 13,889	$ 13,333	$ -	Credit	None
Self-use residential mortgage loans						
196 accounts	1,159,989	1,186,948	1,159,989	-	Real estate	None
Others						
Crown Department Company	35,750	74,300	35,750	-	Real estate	None
Other - individual 11 accounts (Note)	8,537	9,343	8,537	-	Deposit	None

	December 31, 2015					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
27 accounts	$ 11,691	$ 12,630	$ 11,691	$ -	Credit	None
Self-use residential mortgage loans						
206 accounts	1,087,294	1,113,387	1,087,294	-	Real estate	None
Others						
Crown Department Company	37,550	78,100	37,550	-	Real estate	None
Other - individual 15 accounts (Note)	11,809	13,974	11,809	-	Foreign currency or deposit	None

	September 30, 2015					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
27 accounts	$ 11,685	$ 12,539	$ 11,685	$ -	Credit	None
Self-use residential mortgage loans						
206 accounts	1,088,883	1,133,703	1,088,883	-	Real estate	None
Others						
Taiwan Cooperative Holdings	500,000	500,000	500,000	-	Credit	None
Crown Department Company	38,150	39,150	38,150	-	Real estate	None
Other - individual 19 accounts (Note)	12,223	14,117	12,223	-	Foreign currency or deposit	None

Note: The balance of every single entity is not over 1% of the total ending balance.

Loans to managers for mortgage within $8,000 thousand and credit loan within $800 thousand per person bore interest at 1.26% in September 30, 2016, 1.40% in December 31, 2015 and 1.47% in September 30, 2015, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

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

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of September 30, 2016	$ 3,797,206	0.24
Balance as of December 31, 2015	3,568,423	0.23
Balance as of September 30, 2015	3,633,662	0.24

For the nine months ended September 30, 2016 and 2015, the interest rates interval were all between 0.00% to 13.00%; the interest expense were $40,537 thousand and $43,297 thousand, respectively. For the three months ended September 30, 2016 and 2015, the interest expense were $7,906 thousand and $13,845 thousand, respectively.

The interest rate for managers' deposits amounting to $480 thousand per person was 13% per annum. The part of deposit exceeding $480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

4) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

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

	December 31, 2015				
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Revenue**
Land Bank	DBU	NTD	$ 1,500,000	0.23-0.87	$ 1,192
	OBU	USD	78,000	0.11-0.83	48
		JPY	390,000	0.13	93
	Hong Kong Branch	USD	52,000	0.11-0.86	219
Taiwan Business Bank	OBU	USD	25,000	0.14-0.80	172
		RMB	30,000	1.30-5.00	1,192
		EUR	1,500	0.01-0.05	-
	Hong Kong Branch	USD	10,000	0.11-0.50	62
		AUD	5,000	2.24-2.30	51

	September 30, 2015					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended September 30, 2015 Interest Revenue**	**For the Nine Months Ended September 30, 2015 Interest Revenue**
Land Bank	Singapore Branch	RMB	$ 62,500	4.05	$ 70	$ 70
	Hong Kong Branch	USD	67,000	0.11-0.57	56	130
		HKD	95,000	0.54	122	122
Taiwan Business Bank	OBU	USD	30,000	0.14-0.70	24	156
		RMB	30,000	1.30-5.00	326	811
	Hong Kong Branch	USD	20,000	0.11-0.50	25	53

Call loans from banks

(In Thousands of Original Currencies)

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

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

	September 30, 2015					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended September 30, 2015 Interest Expense**	**For the Nine Months Ended September 30, 2015 Interest Expense**
Land Bank	DBU	NTD	$ 5,000	0.32-0.88	$ 243	$ 1,764
	New York Branch	USD	15,000	0.14-0.39	10	16
	Los Angeles Branch	USD	20,000	0.10-0.22	1	1
	London Branch	USD	20,000	0.18-0.58	15	15
Taiwan Business Bank	OBU	RMB	200,000	1.50-4.80	447	470
	Singapore Branch	USD	10,000	0.26-0.49	8	10
	New York Branch	USD	30,000	0.10-0.38	9	20
	Los Angeles Branch	USD	30,500	0.13-0.22	-	-

5) Due from banks and due to banks

Due from banks

(In Thousands of New Taiwan Dollars)

			September 30, 2016	**December 31, 2015**	**September 30, 2015**
Name	**Department**	**Currency**	**Ending Balance**	**Ending Balance**	**Ending Balance**
Land Bank	DBU	NTD	$ 3	$ 69	$ 69
Taiwan Business Bank	DBU	NTD	250	5	49

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2016 Ending Balance	December 31, 2015 Ending Balance	September 30, 2015 Ending Balance
The Export-Import Bank	DBU	NTD	$ 738	$ 1,308	$ 801
Taishin Bank	New York Branch	USD	47	45	25
Land Bank	DBU	NTD	277	277	277

c. Compensation of directors, supervisors and management personnel:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term benefits	$ 10,379	$ 9,104	$ 29,061	$ 27,716
Post-employment benefits	590	402	1,463	1,182
	$ 10,969	$ 9,506	$ 30,524	$ 28,898

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

37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of September 30, 2016, December 31, 2015 and September 30, 2015 were as follows:

Pledged Assets	Description	September 30, 2016	December 31, 2015	September 30, 2015
Available-for-sale financial assets	Government bonds	$ 5,804,200	$ 5,757,300	$ 664,300
Held-to-maturity financial assets	Bonds and certificate of deposits	36,804,470	36,792,991	41,728,399
Time deposits with original maturity more than 3 months	Time deposit	5,867,500	8,338,310	8,673,980
Refundable deposits	Cash	220,584	109,225	109,757

38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of September 30, 2016, December 31, 2015 and September 30, 2015:

	September 30, 2016	December 31, 2015	September 30, 2015
Trust liabilities	$ 247,489,791	$ 261,132,384	$ 253,181,776
Unused loan commitments	94,773,582	107,576,609	84,968,153
Credit card credit commitment	433,099	347,862	376,348
Unused issued letters of credit	20,166,297	17,841,443	20,555,255
Guarantees issued in guarantee business	43,021,926	34,838,957	35,166,759
Repayment note and time deposit held for custody	11,875,916	10,061,107	8,967,197
Liabilities on joint loans	395,490	288,195	293,959

b. A lawsuit was filed by the Ministry of Defense and Support for Armed Forces, the Islamic Republic of Iran (hereinafter referred to as “the Iranian plaintiff”) in 1991 against the Bank concerning a dispute in which the Iranian plaintiff sought “request for payment via electronic remittance” for the amount of US$15 million. After the Supreme Court ruled in favor of the Bank on August 1, 2002, the Iranian plaintiff countered by resuming another lawsuit it had filed against the Bank in 1997: “Demand for the Return of the Remittance by Way of Subrogation”. On September 10, 2004, the Taipei local district court again ruled in favor of the Bank with regard to the aforesaid “Demand for the Return of the Remittance by Way of Subrogation”. On July 13, 2010, the Taiwan Superior Court once more ruled in favor of the Bank. The Iranian party again appealed the decision to the Supreme Court on August 10, 2010. On November 4, 2010, the Supreme Court ordered the Taiwan Superior Court to review the ruling. On December 27, 2011, the Taiwan Superior Court again ruled in favor of the Bank. The Iranian plaintiff, after refusing to accept the decision of the Court, appealed to the Supreme Court on January 19, 2012. On July 31, 2012, the Supreme Court ordered the Taiwan Superior Court to review the ruling. On September 24, 2013, the Taiwan Superior Court again ruled in favor of the Bank. The Iranian plaintiff appealed to the Supreme Court again on October 16, 2013. On October 16, 2014, the Supreme Court ruled in favor of the Bank. The Iranian plaintiff appealed to the Supreme Court again on November 28, 2014. The Supreme Court rejected the appeal on January 13, 2016.

c. Damagers amounted to $45,609 thousand between Chang Hwa Bank and TDK Corporation currently in trial in Taiwan Superior Court. The verdict is still pending.

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2016	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2016	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2016	None
4	Discount on fees income from related parties over NT$5 million	None
5	Receivables from related parties over NT$300 million or 10% of outstanding capital as of September 30, 2016	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	None
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of September 30, 2016	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2016	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2016	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2016	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of September 30, 2016	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in Mainland China: Table 1

40. SEGMENT INFORMATION

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

a. Segment revenues and results

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

	For the Nine Months Ended September 30, 2015						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net interest income	$ 9,613,560	$ 3,004,175	$ 816,739	$ -	$ 2,101,094	$ (852)	$ 15,534,716
Net service fee and commissions income	1,015,313	150,664	(23,277)	2,344,216	166,299	-	3,653,215
Net income on financial instrument	-	-	2,092,261	-	43,853	-	2,136,114
Others	27,744	-	9,378	-	3,485	166,440	207,047
Net revenue and gains	10,656,617	3,154,839	2,895,101	2,344,216	2,314,731	165,588	21,531,092
Bad debts expenses and guarantee liability provisions	970,431	-	95	-	(160,206)	-	810,320
Operating expenses	-	-	-	-	-	-	(11,413,716)
Income before income tax	$ 11,627,048	$ 3,154,839	$ 2,895,196	$ 2,344,216	$ 2,154,525	$ 165,588	$ 10,927,696

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

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

	December 31, 2015						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Oversea Branch	Others	Adjustment	Total
Assets	$ 1,212,492,604	$ -	$ 579,377,116	$ 184,251,101	$ 64,146,858	$ (134,010,460)	$ 1,906,257,219
Liabilities	$ 1,419,188	$ 1,504,608,294	$ 199,314,526	$ 168,805,353	$ 36,645,359	$ (134,010,460)	$ 1,776,782,260

	September 30, 2015						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Oversea Branch	Others	Adjustment	Total
Assets	$ 1,219,825,802	$ -	$ 526,732,927	$ 182,964,898	$ 79,082,517	$ (103,049,458)	$ 1,905,556,686
Liabilities	$ 1,156,675	$ 1,462,788,258	$ 194,513,951	$ 167,457,170	$ 55,450,311	$ (103,049,458)	$ 1,778,316,907

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2016	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of September 30, 2016	Accumulated Repatriation of Investment Income as of September 30, 2016	Note
					Outflow	Inflow							
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	$ 4,618,293 (US$ 155,174)	Note 1.c.	$ 4,618,293 (US$ 155,174)	$ -	$ -	$ 4,618,293 (US$ 155,174)	-	-	$ -	$ -	$ -	
Chang Hwa Commercial Bank, Ltd. Dongguan Branch	Banking	4,924,781 (US$ 162,641)	Note 1.c.	4,924,781 (US$ 162,641)	-	-	4,924,781 (US$ 162,641)	-	-	-	-	-	
Chang Hwa Commercial Bank, Ltd. Fuzhou Branch	Banking	2,550,956 (US$ 81,743)	Note 1.c.	2,550,956 (US$ 81,743)	-	-	2,550,956 (US$ 81,743)	-	-	-	-	-	

2.

Accumulated Outward Remittance for Investment in Mainland China September 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ 12,094,030 (US$ 399,558)	$ 12,372,787 (US$ 410,928)	$ 20,389,537

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

a. Direct investment in Mainland China.

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

c. Others.

Note 2: Equity in the profits (losses):

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

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

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

2) Financial statements audited (reviewed) by Taiwan parent company’s CPA.

3) Others.

(Continued)

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

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

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

(Concluded)