Chang Hwa Commercial Bank, Ltd.

Financial Statements for the
Six Months Ended June 30, 2016 and 2015 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") as of June 30, 2016, December 31, 2015 and June 30, 2015, and related statements of comprehensive income for the three months ended June 30, 2016 and 2015; six months ended June 30, 2016 and 2015, and changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of June 30, 2016, December 31, 2015 and June 30, 2015, and their financial performance for the three months ended June 30, 2016 and 2015, the six months ended June 30, 2016 and 2015, and their cash flows for the six months ended June 30, 2016 and 2015, 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

August 26, 2016

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2016 Amount	%	December 31, 2015 Amount	%	June 30, 2015 Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	$ 44,804,793	2	$ 31,225,679	2	$ 38,861,339	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	158,096,634	8	146,654,212	8	102,702,321	6
Financial assets at fair value through profit or loss (Notes 4 and 7)	37,192,049	2	43,518,615	2	40,280,660	2
Derivative financial assets for hedging (Notes 4 and 12)	255,529	-	192,521	-	26,317	-
Receivables, net (Notes 4, 8 and 9)	21,904,005	1	19,729,443	1	20,162,581	1
Current tax assets	51,274	-	55,436	-	259,652	-
Loans, net (Notes 4, 5, 9, 35 and 36)	1,335,635,512	70	1,321,934,363	69	1,287,286,985	70
Available-for-sale financial assets, net (Notes 4, 10 and 37)	74,312,931	4	67,415,202	3	67,902,797	4
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 37)	193,148,149	10	205,777,255	11	194,204,103	11
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)	1,085,135	-	2,051,074	-	3,356,372	-
Other miscellaneous financial assets (Notes 4, 15 and 37)	11,536,390	1	25,530,337	2	38,605,277	2
Other financial assets, net	16,788,534	1	31,748,420	2	46,128,658	2
Property and equipment, net (Notes 4 and 16)	22,034,148	1	22,253,008	1	23,018,788	1
Investment property, net (Notes 4 and 17)	12,547,833	1	12,536,509	1	11,674,723	1
Intangible assets, net (Notes 4 and 18)	464,227	-	500,710	-	459,250	-
Deferred tax assets (Notes 4 and 5)	2,214,166	-	2,367,489	-	2,653,229	-
Other assets (Notes 19, 32 and 37)	630,270	-	348,357	-	512,765	-
TOTAL	$ 1,920,080,054	100	$ 1,906,257,219	100	$ 1,836,134,168	100
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Notes 4, 20 and 36)	$ 133,177,725	7	$ 124,025,228	7	$ 116,953,775	7
Finance due to banks	-	-	3,879,840	-	1,020,195	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	22,771,608	1	22,732,139	1	19,243,196	1
Securities sold under repurchase agreements (Note 4)	3,844,748	-	4,612,047	-	5,675,536	-
Payables (Notes 4, 21 and 28)	26,298,041	2	23,164,932	1	26,279,802	2
Current tax liabilities	508,391	-	146,692	-	432,541	-
Deposits and remittances (Notes 4, 22 and 36)	1,552,896,075	81	1,547,739,711	81	1,485,055,689	81
Bank note payables (Notes 4 and 23)	30,261,254	2	35,176,580	2	43,347,070	2
Other financial liabilities (Notes 4 and 24)	2,489,622	-	1,075,196	-	1,043,434	-
Reserve for liabilities (Notes 4, 5 and 26)	4,224,562	-	4,371,316	-	3,957,629	-
Deferred tax liabilities (Note 4)	6,683,194	-	6,644,859	1	6,690,649	-
Other liabilities (Notes 4, 25 and 32)	3,951,854	-	3,213,720	-	2,851,032	-
Total liabilities	1,787,107,074	93	1,776,782,260	93	1,712,550,548	93
EQUITY (Notes 4, 28 and 30)						
Capital stock						
Common stock	84,573,232	5	84,573,232	5	79,040,404	5
Reserve for capitalization	5,074,394	-	-	-	5,532,828	-
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	6,156,340	-	11,613,831	-	6,277,068	-
Other equity						
Exchange differences on translation of foreign financial statements	393,649	-	733,874	-	369,814	-
Unrealized gains (losses) on available-for-sale financial assets	969,899	-	241,557	-	51,041	-
Total equity	132,972,980	7	129,474,959	7	123,583,620	7
TOTAL	$ 1,920,080,054	100	$ 1,906,257,219	100	$ 1,836,134,168	100

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29 and 36)	$ 8,136,954	107	$ 8,134,911	117	$ 16,416,564	107	$ 16,203,301	118
INTEREST EXPENSES (Notes 29 and 36)	(2,731,994)	(36)	(3,019,435)	(43)	(5,649,355)	(37)	(6,046,108)	(44)
NET INTEREST INCOME	5,404,960	71	5,115,476	74	10,767,209	70	10,157,193	74
NET INCOME OTHER THAN NET INTEREST INCOME								
Net service fee and commissions income (Notes 4 and 29)	1,603,960	21	1,287,742	19	2,703,037	18	2,460,344	18
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 29)	409,333	5	313,372	4	1,238,168	8	704,357	5
Realized gain on available-for-sale financial assets (Notes 4 and 29)	45,904	1	34,208	-	132,313	1	64,805	-
Foreign exchange gains (losses) (Notes 4 and 34)	88,570	1	78,022	1	(82,797)	(1)	147,432	1
Other miscellaneous net income (Note 12)	100,858	1	120,595	2	541,452	4	209,427	2
Net income other than net interest income	2,248,625	29	1,833,939	26	4,532,173	30	3,586,365	26
NET REVENUE AND GAINS	7,653,585	100	6,949,415	100	15,299,382	100	13,743,558	100
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9)	(525,715)	(7)	511,665	7	(473,418)	(3)	796,291	6
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 29)	(2,603,734)	(34)	(2,457,085)	(35)	(5,077,318)	(33)	(4,870,645)	(36)
Depreciation and amortization expenses (Notes 4 and 29)	(179,609)	(2)	(176,340)	(2)	(358,219)	(2)	(351,697)	(3)
Other general and administrative expenses	(1,131,285)	(15)	(1,157,749)	(17)	(2,209,518)	(15)	(2,248,241)	(16)
Total operating expenses	(3,914,628)	(51)	(3,791,174)	(54)	(7,645,055)	(50)	(7,470,583)	(55)
INCOME BEFORE INCOME TAX	3,213,242	42	3,669,906	53	7,180,909	47	7,069,266	51
INCOME TAX EXPENSE (Notes 4 and 30)	(537,390)	(7)	(615,165)	(9)	(1,110,942)	(7)	(1,132,468)	(8)
NET INCOME	2,675,852	35	3,054,741	44	6,069,967	40	5,936,798	43

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CHANG HWA COMMERCIAL BANK, LTD.

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	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)	$ (150,170)	(2)	$ (176,082)	(3)	$ (396,765)	(3)	$ (429,956)	(3)
Unrealized gain (loss) on available-for-sale financial assets (Note 4)	254,587	4	242,252	4	735,108	5	371,798	3
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	22,296	-	24,403	-	49,774	-	44,687	-
Other comprehensive income for the period, net of income tax	126,713	2	90,573	1	388,117	2	(13,471)	-
TOTAL COMPREHENSIVE INCOME	$ 2,802,565	37	$ 3,145,314	45	$ 6,458,084	42	$ 5,923,327	43
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Parent	$ 2,675,852	35	$ 3,054,741	44	$ 6,069,967	40	$ 5,936,798	43
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 2,675,852	35	$ 3,054,741	44	$ 6,069,967	40	$ 5,936,798	43
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Parent	$ 2,802,565	37	$ 3,145,314	45	$ 6,458,084	42	$ 5,923,327	43
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 2,802,565	37	$ 3,145,314	45	$ 6,458,084	42	$ 5,923,327	43
EARNINGS PER SHARE (Note 31)								
Basic	$ 0.30		$ 0.34		$ 0.68		$ 0.66	
Diluted	$ 0.30		$ 0.34		$ 0.67		$ 0.66	

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	Capital Stock			Retained Earnings			Other Equity		
	Shares (Thousand)	Amount	Reserve for Capitalization	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 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	-	-	5,532,828	-	-	(5,532,828)	-	-	-
Net income for the six months ended June 30, 2015	-	-	-	-	-	5,936,798	-	-	5,936,798
Other comprehensive income for the six months ended June 30, 2015, net of tax	-	-	-	-	-	-	(381,142)	367,671	(13,471)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	5,936,798	(381,142)	367,671	5,923,327
BALANCE, JUNE 30, 2015	7,904,040	$ 79,040,404	$ 5,532,828	$ 20,291,944	$ 12,020,521	$ 6,277,068	$ 369,814	$ 51,041	$ 123,583,620
BALANCE, JANUARY 1, 2016	8,457,323	$ 84,573,232	$ -	$ 20,291,944	$ 12,020,521	$ 11,613,831	$ 733,874	$ 241,557	$ 129,474,959
Appropriation of 2015 earnings									
Legal reserve	-	-	-	3,493,001	-	(3,493,001)	-	-	-
Cash dividends	-	-	-	-	-	(2,960,063)	-	-	(2,960,063)
Stock dividends	-	-	5,074,394	-	-	(5,074,394)	-	-	-
Net income for the six months ended June 30, 2016	-	-	-	-	-	6,069,967	-	-	6,069,967
Other comprehensive income for the six months ended June 30, 2016, net of tax	-	-	-	-	-	-	(340,225)	728,342	388,117
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	6,069,967	(340,225)	728,342	6,458,084
BALANCE, JUNE 30, 2016	8,457,323	$ 84,573,232	$ 5,074,394	$ 23,784,945	$ 12,020,521	$ 6,156,340	$ 393,649	$ 969,899	$ 132,972,980

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 7,180,909	$ 7,069,266
Non-cash (revenues and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	473,418	(796,291)
Depreciation expenses	279,168	287,577
Amortization expenses	79,051	64,120
Interest income	(16,416,564)	(16,203,301)
Interest expenses	5,649,355	6,046,108
Dividends income	(392,322)	(44,793)
Net loss on financial assets and liabilities at fair value through profit or loss	1,213,561	596,727
Gain on disposal of investments	(125,562)	(52,611)
Unrealized foreign exchange gain	(2,451,729)	(1,301,084)
Other adjustments	(117,069)	(98,749)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and banks	(13,471,375)	10,239,288
Decrease (increase) in financial assets at fair value through profit or loss	4,710,031	(4,719,651)
(Increase) decrease in receivables	(3,102,008)	618,786
Increase in loans	(13,937,794)	(27,046,394)
Increase in available-for-sale financial assets	(5,227,677)	(20,810,768)
Decrease (increase) in held-to-maturity financial assets	12,629,154	(10,567,044)
Decrease in other financial assets	14,958,285	32,531,278
Increase in other assets	(274,237)	(110,331)
Increase in due to the Central Bank and banks	1,915,137	738,388
Increase in deposits and remittances	5,156,364	32,086,404
Increase (decrease) in payables	569,453	(4,415,006)
Increase in financial liabilities at fair value through profit or loss	2,574,338	1,258,517
Decrease in reserve for liabilities	(178,909)	(98,590)
Increase in other financial liabilities	1,414,426	419,018
Increase (decrease) in other liabilities	722,832	(101,048)
Cash flows used in operations	3,830,236	5,589,816
Interest received	16,673,499	16,818,990
Dividend received	385,522	32,599
Interest paid	(6,053,528)	(6,442,152)
Income taxes paid	(507,810)	(1,019,193)
Income taxes refund	-	309,664
Net cash flows generated from operating activities	14,327,919	15,289,724

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CHANG HWA COMMERCIAL BANK, LTD.

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

	For the Six Months Ended June 30	
	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (79,217)	$ (150,378)
Acquisition of investment property	(180)	-
Acquisition of intangible assets	(37,824)	(49,505)
Proceeds from disposal of property and equipment	7	30
Net cash used in investing activities	(117,214)	(199,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and call loans from banks	3,357,520	(7,869,700)
Repayment of bank notes	(4,854,000)	(5,000,000)
(Decrease) increase in securities sold under repurchase agreements	(767,299)	1,148,842
Net cash used in financing activities	(2,263,779)	(11,720,858)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(396,765)	(429,956)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,550,161	2,939,057
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	$ 130,250,186	$ 85,167,290

Reconciliation of cash and cash equivalents:

	June 30	
	2016	**2015**
Cash and cash equivalents in balance sheet	$ 44,804,793	$ 38,861,339
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	85,445,393	46,305,951
Cash and cash equivalents at end of period	$ 130,250,186	$ 85,167,290

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

1. ORGANIZATION AND BUSINESS SCOPE

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

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 banking and trust departments in head office, 184 domestic branches, an international financing branch, 3 agents conducting securities brokerage activities, 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 August 26, 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
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 accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For 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

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 10,321,040	$ 10,040,168	$ 10,077,787
Checks for clearing	4,515,736	5,715,580	5,949,892
Due from banks	28,457,430	13,901,421	21,457,523
Foreign currencies on hand	1,510,587	1,568,510	1,376,137
	$ 44,804,793	$ 31,225,679	$ 38,861,339

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 June 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

	June 30, 2016	December 31, 2015	June 30, 2015
Call loans to banks	$ 85,445,393	$ 87,474,346	$ 46,305,951
Reserve for checking account	29,125,538	11,917,753	14,993,857
Reserve for demand account	38,865,006	38,419,375	37,737,145
Reserve for foreign deposit	381,376	303,044	284,850
Others	4,279,321	8,539,694	3,380,518
	$ 158,096,634	$ 146,654,212	$ 102,702,321

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets designated as at FVTPL			
Interest rate-linked combination instruments	$ 6,113,549	$ 6,118,506	$ 5,993,470
Derivative financial assets (not applying hedge accounting)			
Forward exchange contracts	303,902	123,948	309,478
Interest rate swaps	1,219,469	1,103,962	717,054
Cross-currency swaps	604,583	1,279,807	412,481
Currency swaps	1,508,847	2,551,295	1,225,514
Currency call option premium	625,485	914,542	1,125,734
Futures	84,467	42,697	22,768
Non-derivative financial assets			
Investment in bills	21,170,992	28,601,913	24,981,575
Domestic listed stock	34,310	-	45,719
Mutual funds	203,816	207,362	196,823
Government bonds	4,822,501	2,523,596	4,989,906
Corporate bonds and bank notes	500,128	50,987	260,138
	31,078,500	37,400,109	34,287,190
	$ 37,192,049	$ 43,518,615	$ 40,280,660

The par values of bonds and notes provided for transactions with repurchase agreements were $1,420,300 thousand, $1,932,800 thousand and $2,738,500 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

Financial Liabilities at FVTPL

	June 30, 2016	December 31, 2015	June 30, 2015
Financial liabilities designated as at FVTPL			
Unsecured U.S. dollar-denominated bank notes	$ 17,209,761	$ 17,156,385	$ 15,782,761
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	109,376	239,827	158,150
Interest rate swaps	816,108	1,075,950	1,290,558
Cross-currency swaps	890,273	1,464,804	444,967
Currency swaps	3,117,689	1,880,631	441,026
Currency put option premium	628,401	914,542	1,125,734
	5,561,847	5,575,754	3,460,435
	$ 22,771,608	$ 22,732,139	$ 19,243,196

a. The unsecured U.S. dollar-denominated bank notes issued by the Bank are 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 six months ended June 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 six months ended June 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 June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Currency swaps	$ 412,513,948	$ 360,237,048	$ 334,578,091
Currency options	178,281,717	191,109,535	238,190,556
Forward exchange contracts	28,002,544	24,580,018	34,879,613
Interest rate swaps and asset-swap options	277,889,233	348,578,627	287,812,581
Cross-currency swaps	53,969,381	55,146,025	60,787,264

8. RECEIVABLES, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	$ 11,259,764	$ 9,659,711	$ 9,061,191
Revenue receivable	2,095	198,368	198,077
Interest receivable	2,605,408	3,336,637	2,925,577
Acceptance receivable	4,559,617	4,583,300	4,768,985
Credit card receivable	3,136,229	1,717,950	2,976,338
Settlement price	264,298	130,629	203,628
Settlement price receivable	213,619	158,765	265,911
Other receivables	153,714	44,732	59,478
Less allowance for receivables	(290,739)	(100,649)	(296,604)
	$ 21,904,005	$ 19,729,443	$ 20,162,581

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

9. LOANS, NET

a. The details of loans are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Negotiated	$ 5,575,558	$ 4,970,696	$ 5,475,459
Overdraft	1,291,260	1,667,655	1,475,868
Short-term loans	359,193,913	358,647,815	357,710,078
Receivable amount for margin loans	260,410	260,820	299,272
Medium-term loans	441,572,732	430,311,252	404,325,947
Long-term loans	540,665,448	539,373,447	530,125,888
Delinquent loans	2,771,044	2,837,570	2,642,363
	1,351,330,365	1,338,069,255	1,302,054,875
Less allowance for loan losses	(15,694,853)	(16,134,892)	(14,767,890)
	$ 1,335,635,512	$ 1,321,934,363	$ 1,287,286,985

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

	For the Six Months Ended June 30, 2016			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2016	$ 100,649	$ 16,134,892	$ 45,040	$ 16,280,581
Recovery of loans written off	646	473,351	5,758	479,755
Provision for loan losses	193,017	236,646	30	429,693
Loans written off	(14,079)	(1,109,605)	(37,686)	(1,161,370)
Others	10,506	(40,431)	1,570	(28,355)
Balance, June 30, 2016	$ 290,739	$ 15,694,853	$ 14,712	$ 16,000,304

	For the Six Months Ended June 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	11,332	1,280,245	4,355	1,295,932
Provision (reserve) for loan losses	(6,715)	(823,838)	12,722	(817,831)
Loans written off	(3,404)	(344,783)	(8,959)	(357,146)
Others	(476)	(14,968)	577	(14,867)
Balance, June 30, 2015	$ 296,604	$ 14,767,890	$ 50,471	$ 15,114,965

The delinquent loans of which the accrual of interest income was stopped internally as of June 30, 2016, December 31, 2015 and June 30, 2015 were $2,771,044 thousand, $2,837,570 thousand and $2,642,363 thousand, respectively. The interest income on delinquent loans not accrued in the six months ended June 30, 2016 and 2015 was $37,271 thousand and $38,050 thousand, respectively.

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Provision (reserve) for receivable and loan (including delinquent loan) losses	$ 483,135	$ (522,380)	$ 429,693	$ (817,831)
Provision for guarantees	42,580	10,715	43,725	21,540
	$ 525,715	$ (511,665)	$ 473,418	$ (796,291)

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

Receivables

Item		Total Receivable		
		June 30, 2016	December 31, 2015	June 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 326,039	$ 221,100	$ 215,975
	Combined assessment of impairment	53,691	47,618	38,953
None objective evidence of impairment	Combined assessment of impairment	21,815,014	19,561,374	20,204,257
Total		$ 22,194,744	$ 19,830,092	$ 20,459,185

Item		Total Allowance		
		June 30, 2016	December 31, 2015	June 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 201,956	$ 11,059	$ 204,256
	Combined assessment of impairment	23,265	21,502	16,513
None objective evidence of impairment	Combined assessment of impairment	65,518	68,088	75,835
Total		$ 290,739	$ 100,649	$ 296,604

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

Loans

Item		Total Loans		
		June 30, 2016	December 31, 2015	June 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 8,038,975	$ 6,138,564	$ 5,413,890
	Combined assessment of impairment	3,494,395	3,038,210	2,632,174
None objective evidence of impairment	Combined assessment of impairment	1,339,796,995	1,328,892,481	1,294,008,811
Total		$ 1,351,330,365	$ 1,338,069,255	$ 1,302,054,875

Item		Total Allowance		
		June 30, 2016	December 31, 2015	June 30, 2015
Objective evidence of impairment	Individual assessment of impairment	$ 3,475,461	$ 2,891,827	$ 2,567,859
	Combined assessment of impairment	1,039,746	853,573	729,104
None objective evidence of impairment	Combined assessment of impairment	11,179,646	12,389,492	11,470,927
Total		$ 15,694,853	$ 16,134,892	$ 14,767,890

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic quoted stocks	$ 2,879,996	$ 2,811,056	$ 2,418,117
Government bonds	26,293,626	26,903,320	36,785,033
Corporate bonds	12,578,819	9,936,707	8,797,944
Bank notes	31,831,860	26,734,901	18,860,043
Bonds issued by international organizations	-	197,149	184,872
Investment in bills	728,630	832,069	856,788
	$ 74,312,931	$ 67,415,202	$ 67,902,797

The par values of bonds provided for transactions with repurchase agreements were $2,190,300 thousand, $2,193,500 thousand and $2,654,700 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

Government bonds placed as deposits in courts were $310,800 thousand, $257,300 thousand and $136,300 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively. Government bonds placed as operating deposits were all $330,000 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively. Government bonds placed as reserve fund for trust compensation were all $170,000 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively. Government bonds pledged for call loans from banks were $5,000,000 thousand as of June 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

	June 30, 2016	December 31, 2015	June 30, 2015
Investment in bills	$ 175,675,000	$ 189,538,946	$ 178,165,123
Bank notes	2,749,364	2,237,422	2,357,638
Corporate bonds	12,554,771	13,008,643	13,681,342
Government bonds	2,169,014	992,244	-
	$ 193,148,149	$ 205,777,255	$ 194,204,103

The overseas branches' bonds as collateral for operations as of June 30, 2016, December 31, 2015 and June 30, 2015 were $582,846 thousand, $492,991 thousand and $525,498 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were all $36,000,000 thousand as of June 30, 2016, December 31, 2015 and June 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 June 30, 2016, December 31, 2015 and June 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

	June 30, 2016	December 31, 2015	June 30, 2015
Derivative financial assets under hedge accounting			
Fair value hedges - interest rate swaps	$ 255,529	$ 192,521	$ 26,317

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

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the six months ended June 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 $261,254 thousand, $183,580 thousand and $17,070 thousand as of June 30, 2016, December 31, 2015 and June 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 of hedging tools were $54,148 thousand and $1,821 thousand for the three months ended June 30, 2016 and 2015, respectively, and $82,349 thousand and $34,456 thousand for the six months ended June 30, 2016 and 2015, respectively, and the realized gain or loss of fair-value hedging were $(59,299) thousand and $11,918 thousand, accounted as other non-interest net income and losses, for the three months ended June 30, 2016 and 2015, respectively, and the realized loss of fair-value hedging were $(77,674) thousand and $(12,755) thousand, accounted as other non-interest net income and losses, for the six months ended June 30, 2016 and 2015, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	June 30, 2016	December 31, 2015	June 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

	June 30, 2016	December 31, 2015	June 30, 2015
Preferred stock - Taiwan High Speed Rail Co., Ltd.	$ -	$ -	$ 1,300,000
Beneficiary securities and asset based securities	100,451	112,792	121,418
Corporate bonds and bank notes	984,684	1,938,282	1,934,954
	$ 1,085,135	$ 2,051,074	$ 3,356,372

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

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Inward remittance	$ 13,093	$ 29,112	$ 38,911
Delinquent loans reclassified from other accounts (excluding loans)	42,990	78,112	133,835
Time deposits with original maturity more than 3 months	11,495,019	25,468,153	38,483,002
Less allowance for loan losses	(14,712)	(45,040)	(50,471)
	$ 11,536,390	$ 25,530,337	$ 38,605,277

The market rates of time deposits with original maturity more than 3 months were 1.00%-3.65% and 0.46%-4.80% for the six months ended June 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	-	32,071	10,085	8,127	15,697	8,789	-	4,448	79,217
Disposals	-	-	(72,127)	(6,981)	(10,831)	(75)	-	-	(90,014)
Reclassification	(14,465)	(537)	5,639	62,180	(5,753)	-	(62,066)	(4,890)	(19,892)
Effect of foreign currency exchange differences	-	(3,509)	(715)	(110)	(818)	1,364	-	(283)	(4,071)
Balance at June 30, 2016	$ 15,865,635	$ 9,078,317	$ 5,149,794	$ 683,103	$ 1,497,155	$ 953,308	$ 50,166	$ 15,762	$ 33,293,240
Accumulated depreciation and impairment									
Balance at January 1, 2016	$ -	$ 3,935,920	$ 4,456,913	$ 508,359	$ 1,337,117	$ 781,551	$ 55,132	$ -	$ 11,074,992
Depreciation expense	-	88,811	115,896	18,271	22,636	25,149	5,086	-	275,849
Disposals	-	-	(72,127)	(6,977)	(10,831)	(75)	-	-	(90,010)
Reclassification	-	(537)	3,734	34,506	(3,758)	-	(34,482)	-	(537)
Effect of foreign currency exchange differences	-	(52)	(221)	(75)	(758)	(96)	-	-	(1,202)
Balance at June 30, 2016	$ -	$ 4,024,142	$ 4,504,195	$ 554,084	$ 1,344,406	$ 806,529	$ 25,736	$ -	$ 11,259,092
Carrying amounts at June 30, 2016	$ 15,865,635	$ 5,054,175	$ 645,599	$ 129,019	$ 152,749	$ 146,779	$ 24,430	$ 15,762	$ 22,034,148
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	-	42,144	37,484	13,917	21,235	23,231	-	12,367	150,378
Disposals	-	(576)	(24,604)	(3,569)	(6,062)	(227)	-	-	(35,038)
Reclassification as held for sale	(664,506)	(18,614)	-	-	-	-	-	(586)	(683,706)
Effect of foreign currency exchange differences	-	(448)	(1,726)	(377)	(1,113)	(2,539)	-	(421)	(6,624)
Balance at June 30, 2015	$ 16,743,124	$ 8,876,934	$ 5,482,403	$ 562,825	$ 1,490,325	$ 930,011	$ 168,860	$ 67,024	$ 34,321,506
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	-	86,099	122,139	14,656	24,949	27,207	9,381	-	284,431
Disposals	-	(572)	(24,536)	(3,569)	(6,062)	(228)	-	-	(34,967)
Reclassification	-	(17,685)	-	-	-	-	-	-	(17,685)
Effect of foreign currency exchange differences	-	(4)	(833)	(139)	(700)	(1,037)	-	-	(2,713)
Balance at June 30, 2015	$ -	$ 3,889,019	$ 4,785,579	$ 470,487	$ 1,322,938	$ 756,063	$ 78,632	$ -	$ 11,302,718
Carrying amounts at June 30, 2015	$ 16,743,124	$ 4,987,915	$ 696,824	$ 92,338	$ 167,387	$ 173,948	$ 90,228	$ 67,024	$ 23,018,788

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

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

17. INVESTMENT PROPERTIES

	June 30, 2016	December 31, 2015	June 30, 2015
Completed investment property	$ 12,547,833	$ 12,536,509	$ 11,674,723

	Completed Investment Property
Cost	
Balance at January 1, 2015	$ 11,285,548
Reclassification	683,120
Disposals	(260)
Balance at June 30, 2015	$ 11,968,408
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ 273,108
Reclassification	17,685
Depreciation expense	3,146
Disposals	(254)
Balance at June 30, 2015	$ 293,685
Carrying amounts at June 30, 2015	$ 11,674,723

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

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

The fair value of the Bank's investment property as of June 30, 2016 and December 31, 2015 were both $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 fair value of the Bank's investment property as of June 30, 2015 was $16,999,437 thousand. The fair value valuation was not performed by independent qualified professional valuers; management of the Bank used the valuation model that market participants would use in determining the fair value/the valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The rental incomes and direct operating expenses generated by the investment properties for the three months and six months ended June 30, 2016 and 2015 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Rental incomes	$ 45,962	$ 44,603	$ 88,728	$ 90,193
Direct operating expenses	$ 22,803	$ 17,922	$ 45,402	$ 35,763

18. INTANGIBLE ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Computer software	$ 464,227	$ 500,710	$ 459,250

Except for amortization recognized, the Bank had no significant addition, disposal, and impairment of intangible assets during the six months ended June 30, 2016 and 2015.

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

19. OTHER ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Refundable deposits	$ 342,633	$ 109,225	$ 107,744
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	287,331	238,536	404,263
Others	306	596	758
	$ 630,270	$ 348,357	$ 512,765

20. DUE TO BANKS AND CENTRAL BANK

	June 30, 2016	December 31, 2015	June 30, 2015
Due to Central Bank	$ 23,108	$ 20,249	$ 24,787
Due to banks	32,232,765	30,117,635	19,271,663
Bank overdraft	666,825	951,895	989,176
Call loans from banks	97,641,270	90,118,840	93,473,489
Deposits transferred from the Postal Bureau	2,613,757	2,816,609	3,194,660
	$ 133,177,725	$ 124,025,228	$ 116,953,775

21. PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Checks issued to payees for clearing	$ 8,498,227	$ 9,333,298	$ 10,087,540
Accounts payable	3,217,022	1,898,732	3,251,713
Accrued expenses	2,053,739	2,517,194	1,901,518
Interest payable	1,471,293	1,867,700	1,735,190
Acceptances	4,700,929	4,715,573	4,898,648
Others	6,356,831	2,832,435	4,405,193
	$ 26,298,041	$ 23,164,932	$ 26,279,802

22. DEPOSITS

	June 30, 2016	December 31, 2015	June 30, 2015
Checking deposit	$ 32,714,305	$ 37,344,978	$ 35,274,327
Demand deposit	377,388,904	363,453,070	343,615,351
Time deposit	334,315,668	333,234,816	311,742,625
Negotiable certificates of deposit	7,382,000	7,576,400	7,518,300
Savings deposit	800,133,389	804,891,721	785,986,625
Remittances	961,809	1,238,726	918,461
	$ 1,552,896,075	$ 1,547,739,711	$ 1,485,055,689

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

Bank Note, Interest Rate and Maturity Date	June 30, 2016	December 31, 2015	June 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	261,254	183,580	17,070
	5,461,254	5,383,580	5,217,070

(Continued)

Bank Note, Interest Rate and Maturity Date	June 30, 2016	December 31, 2015	June 30, 2015
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	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
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	4,980,000
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
	24,800,000	29,793,000	38,130,000
	$ 30,261,254	$ 35,176,580	$ 43,347,070

(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

	June 30, 2016	December 31, 2015	June 30, 2015
Principal structured products	$ 2,194,828	$ 829,163	$ 769,917
Appropriations for loan fund	290,690	232,195	244,568
Lease payable	4,104	13,838	28,949
	$ 2,489,622	$ 1,075,196	$ 1,043,434

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

25. OTHER LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Unearned revenue	$ 901,903	$ 856,983	$ 880,646
Guarantee deposits	3,016,038	2,328,710	1,923,426
Deferred income	33,913	28,027	46,960
	$ 3,951,854	$ 3,213,720	$ 2,851,032

26. PROVISIONS

	June 30, 2016	December 31, 2015	June 30, 2015
Reserve for employee benefits	$ 3,740,668	$ 3,919,132	$ 3,525,338
Reserve for guarantee liabilities	483,894	452,184	432,291
	$ 4,224,562	$ 4,371,316	$ 3,957,629

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 six months ended June 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

	June 30, 2016	December 31, 2015	June 30, 2015
Number of shares authorized (in thousands)	9,000,000	9,000,000	8,000,000
Shares authorized	$ 90,000,000	$ 90,000,000	$ 80,000,000
Number of shares issued and fully paid (in thousands)	8,457,323	8,457,323	7,904,040
Shares issued	$ 84,573,232	$ 84,573,232	$ 79,040,404

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

As of June 30, 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 2015, the Bank had resolved capitalization of earnings and increased the Bank's paid-in capital by $5,532,828 thousand. The amount of the Bank's authorized and registered capital at June 30, 2016 and December 31, 2015 were all $90,000,000 thousand divided into 9,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were all $84,573,232 thousand divided into 8,457,323 thousand outstanding shares, at $10 par value.

The Board approved to transfer of capital surplus to new shares by 507,439 thousand shares and 553,283 thousand shares, which accounted as the capital increased under shareholders' equity by $5,074,394 thousand and $5,532,828 thousand on June 8, 2016 and June 12, 2015, respectively. The Board resolution date of ex-dividend on August 16, 2016 and August 18, 2015 were July 22, 2016 and July 24, 2015, respectively.

b. Distribution of earnings and dividend policy

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

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the amount proposed for distribution 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

	June 30, 2016	December 31, 2015	June 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 June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest income				
Loans	$ 6,803,381	$ 6,726,799	$ 13,677,907	$ 13,297,095
Due from and call loans to banks	538,134	627,449	1,113,064	1,458,011
Investment in marketable securities	764,581	755,056	1,561,813	1,389,542
Others	30,858	25,607	63,780	58,653
	8,136,954	8,134,911	16,416,564	16,203,301
Interest expense				
Deposits	(2,296,104)	(2,568,809)	(4,792,153)	(5,129,688)
Due to the Central Bank and call loans from banks	(257,953)	(176,374)	(485,913)	(353,113)
Others	(177,937)	(274,252)	(371,289)	(563,307)
	(2,731,994)	(3,019,435)	(5,649,355)	(6,046,108)
Net interest income	$ 5,404,960	$ 5,115,476	$ 10,767,209	$ 10,157,193

b. Net service fee and commissions income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Service fee and commissions income				
Fees from import and export	$ 81,619	$ 93,518	$ 167,350	$ 183,195
Remittance fees	119,673	113,354	237,132	224,478
Loan and guarantees fees	168,231	147,457	371,617	276,710
Fees from trustee	130,170	242,743	268,817	460,491
Fees from trustee business	63,065	68,160	125,267	133,538
Others	1,243,200	846,555	1,980,006	1,626,448
	1,805,958	1,511,787	3,150,189	2,904,860
Service fee and commissions				
Interbank fees	(34,209)	(33,262)	(67,973)	(66,511)
Fees from trustee business	(5,815)	(11,145)	(10,156)	(21,986)
Management fees	(20,459)	(20,548)	(42,739)	(42,498)
Others	(141,515)	(159,090)	(326,284)	(313,521)
	(201,998)	(224,045)	(447,152)	(444,516)
Net service fee and commissions income	$ 1,603,960	$ 1,287,742	$ 2,703,037	$ 2,460,344

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Disposal gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	$ (457)	$ (3,355)	$ 666	$ 19,870
Bonds	24,365	3,234	62,610	15,403
Bills	16	15	19	29
Derivative financial instruments	441,602	211,590	903,156	260,883
Net interest income	56,295	503,581	(23,542)	(20,280)
	521,821	715,065	942,909	275,905
Valuation gains (losses) on financial assets and liabilities at FVTPL				
Stocks and beneficiary certificates	(133)	3,084	1,572	(13,234)
Bonds	(143,438)	(13,289)	(151,671)	(10,212)
Bills	4,900	(630)	8,608	(1,528)
Derivative financial instruments	26,183	(390,858)	436,750	453,426
	(112,488)	(401,693)	295,259	428,452
	$ 409,333	$ 313,372	$ 1,238,168	$ 704,357

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Stock dividends and bonus	$ 6,800	$ 12,194	$ 6,800	$ 12,194
Disposal gains				
Stock	32,672	-	64,880	14,680
Bonds	6,433	22,014	75,966	38,010
	45,905	34,208	147,646	64,884
Disposal losses				
Stock	-	-	(15,152)	-
Bonds	(1)	-	(181)	(79)
	(1)	-	(15,333)	(79)
	$ 45,904	$ 34,208	$ 132,313	$ 64,805

e. Depreciation and amortization expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Property and equipment	$ 137,778	$ 142,242	$ 275,849	$ 284,431
Investment property	1,660	1,595	3,320	3,146
Intangible assets and other deferred assets	40,171	32,503	79,050	64,120
	$ 179,609	$ 176,340	$ 358,219	$ 351,697

f. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term benefits	$ 2,363,368	$ 2,217,516	$ 4,597,499	$ 4,397,447
Post-employment benefits				
Defined contribution plans	37,837	35,484	75,909	70,616
Defined benefit plans	82,030	85,315	165,584	168,191
High-yield savings account for employees	118,661	116,944	234,785	231,046
Other post-employment benefits	1,838	1,826	3,541	3,345
	$ 2,603,734	$ 2,457,085	$ 5,077,318	$ 4,870,645

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 and supervisors at the rates 1%-6% and no higher than 8%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months and six months ended June 30, 2016, the employees' compensation and the remuneration to directors and supervisors represented 4.67% and 0.45%, 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 and supervisors at 8% and 1.25% were after tax net income (net of the bonus to employees and remuneration to directors and supervisors) minus legal reserve. For the three months and the six months ended June 30, 2015, the bonus to employees and the remuneration to directors represented as above mentioned percentage respectively.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Employees' compensation	$ 165,802	$ 193,000	$ 353,802	$ 332,000
Remuneration to directors and supervisors	$ 22,200	$ 30,000	$ 34,200	$ 52,000

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 June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current tax				
In respect of the current year	$ 417,485	$ 293,013	$ 697,624	$ 552,879
Adjustment for prior year	1,874	(63,366)	1,874	(63,366)
Deferred tax				
In respect of the current year	4,947	293,254	241,434	530,115
Additional income tax on unappropriated earnings	-	30,298	-	30,298
Non-deductible tax of overseas branches	113,084	61,966	170,010	82,542
Income tax expense recognized in profit or loss	$ 537,390	$ 615,165	$ 1,110,942	$ 1,132,468

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Deferred tax				
In respect of the current year:				
Translation of foreign operations	$ (27,402)	$ (29,225)	$ (56,540)	$ (48,814)
Fair value changes of available-for-sale financial asset	5,106	4,822	6,766	4,127
Total income tax benefit recognized in other comprehensive income	$ (22,296)	$ (24,403)	$ (49,774)	$ (44,687)

c. Information about integrated income tax was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated earnings generated on and after January 1, 1998	$ 6,156,340	$ 11,613,831	$ 6,277,068
Imputation credits accounts	$ 1,067,650	$ 859,993	$ 488,625

The creditable ratio for distribution of earnings of 2015 and 2014 were 9.19% (estimate) 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 six months ended June 30, 2015 were adjusted retrospectively as followings:

Unit: NT$ Per Share

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2015	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2015
Basic earnings per share	$ 0.36	$ 0.70	$ 0.34	$ 0.66
Diluted earnings per share	$ 0.36	$ 0.70	$ 0.34	$ 0.66

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 June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Net profit for the year	$ 2,675,852	$ 3,054,741	$ 6,069,967	$ 5,936,798

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	8,964,763	8,964,763	8,964,763	8,964,763
Effect of potentially dilutive ordinary shares:				
Employees' compensation or bonus issue to employees	21,123	50,029	39,127	53,156
Weighted average number of ordinary shares used in the computation of diluted earnings per share	8,985,886	9,014,792	9,003,890	9,017,919

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 June 30, 2016, December 31, 2015 and June 30, 2015, refundable deposits paid under operation leases amounted to $40,920 thousand, $39,006 thousand and $37,304 thousand, respectively.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	$ 287,021	$ 561,595	$ 285,314
Later than 1 year and not later than 5 years	1,192,768	1,066,544	1,190,818
Later than 5 years	342,395	365,478	362,151
	$ 1,822,184	$ 1,993,617	$ 1,838,283

b. The Bank as lessor

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

As of June 30, 2016, December 31, 2015 and June 30, 2015, refundable deposits paid under operation leases amounted to $55,659 thousand, $49,272 thousand and $46,658 thousand, respectively.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	$ 119,892	$ 191,030	$ 109,307
Later than 1 year and not later than 5 years	613,063	422,066	467,594
Later than 5 years	77,442	77,442	73,198
	$ 810,397	$ 690,538	$ 650,099

33. CAPITAL RISK MANAGEMENT

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

Capital Adequacy

Item	Period		June 30, 2016	December 31, 2015	June 30, 2015
Self-owned capital	Common equity Tier I		$ 115,861,373	$ 112,853,258	$ 107,223,341
	Other Tier I capital		2,111,146	2,606,267	2,593,073
	Tier II capital		35,762,756	38,454,781	36,820,441
	Self-owned capital		153,735,275	153,914,306	146,636,855
Risk-weighted assets	Credit risk	Standardized approach	1,269,945,044	1,249,155,462	1,232,208,255
		IRB	-	-	-
		Securitization	20,090	22,558	24,284
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/optional standard	46,064,950	46,064,950	41,779,613
		Advanced internal rating based approach	-	-	-
	Market price risk	Standardized approach	13,790,938	11,798,713	15,313,250
		Internal model approach	-	-	-
	Total		1,329,821,022	1,307,041,683	1,289,325,402
Capital adequacy ratio			11.56%	11.78%	11.37%
Common equity Tier I to risk-weighted assets ratio			8.71%	8.63%	8.32%
Tier I capital to risk-weighted assets ratio			8.87%	8.83%	8.52%
Leverage ratio			5.76%	5.65%	5.56%

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

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

Note 3: Formula:

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

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

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

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

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

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

34. FINANCIAL INSTRUMENTS

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

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 193,148,149	$ 193,308,813	$ 205,777,255	$ 205,870,456	$ 194,204,103	$ 194,254,912
Bonds investment with no active market	1,085,135	1,092,989	2,051,074	2,065,441	3,356,372	3,379,845
Financial liabilities						
Bond payables	30,261,254	31,144,850	35,176,580	36,206,685	43,347,070	44,375,126

2) Fair value hierarchy

Fair value hierarchy as at June 30, 2016

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

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 June 30, 2015

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity investments	$ 194,254,912	$ 1,287,115	$ 15,077,797	$ 177,890,000
Bonds investment with no active market	3,379,845	1,264,216	815,629	1,300,000
Financial liabilities				
Bond payables	44,375,126	-	7,217,070	37,158,056

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

1) Fair value hierarchy

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

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	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 36,467,631	$ 10,179,492	$ 26,288,139	$ -
Trading assets	30,474,161	5,487,129	24,987,032	-
Stock and mutual funds	242,542	242,542	-	-
Bond investments	5,250,044	5,244,587	5,457	-
Others	24,981,575	-	24,981,575	-
Financial assets designated upon initial recognition as at fair value through profit or loss	5,993,470	4,692,363	1,301,107	-
Available-for-sale financial assets	67,902,797	40,489,695	27,413,102	-
Stock investments	2,418,117	2,418,117	-	-
Bond investments	64,627,892	37,214,790	27,413,102	-
Others	856,788	856,788	-	-
Liabilities				
Financial liabilities at FVTPL	15,782,761	-	15,782,761	-
Derivative financial products				
Assets				
Financial assets at FVTPL	3,813,029	22,768	3,790,261	-
Other financial assets				
Hedging derivative financial instruments	26,317	-	26,317	-
Liabilities				
Financial liabilities at FVTPL	3,460,435	-	3,460,435	-

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 Six Months Ended June 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 six months ended June 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 June 30, 2016 and 2015, the Bank's VaR factors based on historical simulation method were as follows:

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

	For the Six Months Ended June 30, 2015			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 183,818	$ 218,074	$ 146,905	$ 196,513
Interest rate VaR	42,082	52,356	29,247	41,320
Equity securities VaR	1,282	1,651	1,005	1,424
Value at risk	$ 227,182	$ 272,081	$ 177,157	$ 239,257

2) Primary foreign currencies

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 6,056,936	32.3000	$ 195,639,033
GBP	137,608	43.3100	5,959,802
AUD	975,478	24.0350	23,445,614
HKD	1,837,934	4.1630	7,651,319
CAD	80,503	24.9400	2,007,745
ZAR	2,051,395	2.1800	4,472,041
JPY	72,646,544	0.3147	22,861,867
EUR	388,954	35.8800	13,955,670
RMB	15,934,831	4.8540	77,347,670
Non-monetary items			
USD	188,846	32.3000	6,099,726
Financial liabilities			
Monetary items			
USD	8,316,547	32.3000	268,624,468
GBP	105,540	43.3100	4,570,937

(Continued)

	June 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
AUD	$ 858,822	24.0350	$ 20,641,787
HKD	1,495,046	4.1630	6,223,876
CAD	77,762	24.9400	1,939,384
ZAR	2,444,900	2.1800	5,329,882
JPY	49,307,775	0.3147	15,517,157
EUR	393,769	35.8800	14,128,432
RMB	13,891,986	4.8540	67,431,700
Non-monetary items			
USD	546,062	32.3000	17,637,803

(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)

	June 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 5,905,714	30.9150	$ 182,575,148
GBP	45,061	48.6500	2,192,218
AUD	836,450	23.7350	19,853,141
HKD	2,603,685	3.9870	10,380,892
CAD	65,547	24.9000	1,632,120
ZAR	3,422,683	2.5200	8,625,161
JPY	38,999,881	0.2525	9,847,470
EUR	324,865	34.6100	11,243,578
NZD	81,709	21.1000	1,724,060
RMB	17,607,483	4.9800	87,685,265
Non-monetary items			
USD	195,999	30.9150	6,059,309
Financial liabilities			
Monetary items			
USD	7,179,804	30.9150	221,963,641
GBP	55,247	48.6500	2,687,767
AUD	820,125	23.7350	19,465,667
HKD	2,361,870	3.9870	9,416,776
SGD	15,452	22.9500	354,623
CAD	67,418	24.9000	1,678,708
ZAR	3,207,532	2.5200	8,082,981
JPY	41,799,667	0.2525	10,554,416
EUR	415,371	34.6100	14,375,990
NZD	80,175	21.1000	1,691,693
RMB	15,925,195	4.9800	79,307,471
Non-monetary items			
USD	538,455	30.9150	16,646,336

For the three months ended June 30, 2016 and 2015, net foreign exchange gains were $88,570 thousand and $78,022 thousand, respectively. For the six months ended June 30, 2016 and 2015, net foreign exchange (losses) gains were $(82,797) thousand and $147,432 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:

June 30, 2016

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

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

June 30, 2015

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	Total
Loans	$ 799,791,674	$ -	$ -	$ 799,791,674
Financial assets at fair value through profit or loss	19,906,496	-	-	19,906,496
Available-for-sale financial assets	1,789,540	-	-	1,789,540
Held-to-maturity financial assets	2,550,122	-	-	2,550,122
Debt investments with no active market	338,154	-	-	338,154

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 June 30, 2016, December 31, 2015 and June 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	June 30, 2016	December 31, 2015	June 30, 2015
Unused loan commitments (excluding credit card)	$ 102,450,777	$ 107,576,609	$ 85,208,494
Credit card credit commitment	403,402	347,862	265,972
Unused issued letters of credit	22,502,281	17,841,443	21,797,586
Guarantees in guarantee business	39,341,958	34,838,957	33,315,625

e) Situation of credit risk concentration

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

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

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

	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	

Industry Type	June 30, 2015 Carrying Value	Percentage of Item (%)
Financial and insurance	$ 72,858,558	6
Manufacturing	335,701,729	26
Wholesale and retail	122,744,620	9
Real estate and leasing	91,920,963	7
Service	32,976,240	2
Individuals	437,275,594	34
Others	208,577,171	16
	$ 1,302,054,875	

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

Geographic Location	December 31, 2015 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	June 30, 2015 Carrying Value	Percentage of Item (%)
Asia	$ 1,249,509,765	96
America	38,821,031	3
Europe	12,687,926	1
Others	1,036,153	-
	$ 1,302,054,875	

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

	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	

	June 30, 2015	
	Carrying Value	Percentage of Item (%)
Unsecured	$ 502,263,201	39
Secured		
Properties	661,360,826	51
Others	138,430,848	10
	$ 1,302,054,875	

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

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

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

i. Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

Item	June 30, 2016										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
In-balance-sheet items											
Receivables	$ 9,527,906	$ 2,784,823	$ 194,857	$ 9,298,236	$ 21,805,822	$ 9,192	$ 379,730	$ 22,194,744	$ 225,221	$ 65,518	$ 21,904,005
Credit cards	-	-	-	3,118,105	3,118,105	-	25,354	3,143,459	13,631	9,217	3,120,611
Other	9,527,906	2,784,823	194,857	6,180,131	18,687,717	9,192	354,376	19,051,285	211,590	56,301	18,783,394
Loans	380,144,541	671,127,620	163,280,716	122,653,992	1,337,206,869	2,590,126	11,533,370	1,351,330,365	4,515,207	11,179,646	1,335,635,512

(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	June 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	$ 6,309,465	$ 4,275,284	$ 288,917	$ 9,323,295	$ 20,196,961	$ 7,296	$ 254,928	$ 20,459,185	$ 220,769	$ 75,835	$ 20,162,581
Credit cards	-	-	-	2,966,179	2,966,179	-	20,180	2,986,359	10,533	8,646	2,967,180
Other	6,309,465	4,275,284	288,917	6,357,116	17,230,782	7,296	234,748	17,472,826	210,236	67,189	17,195,401
Loans	353,588,822	684,968,652	171,869,593	80,898,737	1,291,325,804	2,683,006	8,046,065	1,302,054,875	3,296,963	11,470,927	1,287,286,985

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

(In Thousands of New Taiwan Dollars)

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

(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	June 30, 2015				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	$ 71,607,015	$ 166,353,790	$ 145,904,085	$ 50,170,217	$ 434,035,107
Corporation finance	281,981,807	518,614,862	25,965,508	30,728,520	857,290,697
Total	$ 353,588,822	$ 684,968,652	$ 171,869,593	$ 80,898,737	$ 1,291,325,804

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	June 30, 2016									
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Available-for-sale financial assets	$ 74,142,453	$ -	$ -	$ 140,478	$ 74,282,931	$ -	$ 150,000	$ 74,432,931	$ 120,000	$ -	$ 74,312,931
Bonds	70,563,827	-	-	140,478	70,704,305	-	-	70,704,305	-	-	70,704,305
Stocks	2,849,996	-	-	-	2,849,996	-	150,000	2,999,996	120,000	-	2,879,996
Bills	728,630	-	-	-	728,630	-	-	728,630	-	-	728,630
Held-to-maturity financial assets	193,148,149	-	-	-	193,148,149	-	-	193,148,149	-	-	193,148,149
Bonds	17,473,149	-	-	-	17,473,149	-	-	17,473,149	-	-	17,473,149
Bills	175,675,000	-	-	-	175,675,000	-	-	175,675,000	-	-	175,675,000
Other financial assets	1,085,135	-	-	-	1,085,135	-	149,217 (Note)	1,234,352	149,217	-	1,085,135
Securities and bonds	1,085,135	-	-	-	1,085,135	-	149,217 (Note)	1,234,352	149,217	-	1,085,135

Note: Cost on the reclassification date.

(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	June 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	$ 67,872,797	$ -	$ -	$ -	$ 67,872,797	$ -	$ 150,000	$ 68,022,797	$ 120,000	$ -	$ 67,902,797
Bonds	64,627,892	-	-	-	64,627,892	-	-	64,627,892	-	-	64,627,892
Stocks	2,388,117	-	-	-	2,388,117	-	150,000	2,538,117	120,000	-	2,418,117
Bills	856,788	-	-	-	856,788	-	-	856,788	-	-	856,788
Held-to-maturity financial assets	194,204,103	-	-	-	194,204,103	-	-	194,204,103	-	-	194,204,103
Bonds	16,038,980	-	-	-	16,038,980	-	-	16,038,980	-	-	16,038,980
Bills	178,165,123	-	-	-	178,165,123	-	-	178,165,123	-	-	178,165,123
Other financial assets	2,708,972	-	-	647,400	3,356,372	-	142,819 (Note)	3,499,191	142,819	-	3,356,372
Stocks, securities and bonds	2,708,972	-	-	647,400	3,356,372	-	142,819 (Note)	3,499,191	142,819	-	3,356,372

Note: Cost on the reclassification date.

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

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

(In Thousands of New Taiwan Dollars)

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

(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	June 30, 2015		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	$ 1,910,999	$ 394,007	$ 2,305,006
Corporation finance	346,200	31,800	378,000

4) Liquidity risk management

a) The definition of liquidity risk

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

b) Liquidity risk management procedures

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

As of June 30, 2016 and 2015, the ratio of liquidity reserve is 16.06% and 17.59%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

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

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

(In Thousands of New Taiwan Dollars)

Item	June 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 15,126,632	$ -	$ -	$ -	$ -	$ 15,126,632
Due from the Central Bank and call loans to other banks	33,569,581	4,083,503	4,483,302	8,157,781	19,268,123	69,562,290
Financial assets at fair value through profit or loss	23,297,642	-	-	-	-	23,297,642
Receivables	18,685,777	643,131	412,182	206,981	15,807	19,963,878
Loans	112,696,105	92,959,487	91,974,570	146,899,827	654,627,491	1,099,157,480
Available-for-sale financial assets	-	250,377	2,019	358,127	29,941,644	30,552,167
Held-to-maturity financial assets	126,300,000	7,540,056	1,990,123	4,334,695	12,959,290	153,124,164
Debts instrument without active market	-	-	800,000	-	-	800,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	12,664,311	12,664,311
	329,675,737	105,476,554	99,662,196	159,957,411	733,643,675	1,428,415,573
Major maturity funds outflows						
Due to the Central Bank and banks	238,016	1,077,839	554,232	948,600	-	2,818,687
Due to the Central Bank and call loans to other banks	5,505,000	10,000	-	-	-	5,515,000
Securities sold under repurchase agreements	2,198,127	1,515,997	130,624	-	-	3,844,748
Payables	24,796,227	4,278,558	566,909	712,035	1,118,384	31,472,113
Deposits and remittances	137,194,958	125,897,384	138,562,810	252,127,810	547,395,219	1,201,178,181
Bank notes payable	-	5,000,000	-	-	25,000,000	30,000,000
Other maturity funds outflows items	19,781	73,082	41,069	172,735	5,236,595	5,543,262
	169,952,109	137,852,860	139,855,644	253,961,180	578,750,198	1,280,371,991
Gap	$ 159,723,628	$ (32,376,306)	$ (40,193,448)	$ (94,003,769)	$ 154,893,477	$ 148,043,582

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

(In Thousands of 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	June 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	$ 16,325,532	$ -	$ -	$ -	$ -	$ 16,325,532
Due from the Central Bank and call loans to other banks	24,736,200	4,008,040	4,454,468	7,992,839	18,448,564	59,640,111
Financial assets at fair value through profit or loss	30,084,651	-	-	-	-	30,084,651
Receivables	17,304,047	787,383	416,327	467,376	214,320	19,189,453
Loans	95,536,792	114,588,757	95,165,900	97,240,794	642,303,468	1,044,835,711
Available-for-sale financial assets	250,105	50,257	-	-	42,694,250	42,994,612
Held-to-maturity financial assets	128,200,000	5,620,000	700,000	1,949,897	15,146,870	151,616,767
Debts instrument without active market	-	-	-	-	2,100,000	2,100,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,139,763	13,139,763
	312,437,327	125,054,437	100,736,695	107,650,906	738,214,244	1,384,093,609
Major maturity funds outflows						
Due to the Central Bank and banks	445,707	1,401,345	582,030	1,175,800	-	3,604,882
Due to the Central Bank and call loans to other banks	15,000	10,000	-	-	-	25,000
Securities sold under repurchase agreements	3,319,550	2,325,580	30,406	-	-	5,675,536
Payables	24,216,283	2,867,319	787,246	652,407	1,117,677	29,640,932
Deposits and remittances	137,217,992	124,612,561	138,838,675	249,124,073	526,413,470	1,176,206,771
Bank notes payable	-	-	8,350,000	-	30,000,000	38,350,000
Other maturity funds outflows items	33,676	37,162	38,926	161,592	5,011,618	5,282,974
	165,248,208	131,253,967	148,627,283	251,113,872	562,542,765	1,258,786,095
Gap	$ 147,189,119	$ (6,199,530)	$ (47,890,588)	$ (143,462,966)	$ 175,671,479	$ 125,307,514

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

(In Thousands of United States Dollars)

Item	June 30, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	$ 242,795	$ 91,003	$ -	$ -	$ -	$ 333,798
Due from the Central Bank and call loans to other banks	1,048,622	675,328	295,862	270,917	4,617	2,295,346
Financial assets at fair value through profit or loss	274,354	-	-	-	-	274,354
Receivables	574,537	154,842	113,411	1,474	1,315	845,579
Loans	499,628	643,149	601,088	408,641	3,994,488	6,146,994
Available-for-sale financial assets	-	-	-	10,049	274,025	284,074
Held-to-maturity financial assets	-	-	-	19,051	24,063	43,114
Debts instrument without active market	-	-	-	-	3,110	3,110
Other maturity funds inflow items	-	-	26,000	-	7,339	33,339
	2,639,936	1,564,322	1,036,361	710,132	4,308,957	10,259,708
Major maturity funds outflows						
Due to the Central Bank and banks	960,587	20,498	40,598	1,054	49	1,022,786
Due to the Central Bank and call loans to other banks	1,832,139	434,500	60,000	-	-	2,326,639
Financial liabilities at fair value through profit or loss	-	-	149,288	-	383,522	532,810
Payables	634,650	25,709	2,599	1,130	4,548	668,636
Deposits and remittances	2,190,101	1,257,037	943,498	1,210,908	2,539,429	8,140,973
Other maturity funds outflows items	30,685	3,152	1,191	62	54,500	89,590
	5,648,162	1,740,896	1,197,174	1,213,154	2,982,048	12,781,434
Gap	$ (3,008,226)	$ (176,574)	$ (160,813)	$ (503,022)	$ 1,326,909	$ (2,521,726)

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

(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	June 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	$ 449,137	$ 110,000	$ -	$ -	$ -	$ 559,137
Due from the Central Bank and call loans to other banks	504,733	327,188	92,771	15,820	4,132	944,644
Financial assets at fair value through profit or loss	193,869	-	-	-	-	193,869
Receivables	537,011	99,691	104,546	792	496	742,536
Loans	730,302	1,102,485	685,639	453,997	3,876,075	6,848,498
Available-for-sale financial assets	10,001	-	12,510	30,971	15,164	68,646
Held-to-maturity financial assets	-	-	-	-	11,997	11,997
Debts instrument without active market	-	-	-	-	3,927	3,927
Other maturity funds inflow items	-	-	55,000	11,000	16,292	82,292
	2,425,053	1,639,364	950,466	512,580	3,928,083	9,455,546
Major maturity funds outflows						
Due to the Central Bank and banks	598,141	121,544	554	863	16,119	737,221
Due to the Central Bank and call loans to other banks	1,664,049	532,000	85,000	18,000	(10,000)	2,289,049
Financial liabilities at fair value through profit or loss	-	-	-	-	510,521	510,521
Payables	517,218	17,642	2,550	830	5,494	543,734
Deposits and remittances	1,699,044	1,059,131	846,668	954,009	2,352,243	6,911,095
Other maturity funds outflows items	36,055	402	207	67	924	37,655
	4,514,507	1,730,719	934,979	973,769	2,875,301	11,029,275
Gap	$ (2,089,454)	$ (91,355)	$ 15,487	$ (461,189)	$ 1,052,782	$ (1,573,729)

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

d) Maturity analysis of derivative financial assets and liabilities

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

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

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

(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	June 30, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 111,875,225	$ 127,839,247	$ 77,332,452	$ 49,463,038	$ 70,937	$ 366,580,899
Inflows	112,060,850	127,986,149	77,226,325	49,610,161	70,574	366,954,059
Interest rate derivative instruments						
Outflows	3,280,730	7,184,538	8,743,428	33,141,271	8,616,428	60,966,395
Inflows	3,209,169	7,247,400	8,805,337	32,985,735	8,915,811	61,163,452
Total outflows	$ 115,155,955	$ 135,023,785	$ 86,075,880	$ 82,604,309	$ 8,687,365	$ 427,547,294
Total inflows	$ 115,270,019	$ 135,233,549	$ 86,031,662	$ 85,595,896	$ 8,986,385	$ 428,117,511

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

(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	June 30, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 61,886,186	$ 862,712	$ 2,238,918	$ 7,447,141	$ 12,773,537	$ 85,208,494
Credit card credit commitment	-	116	322	4,339	261,195	265,972
Letters of credit issued yet unused	21,759,872	23,880	13,834	-	-	21,797,586
Guarantees	32,196,949	4,781	673,928	212,415	227,552	33,315,625
	$ 115,843,007	$ 891,489	$ 2,927,002	$ 7,663,895	$ 13,262,284	$ 140,587,677

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			June 30, 2016					June 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		$ 1,370,989	$ 411,603,897	0.33%	$ 4,099,002	298.98%	$ 1,442,461	$ 369,910,056	0.39%	$ 4,266,723	295.79%
	Unsecured		655,431	504,699,635	0.13%	5,089,606	776.53%	728,713	494,869,023	0.15%	6,509,874	893.34%
Consumer finance	Mortgage loans (Note d)		679,555	278,368,440	0.24%	4,175,526	614.45%	536,495	289,777,095	0.19%	2,650,813	494.10%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		3,430	1,786,767	0.19%	17,544	511.48%	10,497	1,517,130	0.69%	22,096	210.50%
	Others (Note f)	Secured	358,215	153,211,067	0.23%	2,298,166	641.56%	168,486	144,260,385	0.12%	1,301,663	772.56%
		Unsecured	683	1,660,559	0.04%	15,009	2,197.53%	10,959	1,721,186	0.64%	16,721	152.58%
Total			3,068,303	1,351,330,365	0.23%	15,694,853	511.52%	2,897,611	1,302,054,875	0.22%	14,767,890	509.66%

Item / Business Type	June 30, 2016					June 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	$ 6,549	$ 3,067,654	0.21%	$ 20,348	310.70%	$ 5,095	$ 2,854,739	0.18%	$ 22,432	440.27%
No recourse receivable factoring (Note g)	-	9,133,755	-	91,338	-	-	6,569,419	-	21,836	-

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

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

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

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

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

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

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

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

Item / Business Type	June 30, 2016		June 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)	$ 67	$ 2,455	$ 102	$ 3,561
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	354	11,374	470	8,140
Total	421	13,829	572	11,701

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

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

b. Concentration of credit risk

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

June 30, 2015			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%)
1	A Corporation (railway transportation industry)	$ 33,563,538	27.16
2	B Group (petroleum and coal products manufacturing industry)	28,825,965	23.33
3	C Group (airline industry)	18,090,243	14.64
4	D Group (marine transportation industry)	14,333,154	11.60
5	E Group (synthesis construction industry)	10,312,134	8.34
6	K Group (other retail sale in non-specialized stores industry)	9,626,561	7.79
7	J Group (liquid crystal panel and components manufacturing industry)	7,630,419	6.17
8	F Group (steel manufacturing industry)	7,154,242	5.79
9	H Group (real estate development industry)	6,079,600	4.92
10	I Group (liquid crystal panel and components manufacturing industry)	5,412,963	4.38

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

(In Thousands of New Taiwan Dollars; %)

Item	June 30, 2015				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,204,193,734	$ 38,187,754	$ 11,122,078	$ 99,966,680	$ 1,353,470,246
Interest-sensitive liabilities	335,088,094	738,528,628	85,396,315	29,343,915	1,188,356,952
Interest sensitivity gap	869,105,640	(700,340,874)	(74,274,237)	70,622,765	165,113,294
Net worth					105,784,399
Ratio of interest-sensitive assets to liabilities					113.89%
Ratio of interest sensitivity gap to net assets					156.08%

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 (N.T. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

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

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

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

Item	June 30, 2015				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 9,375,541	$ 1,246,227	$ 114,326	$ 204,876	$ 10,940,970
Interest-sensitive liabilities	11,130,261	580,392	544,929	528,610	12,784,192
Interest sensitivity gap	(1,754,720)	665,835	(430,603)	(323,734)	(1,843,222)
Net worth					313,528
Ratio of interest-sensitive assets to liabilities					85.58%
Ratio of interest sensitivity gap to net assets					(587.90%)

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 (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

d. Profitability

Item		June 30, 2016	June 30, 2015
Return on total assets	Pretax	0.38%	0.39%
	After tax	0.32%	0.33%
Return on net worth	Pretax	5.47%	5.82%
	After tax	4.63%	4.89%
Profit margin		39.67%	43.20%

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 = $\frac{\text{Income after tax}}{\text{Gross income}}$

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

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	June 30, 2016					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 1,650,548,405	$ 172,085,039	$ 176,866,236	$ 218,995,370	$ 130,363,838	$ 190,886,911	$ 761,351,011
Major maturity cash outflows	2,124,527,319	101,396,528	171,030,340	330,329,497	259,252,936	452,541,636	809,976,382
Gap	(473,978,914)	70,688,511	5,835,896	(111,334,127)	(128,889,098)	(261,654,725)	(48,625,371)

(In Thousands of New Taiwan Dollars)

	Total	June 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	$ 1,568,468,280	$ 163,055,658	$ 168,941,897	$ 211,393,642	$ 131,809,643	$ 129,279,252	$ 763,988,188
Major maturity cash outflows	2,171,292,832	94,167,063	163,356,291	296,481,454	287,315,240	481,092,130	848,880,654
Gap	(602,824,552)	68,888,595	5,585,606	(85,087,812)	(155,505,597)	(351,812,878)	(84,892,466)

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

(In Thousands of U.S. Dollars)

	Total	June 30, 2016				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflows	$ 20,432,328	$ 7,786,108	$ 3,487,336	$ 2,322,029	$ 1,768,766	$ 5,068,089
Major maturity cash outflows	25,360,125	8,964,410	3,757,470	3,413,312	4,696,901	4,528,032
Gap	(4,927,797)	(1,178,302)	(270,134)	(1,091,283)	(2,928,135)	540,057

(In Thousands of U.S. Dollars)

	Total	June 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	$ 18,723,832	$ 6,710,501	$ 3,150,935	$ 2,514,678	$ 1,983,475	$ 4,364,243
Major maturity cash outflows	23,608,699	7,925,686	3,333,621	3,063,538	4,252,848	5,033,006
Gap	(4,884,867)	(1,215,185)	(182,686)	(548,860)	(2,269,373)	(668,763)

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
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 June 30, 2016 and 2015 were as follows:

	June 30	
	2016	2015
Special purpose trust accounts - domestic	$ 25,062,634	$ 24,872,049
Special purpose trust accounts - foreign	78,342,929	79,194,564
Insurance trust	1,038	1,060
Retirement and breeds trust	307,717	227,390
Umbilical-cord-blood trust	8,876,218	7,430,159
Money claim and guarantee trust	78,000	89,200
Marketable securities trust	773,254	894,481
Real estate trust	12,632,180	9,724,072
Securities under custody	125,642,808	138,416,574
Other money trust	1,396,030	1,230,056
	$ 253,112,808	$ 262,079,605

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

Balance Sheet of Trust

	June 30	
Trust Assets	**2016**	**2015**
Bank deposits	$ 4,149,043	$ 3,273,316
Insurance claims	78,000	89,200
Financial assets		
Common stocks	1,193,494	1,118,051
Mutual funds	107,492,612	107,935,574
Adjustments	-	49,144
Bonds	1,989,715	1,553,513
Interest receivable	10,957	10,233
Dividends receivable	-	11,598
Receivable from disposal of securities	-	-
Land	8,828,840	6,764,343
Buildings	626,240	580,559
Construction in progress	3,101,099	2,277,500
Securities under custody	125,642,808	138,416,574

	June 30	
Trust Liabilities	**2016**	**2015**
Trust capital		
Money trust	$ 114,252,530	$ 113,894,599
Insurance claims	78,000	89,200
Marketable securities trust	592,283	803,100
Real estate trust	12,645,410	9,738,913
Securities under custody payable	125,642,808	138,416,574
Administration payable	126	105
Securities benefit distribution	-	5,304
Income taxes payable	504	1,023
Profit and loss		
Realized capital through profit and loss	707,101	15,881
Investment profit and loss	-	258,551
Realized capital gain - mutual funds	-	8,232
Realized capital gain - common stocks	-	2,397
Realized capital gain - bonds	-	5,537
Unrealized capital gain - mutual funds	-	7,769
Unrealized capital gain - common stocks	-	126,734
Unrealized capital gain - bonds	-	8,080
Realized capital loss - mutual funds	-	(416)
Realized capital loss - bonds	-	(1,734)
Unrealized capital loss - mutual funds	-	(22,027)

(Continued)

Trust Assets	June 30 2016	June 30 2015	Trust Liabilities	June 30 2016	June 30 2015
			Unrealized capital loss - common stocks	$ -	$ (61,189)
			Unrealized capital loss - bonds	-	(10,224)
			Unappropriated retained earnings	-	(1,280,342)
			Unappropriated retained earnings - realized capital through profit and loss	24,001	-
			Unappropriated retained earnings - investment profit and loss	404,272	-
			Unappropriated retained earnings - distribution	(1,234,227)	-
			Interests and dividends revenues	-	82,331
			Other expenses	-	(8,793)
Total trust assets	$ 253,112,808	$ 262,079,605	Total trust liabilities	$ 253,112,808	$ 262,079,605

(Concluded)

Trust Assets Register

Investments	June 30 2016	June 30 2015
Bank deposits	$ 4,149,043	$ 3,273,316
Insurance claims	78,000	89,200
Financial assets		
Common stocks	1,193,494	1,183,597
Mutual funds	107,492,612	107,921,315
Bonds	1,989,715	1,551,370
Land	8,828,840	6,764,343
Buildings	626,240	580,559
Construction in progress	3,101,099	2,277,500
Others	10,957	21,831
Securities under custody	125,642,808	138,416,574
Total trust assets	$ 253,112,808	$ 262,079,605

Income Statement of Trust

Investments	For the Six Months Ended June 30 2016	2015
Revenue		
Interest income	$ 579,915	$ 46,432
Rental revenues	6,535	50,384
Dividends	24,712	42,715
Securities benefit distribution	9,033	7,855
Foreign exchange gains	591,991	-
	1,212,186	147,386
Expense		
Maintenance	(974)	(1,523)
Tax expense	(989)	(3,847)
Others	(44,441)	(60,405)
Foreign exchange losses	(573,306)	-
	(619,710)	(65,775)
Realized capital gain - bonds	30,054	-
Realized capital gain - common stocks	3,855	-
Realized capital gain - mutual funds	2,539	10,375
Unrealized capital gain - mutual funds	-	14,260
Unrealized capital gain - quoted stocks	-	95,128
Unrealized capital gain - bonds	36,712	18,566
Unrealized capital gain - common stocks	186,762	-
Unrealized capital gain - mutual funds	4,996	-
Realized capital loss - mutual funds	(13,061)	(1,366)
Realized capital loss - bonds	(834)	(270)
Unrealized capital loss - mutual funds	(46,216)	(15,597)
Unrealized capital loss - quoted stocks	-	(12,697)
Unrealized capital gain - common stocks	(89,533)	-
Unrealized capital loss - bonds	(649)	(8,830)
	$ 707,101	$ 181,180

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
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 June 30, 2016	$ 1,221,423	0.09
Balance as of December 31, 2015	1,148,344	0.09
Balance as of June 30, 2015	1,197,569	0.09

For the six months ended June 30, 2016 and 2015, interest ranged from 0.00% to 3.65% and from 0.00% to 4.80%, interest revenues were $9,159 thousand and $14,704 thousand, respectively.

For the three months ended June 30, 2016 and 2015, interest revenues were $4,386 thousand and $6,594 thousand, respectively.

	June 30, 2016					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
30 accounts	$ 13,336	$ 13,878	$ 13,336	$ -	Credit	None
Self-use residential mortgage loans						
202 accounts	1,166,894	1,195,248	1,166,894	-	Real estate	None
Others						
Crown Department Company	36,350	74,300	36,350	-	Real estate	None
Other - individual 11 accounts (Note)	4,843	5,859	4,843	-	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

	June 30, 2015					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
26 accounts	$ 11,980	$ 12,593	$ 11,980	$ -	Credit	None
Self-use residential mortgage loans						
207 accounts	1,133,562	1,167,994	1,133,562	-	Real estate	None
Others						
Crown Department Company	38,750	39,150	38,750	-	Real estate	None
Other - individual 30 accounts (Note)	13,277	16,705	13,277	-	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 1.33% in June 30, 2016, 1.40% in December 31, 2015 and 1.54% in June 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

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

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of June 30, 2016	$ 3,981,273	0.26
Balance as of December 31, 2015	3,568,423	0.23
Balance as of June 30, 2015	3,640,594	0.25

For the six months ended June 30, 2016 and 2015, the interest rates interval were all between 0.00% to 13.00%; the interest expense were $$32,631 thousand and $29,452 thousand, respectively. For the three months ended June 30, 2016 and 2015, the interest expense were $17,727 thousand and $14,934 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)

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

			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

			June 30, 2015			
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2015 Interest Revenue	For the Six Months Ended June 30, 2015 Interest Revenue
Land Bank	DBU	NTD	$ 10,000	0.388-0.87	$ 139	$ 880
	Singapore Branch	USD	20,000	0.22-0.72	9	32
	Hong Kong Branch	USD	38,000	0.11-0.48	57	74
Taiwan Business Bank	OBU	USD	30,000	0.14-0.70	92	132
		RMB	30,000	4.20-5.00	319	486

Call loans from banks

(In Thousands of Original Currencies)

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

			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	-

			June 30, 2015			
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2015 Interest Expense	For the Six Months Ended June 30, 2015 Interest Expense
Land Bank	New York Branch	USD	$ 15,000	0.14-0.39	$ 6	$ 6
	Hong Kong Branch	USD	20,000	0.48	2	2
Taiwan Business Bank	New York Branch	USD	15,000	0.10-0.30	8	11

5) Due from banks and due to banks

Due from banks

(In Thousands of Original Currencies)

			June 30, 2016	December 31, 2015	June 30, 2015
Name	Department	Currency	Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	$ 405	$ 69	$ 1,667
Taiwan Business Bank	DBU	NTD	1	5	131

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	June 30, 2016 Ending Balance	December 31, 2015 Ending Balance	June 30, 2015 Ending Balance
The Export-Import Bank	DBU	NTD	$ 953	$ 1,308	$ 1,864
Taishin Bank	New York Branch	USD	45	45	55
Land Bank	DBU	NTD	277	277	277

c. Compensation of directors, supervisors and management personnel:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term benefits	$ 6,424	$ 7,032	$ 18,682	$ 18,612
Post-employment benefits	354	313	873	780
	$ 6,778	$ 7,345	$ 19,555	$ 19,392

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 June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

Pledged Assets	Description	June 30, 2016	December 31, 2015	June 30, 2015
Available-for-sale financial assets	Government bonds	$ 5,810,800	$ 5,757,300	$ 636,300
Held-to-maturity financial assets	Bonds and certificate of deposits	36,882,846	36,792,991	41,825,498
Time deposits with original maturity more than 3 months	Time deposit	6,067,500	8,338,310	8,316,600
Refundable deposits	Cash	342,633	109,225	107,744

38. CONTINGENT LIABILITIES AND COMMITMENTS

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

	June 30, 2016	December 31, 2015	June 30, 2015
Trust liabilities	$ 253,112,808	$ 261,132,384	$ 262,079,605
Unused loan commitments	102,450,777	107,576,609	85,208,494
Credit card credit commitment	403,402	347,862	265,972
Unused issued letters of credit	22,502,281	17,841,443	21,797,586
Guarantees issued in guarantee business	39,341,958	34,838,957	33,315,625
Repayment note and time deposit held for custody	10,483,729	10,061,107	6,600,503
Liabilities on joint loans	296,668	288,195	301,105

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 six months ended June 30, 2016	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2016	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 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 June 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 June 30, 2016	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2016	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2016	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2016	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of June 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. INFORMATION ON THE BANK'S INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Shares	Imputed Shares (Note b)	Shares	Ownership Interest (%)
MasterLink Securities Corp.	Taipei City	Security brokerage	3.95	$ 534,917	-	61,983,388	-	61,983,388	3.95
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	160,500	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	676,845	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	72,012	-	19,815,323	-	19,815,323	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	44,309	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,872,923	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	7,000	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,250	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	500,000	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	18,043	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.16	46,446	-	6,047,370	-	6,047,370	1.16
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	20,000	-	2,970,876	-	2,970,876	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,500,000	-	150,000,000	-	150,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	50,000	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	9,860	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	6,749	-	285,365	-	285,365	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	417	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	18,000	-	1,800,000	-	1,800,000	3.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note 3)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note 3)	-	556,965	-	556,965	1.47

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

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

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

41. SEGMENT INFORMATION

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

a. Segment revenues and results

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

	For the Six Months Ended June 30, 2015						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net interest income	$ 6,288,602	$ 1,998,001	$ 552,893	$ -	$ 1,318,381	$ (684)	$ 10,157,193
Net service fee and commissions income	678,096	94,578	(14,305)	1,597,417	104,558	-	2,460,344
Net income on financial instrument	-	-	948,101	-	33,414	-	981,515
Others	26,578	-	1,837	7,121	3,274	105,696	144,506
Net revenue and gains	6,993,276	2,092,579	1,488,526	1,604,538	1,459,627	105,012	13,743,558
Bad debts expenses and guarantee liability provisions	940,209	-	94	-	(144,012)	-	796,291
Operating expenses	-	-	-	-	-	-	(7,470,583)
Income before income tax	$ 7,933,485	$ 2,092,579	$ 1,488,620	$ 1,604,538	$ 1,315,615	$ 105,012	$ 7,069,266

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

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

b. Segment total assets and liabilities

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

	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

	June 30, 2015						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Oversea Branch	Others	Adjustment	Total
Assets	$ 1,188,900,013	$ -	$ 528,853,227	$ 168,876,587	$ 67,032,984	$ (117,528,643)	$ 1,836,134,168
Liabilities	$ 1,241,399	$ 1,449,654,491	$ 186,262,605	$ 152,443,492	$ 39,488,377	$ (116,539,816)	$ 1,712,550,548

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 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 June 30, 2016	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of June 30, 2016	Accumulated Repatriation of Investment Income as of June 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 June 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)	$ 19,945,947

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)