# Chang Hwa Commercial Bank, Ltd. and Subsidiaries

## Consolidated Financial Statements for the Three Months Ended March 31, 2016 and 2015 and Independent Auditors' Review Report

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**INDEPENDENT AUDITORS' REVIEW REPORT**

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

We have reviewed the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2016 and 2015, and related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

Deloitte & Touche

May 13, 2016

*Notice to Readers*

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

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

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| ASSETS | March 31, 2016 (Reviewed) Amount | % | December 31, 2015 (Audited) Amount | % | March 31, 2015 (Reviewed) Amount | % |
|---|---|---|---|---|---|---|
| Cash and cash equivalents (Notes 4, 6 and 37) | $ 37,391,391 | 2 | $ 31,225,679 | 2 | $ 34,996,556 | 2 |
| Due from the Central Bank and call loans to banks (Notes 4, 6 and 37) | 148,913,616 | 8 | 146,654,212 | 8 | 95,028,137 | 5 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 41,919,700 | 2 | 43,518,615 | 2 | 38,626,767 | 2 |
| Derivative financial assets for hedging (Notes 4 and 12) | 211,469 | - | 192,521 | - | 41,066 | - |
| Receivables, net (Notes 4, 8 and 9) | 17,575,228 | 1 | 19,729,443 | 1 | 18,831,522 | 1 |
| Current tax assets (Notes 4 and 31) | 51,367 | - | 55,436 | - | 594,600 | - |
| Loans, net (Notes 4, 5, 9, 36 and 37) | 1,366,066,388 | 70 | 1,321,934,363 | 69 | 1,309,312,593 | 72 |
| Available-for-sale financial assets, net (Notes 4, 10 and 38) | 69,144,747 | 4 | 67,415,202 | 3 | 57,660,457 | 3 |
| Held-to-maturity financial assets, net (Notes 4, 5, 11 and 38) | 199,281,426 | 10 | 205,777,255 | 11 | 188,565,148 | 10 |
| OTHER FINANCIAL ASSETS, NET | | | | | | |
| Financial assets carried at cost (Notes 4 and 13) | 4,167,009 | - | 4,167,009 | - | 4,167,009 | 1 |
| Debt investments without active market (Notes 4 and 14) | 2,038,064 | - | 2,051,074 | - | 3,378,722 | - |
| Other miscellaneous financial assets (Notes 4, 15 and 38) | 23,220,535 | 1 | 25,530,337 | 2 | 38,592,142 | 2 |
| Other financial assets, net | 29,425,608 | 1 | 31,748,420 | 2 | 46,137,873 | 3 |
| Property and equipment, net (Notes 4 and 17) | 22,143,966 | 1 | 22,253,008 | 1 | 23,768,046 | 1 |
| Investment property, net (Notes 4 and 18) | 12,534,850 | 1 | 12,536,509 | 1 | 11,010,889 | 1 |
| Intangible assets, net (Notes 4 and 19) | 464,727 | - | 500,710 | - | 451,682 | - |
| Deferred tax assets (Notes 4, 5 and 31) | 2,183,300 | - | 2,367,489 | - | 2,959,909 | - |
| Other assets, net (Notes 20, 33 and 38) | 781,593 | - | 348,357 | - | 840,211 | - |
| TOTAL | $ 1,948,089,376 | 100 | $ 1,906,257,219 | 100 | $ 1,828,825,456 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| Due to the Central Bank and banks (Notes 4, 21 and 37) | $ 154,038,567 | 8 | $ 124,025,228 | 7 | $ 133,143,208 | 7 |
| Finance due to banks | 579,150 | - | 3,879,840 | - | 938,700 | - |
| Financial liabilities at fair value through profit or loss (Notes 4, 7 and 37) | 25,726,629 | 1 | 22,732,139 | 1 | 21,113,261 | 1 |
| Securities sold under repurchase agreements (Note 4) | 4,423,938 | - | 4,612,047 | - | 5,673,942 | - |
| Payables (Notes 4, 22 and 29) | 22,156,935 | 1 | 23,164,932 | 1 | 24,530,071 | 1 |
| Current tax liabilities (Notes 4 and 31) | 348,900 | - | 146,692 | - | 1,029,712 | - |
| Deposits and remittances (Notes 4, 23 and 37) | 1,556,482,735 | 80 | 1,547,739,711 | 81 | 1,457,412,374 | 80 |
| Bank note payables (Notes 4 and 24) | 35,172,955 | 2 | 35,176,580 | 2 | 48,418,988 | 3 |
| Other financial liabilities (Notes 4 and 25) | 1,668,543 | - | 1,075,196 | - | 516,617 | - |
| Reserve for liabilities (Notes 4, 5 and 27) | 4,277,679 | - | 4,371,316 | - | 4,007,180 | - |
| Deferred tax liabilities (Notes 4, 5 and 31) | 6,669,678 | 1 | 6,644,859 | 1 | 6,728,489 | 1 |
| Other liabilities (Notes 4, 26 and 33) | 3,413,190 | - | 3,213,720 | - | 3,293,800 | - |
| Total liabilities | 1,814,958,899 | 93 | 1,776,782,260 | 93 | 1,706,806,342 | 93 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4, 29 and 31) | | | | | | |
| Capital stock | | | | | | |
| Common stock | 84,573,232 | 4 | 84,573,232 | 5 | 79,040,404 | 4 |
| Retained earnings | | | | | | |
| Legal reserve | 20,291,944 | 1 | 20,291,944 | 1 | 17,022,790 | 1 |
| Special reserve | 12,020,521 | 1 | 12,020,521 | 1 | 12,020,521 | 1 |
| Unappropriated earnings | 15,007,945 | 1 | 11,613,831 | - | 13,605,117 | 1 |
| Other equity | | | | | | |
| Exchange differences on translation of foreign financial statements | 516,417 | - | 733,874 | - | 516,671 | - |
| Unrealized gains (losses) on available-for-sale financial assets | 720,418 | - | 241,557 | - | (186,389) | - |
| Total equity | 133,130,477 | 7 | 129,474,959 | 7 | 122,019,114 | 7 |
| TOTAL | $ 1,948,089,376 | 100 | $ 1,906,257,219 | 100 | $ 1,828,825,456 | 100 |

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| INTEREST INCOME (Notes 4, 30 and 37) | $ 8,279,610 | 108 | $ 8,068,390 | 119 |
| INTEREST EXPENSES (Notes 30 and 37) | (2,917,361) | (38) | (3,026,673) | (45) |
| NET INTEREST INCOME | 5,362,249 | 70 | 5,041,717 | 74 |
| NET INCOME OTHER THAN NET INTEREST INCOME | | | | |
| Net service fee and commissions income (Notes 4 and 30) | 1,099,926 | 14 | 1,172,602 | 17 |
| Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 30) | 828,835 | 11 | 390,985 | 6 |
| Realized gain on available-for-sale financial assets (Notes 4 and 30) | 86,409 | 1 | 30,597 | 1 |
| Foreign exchange gains (losses) (Notes 4 and 35) | (171,367) | (2) | 69,410 | 1 |
| Other miscellaneous net income (Note 12) | 440,594 | 6 | 88,832 | 1 |
| Net income other than net interest income | 2,284,397 | 30 | 1,752,426 | 26 |
| NET REVENUE AND GAINS | 7,646,646 | 100 | 6,794,143 | 100 |
| BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9) | 52,297 | 1 | 284,626 | 4 |
| OPERATING EXPENSES | | | | |
| Employee benefits expenses (Notes 4 and 30) | (2,474,504) | (33) | (2,413,618) | (35) |
| Depreciation and amortization expenses (Notes 4 and 30) | (178,610) | (2) | (175,357) | (3) |
| Other general and administrative expenses | (1,078,163) | (14) | (1,090,434) | (16) |
| Total operating expenses | (3,731,277) | (49) | (3,679,409) | (54) |
| INCOME BEFORE INCOME TAX | 3,967,666 | 52 | 3,399,360 | 50 |
| INCOME TAX EXPENSE (Notes 4 and 31) | (573,552) | (8) | (517,303) | (8) |
| NET INCOME | 3,394,114 | 44 | 2,882,057 | 42 |

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations (Note 4) | $ (246,595) | (3) | $ (253,874) | (4) |
| Unrealized gain (loss) on available-for-sale financial assets (Note 4) | 480,521 | 6 | 129,546 | 2 |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 31) | 27,478 | 1 | 20,284 | 1 |
| Other comprehensive income, net of income tax | 261,404 | 4 | (104,044) | (1) |
| TOTAL COMPREHENSIVE INCOME | $ 3,655,518 | 48 | $ 2,778,013 | 41 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Parent | $ 3,394,114 | 44 | $ 2,882,057 | 42 |
| Non-controlling interests | - | - | - | - |
| | $ 3,394,114 | 44 | $ 2,882,057 | 42 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Parent | $ 3,655,518 | 48 | $ 2,778,013 | 41 |
| Non-controlling interests | - | - | - | - |
| | $ 3,655,518 | 48 | $ 2,778,013 | 41 |
| EARNINGS PER SHARE (Note 32) | | | | |
| Basic | $ 0.40 | | $ 0.34 | |
| Diluted | $ 0.40 | | $ 0.34 | |

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

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Bank | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock | | Retained Earnings | | | Other Equity | | |
| | Shares (Thousand) | Amount | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of Foreign Financial Statements | Unrealized Gains (Losses) on Available-for-sale Financial Assets | Total Equity |
| BALANCE, JANUARY 1, 2015 | 7,904,040 | $ 79,040,404 | $ 17,022,790 | $ 12,020,521 | $ 10,723,060 | $ 750,956 | $ (316,630) | $ 119,241,101 |
| Net income for the three months ended March 31, 2015 | - | - | - | - | 2,882,057 | - | - | 2,882,057 |
| Other comprehensive income for the three months ended March 31, 2015, net of tax | - | - | - | - | - | (234,285) | 130,241 | (104,044) |
| Total comprehensive income for the three months ended March 31, 2015 | - | - | - | - | 2,882,057 | (234,285) | 130,241 | 2,778,013 |
| BALANCE, MARCH 31, 2015 | 7,904,040 | $ 79,040,404 | $ 17,022,790 | $ 12,020,521 | $ 13,605,117 | $ 516,671 | $ (186,389) | $ 122,019,114 |
| 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 |
| Net income for the three months ended March 31, 2016 | - | - | - | - | 3,394,114 | - | - | 3,394,114 |
| Other comprehensive income for the three months ended March 31, 2016, net of tax | - | - | - | - | - | (217,457) | 478,861 | 261,404 |
| Total comprehensive income for the three months ended March 31, 2016 | - | - | - | - | 3,394,114 | (217,457) | 478,861 | 3,655,518 |
| BALANCE, MARCH 31, 2016 | 8,457,323 | $ 84,573,232 | $ 20,291,944 | $ 12,020,521 | $ 15,007,945 | $ 516,417 | $ 720,418 | $ 133,130,477 |

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before income tax | $ 3,967,666 | $ 3,399,360 |
| Non-cash (revenues and gains) or expenses and losses | | |
| Bad debts expenses and guarantee liability provisions | (52,297) | (284,626) |
| Depreciation expenses | 139,731 | 143,740 |
| Amortization expenses | 38,879 | 31,617 |
| Interest income | (8,279,610) | (8,068,390) |
| Interest expenses | 2,917,361 | 3,026,673 |
| Dividends income | (363,822) | - |
| Net loss on financial assets and liabilities at fair value through profit or loss | 3,226,939 | 1,313,739 |
| Gain on disposal of investments | (86,409) | (30,597) |
| Unrealized foreign exchange gain | (4,055,774) | (1,704,724) |
| Other adjustments | (13,461) | (68,814) |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in due from the Central Bank | (12,615,315) | 21,445,661 |
| Decrease in financial assets at fair value through profit or loss | 1,224,160 | 3,419,415 |
| Decrease in receivables | 2,081,838 | 2,176,937 |
| Increase in loans | (44,033,066) | (49,642,354) |
| Increase in available-for-sale financial assets | (761,794) | (11,142,670) |
| Decrease (increase) in held-to-maturity financial assets | 6,495,829 | (4,928,089) |
| Decrease in other financial assets | 2,317,321 | 32,587,182 |
| Increase in other assets | (430,430) | (441,029) |
| (Decrease) increase in due to the Central Bank and banks | (4,666,271) | 2,904,230 |
| Increase in deposits and remittances | 8,743,024 | 4,443,089 |
| Decrease in payables | (1,437,045) | (5,409,742) |
| Increase (decrease) in financial liabilities at fair value through profit or loss | 3,967,185 | (3,626,189) |
| Decrease in reserve for liabilities | (94,782) | (38,325) |
| Increase (decrease) in other financial liabilities | 593,347 | (107,799) |
| Increase in other liabilities | 204,656 | 337,775 |
| Cash flows used in operations | (40,972,140) | (10,263,930) |
| Interest received | 8,136,847 | 8,697,794 |
| Dividend received | 363,822 | - |
| Interest paid | (2,491,182) | (2,593,577) |
| Income taxes paid | (134,858) | (100,100) |
| Net cash flows used in operating activities | (35,097,511) | (4,259,813) |

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2016** | **2015** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | $ (33,826) | $ (90,092) |
| Acquisition of intangible assets | (3,077) | (9,435) |
| Proceeds from disposal of property and equipment | - | 31 |
| Net cash used in investing activities | (36,903) | (99,496) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in due to the Central Bank and call loans from banks | 31,378,920 | 6,072,397 |
| (Decrease) increase in securities sold under repurchase agreements | (188,109) | 1,147,248 |
| Net cash flows generated from financing activities | 31,190,811 | 7,219,645 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (246,595) | (253,874) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (4,190,198) | 2,606,462 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 118,700,025 | 82,228,233 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 114,509,827 | $ 84,834,695 |

Reconciliation of cash and cash equivalents:

| | March 31 | |
|---|---|---|
| | **2016** | **2015** |
| Cash and cash equivalents in consolidated balance sheet | $ 37,391,391 | $ 34,996,556 |
| Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission | 77,118,436 | 49,838,139 |
| Cash and cash equivalents at end of period | $ 114,509,827 | $ 84,834,695 |

The accompanying notes are an integral part of the consolidated 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.

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

## 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on May 13, 2016.

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

### The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in Issue But Not Yet Endorsed by the FSC

The Group have not applied the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

| New, Amended or Revised Standards and Interpretations | 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) |
| 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 |
| 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 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| IFRS 16 "Leases" | January 1, 2019 |
| Amendment to IAS 1 "Disclosure Initiative" | January 1, 2016 |
| Amendment to IAS 7 "Disclosure Initiative" | January 1, 2017 |
| Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017 |
| Amendments to IAS 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 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.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

a. 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 Group'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:

1) 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;

2) 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 above, all other financial assets are measured at fair value through profit or loss. However, the Group 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.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is 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 Group 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 risk 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.

b. 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 Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group 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 consolidated statements of comprehensive income, the Group 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 consolidated 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 Group as lessor.

When IFRS 16 becomes effective, the Group 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.

c. 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 Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to 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 Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of consolidation

See Note 16 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. 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 consolidated 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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Cash on hand | $ 10,952,024 | $ 10,040,168 | $ 10,931,979 |
| Checks for clearing | 5,800,319 | 5,715,580 | 5,102,903 |
| Due from banks | 19,198,670 | 13,901,421 | 17,619,650 |
| Foreign currencies on hand | 1,440,378 | 1,568,510 | 1,342,024 |
| | $ 37,391,391 | $ 31,225,679 | $ 34,996,556 |

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Call loans to banks | $ 77,118,436 | $ 87,474,346 | $ 49,838,139 |
| Reserve for checking account | 27,507,709 | 11,917,753 | 2,699,330 |
| Reserve for demand account | 38,567,210 | 38,419,375 | 37,805,871 |
| Reserve for foreign deposit | 373,387 | 303,044 | 272,714 |
| Others | 5,346,874 | 8,539,694 | 4,412,083 |
| | $ 148,913,616 | $ 146,654,212 | $ 95,028,137 |

## 7. FINANCIAL INSTRUMENTS AT FVTPL

**Financial Assets at FVTPL**

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Financial assets designated as at FVTPL | | | |
| Interest rate-linked combination instruments | $ 6,235,350 | $ 6,118,506 | $ 6,322,874 |
| Derivative financial assets (not applying hedge accounting) | | | |
| Forward exchange contracts | 468,880 | 123,948 | 239,655 |
| Interest rate swaps | 1,184,390 | 1,103,962 | 1,095,114 |

(Continued)

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Cross-currency swaps | $ 656,422 | $ 1,279,807 | $ 527,496 |
| Currency swaps | 2,409,804 | 2,551,295 | 1,228,061 |
| Currency call option premium | 723,889 | 914,542 | 1,687,664 |
| Futures | 53,296 | 42,697 | 22,898 |
| Non-derivative financial assets | | | |
| Investment in bills | 26,901,653 | 28,601,913 | 23,665,081 |
| Domestic listed stock | 16,160 | - | 25,401 |
| Mutual funds | 207,314 | 207,362 | 202,253 |
| Government bonds | 3,046,175 | 2,523,596 | 3,326,589 |
| Corporate bonds and bank notes | 16,367 | 50,987 | 283,681 |
| | 35,684,350 | 37,400,109 | 32,303,893 |
| | $ 41,919,700 | $ 43,518,615 | $ 38,626,767 |

(Concluded)

The par values of bonds and notes provided for transactions with repurchase agreements were $1,741,800 thousand, $1,932,800 thousand and $2,495,800 thousand as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively.

**Financial Liabilities at FVTPL**

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Financial liabilities designated as at FVTPL | | | |
| Unsecured U.S. dollar-denominated bank notes | $ 16,965,842 | $ 17,156,385 | $ 16,349,428 |
| Derivative financial liabilities (not applying hedge accounting) | | | |
| Forward contracts | 113,465 | 239,827 | 199,984 |
| Interest rate swaps | 1,191,545 | 1,075,950 | 432,830 |
| Cross-currency swaps | 1,295,096 | 1,464,804 | 777,864 |
| Currency swaps | 5,426,413 | 1,880,631 | 1,665,490 |
| Currency put option premium | 734,268 | 914,542 | 1,687,665 |
| | 8,760,787 | 5,575,754 | 4,763,833 |
| | $ 25,726,629 | $ 22,732,139 | $ 21,113,261 |

a. The unsecured U.S. dollar-denominated bank notes issued by the Group 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 Group designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce a measurement or recognition inconsistency. During the three months ended March 31, 2016, there was no amount of changes in fair value attributable to changes in the credit risk of the bank notes mentioned above.

The Group entered into derivative contracts during the three months ended March 31, 2016 and 2015 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Currency swaps | $ 416,455,341 | $ 360,237,048 | $ 329,510,644 |
| Currency options | 196,434,068 | 191,109,535 | 234,385,283 |
| Forward exchange contracts | 29,192,411 | 24,580,018 | 36,279,861 |
| Interest rate swaps and asset-swap options | 356,877,026 | 348,578,627 | 304,782,858 |
| Cross-currency swaps | 59,959,825 | 55,146,025 | 63,765,510 |

## 8. RECEIVABLES, NET

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Accounts receivable | $ 8,306,971 | $ 9,659,711 | $ 9,030,928 |
| Revenue receivable | 1,982 | 198,368 | 196,950 |
| Interest receivable | 3,304,286 | 3,336,637 | 3,182,010 |
| Acceptance receivable | 3,957,570 | 4,583,300 | 4,375,965 |
| Credit card receivable | 1,669,415 | 1,717,950 | 1,434,801 |
| Settlement price | 215,512 | 130,629 | 395,705 |
| Settlement price receivable | 163,042 | 158,765 | 472,628 |
| Other receivables | 85,692 | 44,732 | 52,156 |
| Less allowance for receivables | (129,242) | (100,649) | (309,621) |
| | $ 17,575,228 | $ 19,729,443 | $ 18,831,522 |

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

## 9. LOANS, NET

a. The details of loans are as follows:

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Negotiated | $ 5,422,781 | $ 4,970,696 | $ 6,002,550 |
| Overdraft | 1,575,050 | 1,667,655 | 1,575,111 |
| Short-term loans | 368,035,546 | 358,647,815 | 402,408,513 |
| Receivable amount for margin loans | 281,639 | 260,820 | 337,637 |
| Medium-term loans | 463,747,388 | 430,311,252 | 389,994,093 |
| Long-term loans | 539,575,776 | 539,373,447 | 520,757,855 |
| Delinquent loans | 3,095,952 | 2,837,570 | 2,813,230 |
| | 1,381,734,132 | 1,338,069,255 | 1,323,888,989 |
| Less allowance for loan losses | (15,667,744) | (16,134,892) | (14,576,396) |
| | $ 1,366,066,388 | $ 1,321,934,363 | $ 1,309,312,593 |

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

| | For the Three Months Ended March 31, 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 | 497 | 295,901 | 2,941 | 299,339 |
| Provision (reserve) for loan losses | 40,026 | (98,959) | 5,491 | (53,442) |
| Loans written off | (10,090) | (609,681) | (6,914) | (626,685) |
| Others | (1,840) | (54,409) | - | (56,249) |
| Balance, March 31, 2016 | $ 129,242 | $ 15,667,744 | $ 46,558 | $ 15,843,544 |

| | For the Three Months Ended March 31, 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 | 5,551 | 573,874 | 2,212 | 581,637 |
| Provision (reserve) for loan losses | 10,432 | (303,490) | (2,393) | (295,451) |
| Loans written off | (1,988) | (326,825) | (6,115) | (334,928) |
| Others | (241) | (38,397) | 578 | (38,060) |
| Balance, March 31, 2015 | $ 309,621 | $ 14,576,396 | $ 36,058 | $ 14,922,075 |

The delinquent loans of which the accrual of interest income was stopped internally as of March 31, 2016, December 31, 2015 and March 31, 2015 were $3,095,952 thousand, $2,837,570 thousand and $2,813,230 thousand, respectively. The interest income on delinquent loans not accrued in the three months March 31, 2016 and 2015 was $20,820 thousand and $20,255 thousand, respectively.

The Group did not write off any loans without legal claim process in the three months March 31, 2016 and 2015.

c. Details of provision for loan losses for the three months ended March 31, 2016 and 2015 were as follows:

| | 2016 | 2015 |
|---|---|---|
| Provision (reserve) for receivable and loan (including delinquent loan) losses | $ (53,442) | $ (295,451) |
| Provision for guarantees | 1,145 | 10,825 |
| | $ (52,297) | $ (284,626) |

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

Receivables

| Item | | Total Receivable | | |
|---|---|---|---|---|
| | | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Objective evidence of impairment | Individual assessment of impairment | $ 71,646 | $ 221,100 | $ 235,384 |
| | Combined assessment of impairment | 44,902 | 47,618 | 70,031 |
| None objective evidence of impairment | Combined assessment of impairment | 17,587,922 | 19,561,374 | 18,835,728 |
| Total | | $ 17,704,470 | $ 19,830,092 | $ 19,141,143 |

| Item | | Total Allowance | | |
|---|---|---|---|---|
| | | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Objective evidence of impairment | Individual assessment of impairment | $ 59,636 | $ 11,059 | $ 204,016 |
| | Combined assessment of impairment | 18,019 | 21,502 | 40,825 |
| None objective evidence of impairment | Combined assessment of impairment | 51,587 | 68,088 | 64,780 |
| Total | | $ 129,242 | $ 100,649 | $ 309,621 |

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

Loans

| Item | | Total Loans | | |
|---|---|---|---|---|
| | | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Objective evidence of impairment | Individual assessment of impairment | $ 6,162,149 | $ 6,138,564 | $ 6,692,824 |
| | Combined assessment of impairment | 3,293,644 | 3,038,210 | 2,410,804 |
| None objective evidence of impairment | Combined assessment of impairment | 1,372,278,339 | 1,328,892,481 | 1,314,785,361 |
| Total | | $ 1,381,734,132 | $ 1,338,069,255 | $ 1,323,888,989 |

| Item | | Total Allowance | | |
|---|---|---|---|---|
| | | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Objective evidence of impairment | Individual assessment of impairment | $ 2,713,251 | $ 2,891,827 | $ 3,157,871 |
| | Combined assessment of impairment | 940,436 | 853,573 | 631,485 |
| None objective evidence of impairment | Combined assessment of impairment | 12,014,057 | 12,389,492 | 10,787,040 |
| Total | | $ 15,667,744 | $ 16,134,892 | $ 14,576,396 |

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Domestic quoted stocks | $ 3,048,980 | $ 2,811,056 | $ 2,410,737 |
| Government bonds | 26,155,140 | 26,903,320 | 31,166,764 |
| Corporate bonds | 9,980,662 | 9,936,707 | 6,986,373 |
| Bank notes | 29,224,004 | 26,734,901 | 16,056,180 |
| Bonds issued by international organizations | - | 197,149 | 186,850 |
| Investment in bills | 735,961 | 832,069 | 853,553 |
| | $ 69,144,747 | $ 67,415,202 | $ 57,660,457 |

The par values of bonds provided for transactions with repurchase agreements were $2,507,700 thousand, $2,193,500 thousand and $2,870,700 thousand as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively.

Government bonds placed as deposits in courts were $790,500 thousand, $760,300 thousand and $689,100 thousand as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively. Government bonds placed as operating deposits were all $280,000 thousand as of March 31, 2016, December 31, 2015 and March 31, 2015,respectively. Government bonds pledged for call loans from banks were $5,000,000 thousand as of March 31, 2016.

Refer to Note 38 for information relating to available-for-sale financial assets pledged as security.

## 11. HELD-TO-MATURITY FINANCIAL ASSETS

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Investment in bills | $ 181,870,000 | $ 189,538,946 | $ 173,162,608 |
| Bank notes | 2,242,578 | 2,237,422 | 2,125,001 |
| Corporate bonds | 13,008,271 | 13,008,643 | 13,277,539 |
| Government bonds | 2,160,577 | 992,244 | - |
| | $ 199,281,426 | $ 205,777,255 | $ 188,565,148 |

The overseas branches' bonds as collateral for operations as of March 31, 2016, December 31, 2015 and March 31, 2015 were $482,450 thousand, $492,991 thousand and $375,650 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were $36,300,000 thousand, $36,300,000 thousand and $41,300,000 thousand as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively.

Refer to Note 38 for information relating to held-to-mature financial assets pledged as security.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Derivative financial assets under hedge accounting | | | |
| Fair value hedges - interest rate swaps | $ 211,469 | $ 192,521 | $ 41,066 |

The Group used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes the interest rate swaps are highly effective hedging instruments. The nominal principal amount of the outstanding interest rate swaps of the Group at the end of March 31, 2016, December 31, 2015 and March 31, 2015 were $5,200,000 thousand, $5,200,000 thousand and $7,200,000 thousand.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the three months ended March 31, 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 $201,955 thousand, $183,580 thousand and $28,988 thousand as of March 31, 2016, December 31, 2015 and March 31, 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 Group 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 $28,202 thousand and $32,636 thousand; and the realized loss of fair-value hedging was $(18,375) thousand and $(14,050) thousand, accounted as other non-interest net income and losses, for the three months ended March 31, 2016 and 2015, respectively.

## 13. FINANCIAL ASSETS CARRIED AT COST

| | March 31, 2016 | December 31, 2015 | March 31, 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 Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

## 14. BOND INVESTMENT WITH NO ACTIVE MARKET

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Preferred stock - Taiwan High Speed Rail Co., Ltd. | $ - | $ - | $ 1,300,000 |
| Beneficiary securities and asset based securities | 104,618 | 112,792 | 130,276 |
| Corporate bonds and bank notes | 1,933,446 | 1,938,282 | 1,948,446 |
| | $ 2,038,064 | $ 2,051,074 | $ 3,378,722 |

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

## 15. OTHER MISCELLANEOUS FINANCIAL ASSETS

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Inward remittance | $ 14,693 | $ 29,112 | $ 44,964 |
| Delinquent loans reclassified from other accounts (excluding loans) | 67,244 | 78,112 | 101,051 |
| Time deposits with original maturity more than 3 months | 23,185,156 | 25,468,153 | 38,482,185 |
| Less allowance for loan losses | (46,558) | (45,040) | (36,058) |
| | $ 23,220,535 | $ 25,530,337 | $ 38,592,142 |

The market rates of time deposits with original maturity more than 3 months were 1.00%-4.70% and 0.46%-5.30% for the three months ended March 31, 2016 and 2015, respectively. Refer to Note 38 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. SUBSIDIARY

Subsidiary included in consolidated financial statements

| | | | % of Ownership | | |
|---|---|---|---|---|---|
| Investor | Investee | Main Business | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| The Group | CHB Life Insurance Agency | Life insurance agency | 100 | 100 | 100 |
| | CHB Insurance Brokerage | Property insurance brokerage | 100 | 100 | 100 |

The Bank had merged CHB Life Insurance Agency and CHB Insurance Brokerage on April 1, 2016. Please refer to Note 41.

## 17. 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 | - | 11,607 | 4,521 | 3,313 | 6,730 | 5,652 | - | 2,003 | 33,826 |
| Disposals | - | - | (14,735) | (3,212) | (4,981) | (47) | - | - | (22,975) |
| Effect of foreign currency exchange differences | - | (4,265) | (1,277) | (191) | (950) | 407 | - | (343) | (6,619) |
| Balance at March 31, 2016 | $ 15,880,100 | $ 9,057,634 | $ 5,195,421 | $ 619,797 | $ 1,499,659 | $ 949,242 | $ 112,232 | $ 18,147 | $ 33,332,232 |
| 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 | - | 44,295 | 58,148 | 8,548 | 11,444 | 12,520 | 3,116 | - | 138,071 |
| Disposals | - | - | (14,735) | (3,212) | (4,981) | (47) | - | - | (22,975) |
| Effect of foreign currency exchange differences | - | (61) | (622) | (103) | (747) | (289) | - | - | (1,822) |
| Balance at March 31, 2016 | $ - | $ 3,980,154 | $ 4,499,704 | $ 513,592 | $ 1,342,833 | $ 793,735 | $ 58,248 | $ - | $ 11,188,266 |
| Carrying amounts at March 31, 2016 | $ 15,880,100 | $ 5,077,480 | $ 695,717 | $ 106,205 | $ 156,826 | $ 155,507 | $ 53,984 | $ 18,147 | $ 22,143,966 |
| 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 | - | 34,128 | 13,759 | 8,867 | 11,909 | 19,654 | - | 1,775 | 90,092 |
| Disposals | - | - | (15,526) | (2,567) | (2,509) | - | - | | (20,602) |
| Reclassification as held for sale | - | - | - | - | - | - | - | (585) | (585) |
| Effect of foreign currency exchange differences | - | (226) | (1,013) | (291) | (865) | (1,407) | - | (212) | (4,014) |
| Balance at March 31, 2015 | $ 17,407,630 | $ 8,888,330 | $ 5,468,469 | $ 558,863 | $ 1,484,800 | $ 927,793 | $ 168,860 | $ 56,642 | $ 34,961,387 |
| 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 | - | 43,047 | 61,424 | 7,280 | 12,354 | 13,393 | 4,691 | - | 142,189 |
| Disposals | - | - | (15,526) | (2,567) | (2,509) | - | - | - | (20,602) |
| Reclassification | - | - | - | - | - | - | - | - | - |
| Effect of foreign currency exchange differences | - | - | (557) | (121) | (574) | (646) | - | - | (1,898) |
| Balance at March 31, 2015 | $ - | $ 3,864,228 | $ 4,734,150 | $ 464,131 | $ 1,314,022 | $ 742,868 | $ 73,942 | $ - | $ 11,193,341 |
| Carrying amounts at March 31, 2015 | $ 17,407,630 | $ 5,024,102 | $ 734,319 | $ 94,732 | $ 170,778 | $ 184,925 | $ 94,918 | $ 56,642 | $ 23,768,046 |

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 |

## 18. INVESTMENT PROPERTIES

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Completed investment property | $ 12,534,850 | $ 12,536,509 | $ 11,010,889 |

Except for depreciation recognized, the Group had no significant addition, disposal, and impairment of investment properties during the three months ended March 31, 2016 and 2015. 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 Group's investment property as of March 31, 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 Group's investment property as of March 31, 2015 was $15,832,200 thousand. The fair value valuation was not performed by independent qualified professional valuers; management of the Group 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 ended March 31, 2016 and 2015 were as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2016** | **2015** |
| Rental incomes | $ 42,766 | $ 45,590 |
| Direct operating expenses | $ 22,599 | $ 17,841 |

## 19. INTANGIBLE ASSETS

| | **March 31, 2016** | **December 31, 2015** | **March 31, 2015** |
|---|---|---|---|
| Computer software | $ 464,727 | $ 500,710 | $ 451,682 |

Except for amortization recognized, the Group had no significant addition, disposal, and impairment of intangible assets during the three months ended March 31, 2016 and 2015.

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

## 20. OTHER ASSETS

| | **March 31, 2016** | **December 31, 2015** | **March 31, 2015** |
|---|---|---|---|
| Refundable deposits | $ 236,608 | $ 109,225 | $ 196,289 |
| Assumed collateral and residuals | 23,462 | 23,462 | 23,462 |
| Less: Accumulated impairment | (23,462) | (23,462) | (23,462) |
| Prepayments | 544,440 | 238,536 | 643,148 |
| Others | 545 | 596 | 774 |
| | $ 781,593 | $ 348,357 | $ 840,211 |

## 21. DUE TO BANKS AND CENTRAL BANK

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Due to Central Bank | $ 24,804 | $ 20,249 | $ 25,294 |
| Due to banks | 25,588,709 | 30,117,635 | 21,366,449 |
| Bank overdraft | 373,817 | 951,895 | 964,178 |
| Call loans from banks | 125,376,528 | 90,118,840 | 107,522,078 |
| Deposits transferred from the Postal Bureau | 2,674,709 | 2,816,609 | 3,265,209 |
| | $ 154,038,567 | $ 124,025,228 | $ 133,143,208 |

## 22. PAYABLES

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Checks issued to payees for clearing | $ 9,415,255 | $ 9,333,298 | $ 8,864,826 |
| Accounts payable | 2,324,507 | 1,898,732 | 4,426,672 |
| Accrued expenses | 1,604,887 | 2,517,194 | 1,481,306 |
| Interest payable | 2,296,748 | 1,867,700 | 2,561,003 |
| Acceptances | 3,980,862 | 4,715,573 | 4,448,745 |
| Others | 2,534,676 | 2,832,435 | 2,747,519 |
| | $ 22,156,935 | $ 23,164,932 | $ 24,530,071 |

## 23. DEPOSITS

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Checking deposit | $ 30,870,440 | $ 37,344,978 | $ 32,837,612 |
| Demand deposit | 375,045,887 | 363,453,070 | 321,703,977 |
| Time deposit | 337,344,745 | 333,234,816 | 298,777,765 |
| Negotiable certificates of deposit | 7,660,050 | 7,576,400 | 10,027,500 |
| Savings deposit | 804,268,125 | 804,891,721 | 792,929,155 |
| Remittances | 1,293,488 | 1,238,726 | 1,136,365 |
| | $ 1,556,482,735 | $ 1,547,739,711 | $ 1,457,412,374 |

## 24. BANK NOTES PAYABLE

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

The Bank issued $5,000 million subordinated bank notes-97-1 with 7-year terms on May 19, 2008.

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 | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Hedged financial liabilities at fair value | | | |
| 97-1, 7-year term, interest payable annually, interest rate 3.10%, maturity date: May 19, 2015 | $ - | $ - | $ 2,000,000 |
| 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 | 201,955 | 183,580 | 28,988 |
| | 5,401,955 | 5,383,580 | 7,228,988 |
| Non-hedged bank notes payable | | | |
| 97-1, 7-year term, interest payable annually, interest rate 3.10%, maturity date: May 19, 2015 | - | - | 3,000,000 |
| 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 |

(Continued)

| Bank Note, Interest Rate and Maturity Date | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| 100-2, 10-year terms, interest payable annually, floating rate, maturity date: April 18, 2021 | $ 6,700,000 | $ 6,700,000 | $ 6,700,000 |
| 102-1, 3-year terms, interest payable annually, interest rate 2.90%, maturity date: May 29, 2016 | 4,971,000 | 4,993,000 | 5,040,000 |
| 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 |
| | 29,771,000 | 29,793,000 | 41,190,000 |
| | $ 35,172,955 | $ 35,176,580 | $ 48,418,988 |

(Concluded)

The Group engaged in derivative transactions as hedging tools for the 97-1, 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.

## 25. OTHER FINANCIAL LIABILITIES

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Principal structured products | $ 1,424,450 | $ 829,163 | $ 230,791 |
| Appropriations for loan fund | 236,216 | 232,195 | 248,035 |
| Lease payable | 7,877 | 13,838 | 37,791 |
| | $ 1,668,543 | $ 1,075,196 | $ 516,617 |

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.

## 26. OTHER LIABILITIES

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Unearned revenue | $ 866,592 | $ 856,983 | $ 885,929 |
| Guarantee deposits | 2,515,597 | 2,328,710 | 2,364,716 |
| Deferred income | 31,001 | 28,027 | 43,155 |
| | $ 3,413,190 | $ 3,213,720 | $ 3,293,800 |

## 27. PROVISIONS

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Reserve for employee benefits | $ 3,824,446 | $ 3,919,132 | $ 3,535,275 |
| Reserve for guarantee liabilities | 452,994 | 452,184 | 471,760 |
| Others | 239 | - | 145 |
| | $ 4,277,679 | $ 4,371,316 | $ 4,007,180 |

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 Group had no significant changes for the three months ended March 31, 2016 and 2015.

## 28. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group'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 30,f. employee benefits expense.

## 29. EQUITY

a. Share capital

Common stock

| | March 31, 2016 | December 31, 2015 | March 31, 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 January 1, 2015, the Bank's authorized and registered capital was $80,000,000 thousand divided into 8,000,000 thousand shares at $10 par value; the total paid-in capital was $79,040,404 thousand. In June 2015, the Bank increased the Bank's registered capital by $10,000,000 thousand. In August 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 December 31, 2015 was $90,000,000 thousand divided into 9,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital was $84,573,232 thousand divided into 8,457,323 thousand outstanding shares, at $10 par value.

b. Distribution of earnings and dividend policy

Under the Bank's Articles of Incorporation, the Bank should make appropriations from its net income in the following order:

1) Payment of income taxes;

2) Offset of prior years' losses, if any;

3) 30% as legal reserve and if needed, special reserve;

4) Dividends to shareholders as proposed by the Board of Directors and resolved in the general shareholders' meeting.

5) 1% to 1.5% as bonuses to directors based on the approval of the Board of Directors.

6) 1% to 8% as bonuses to employees based on the approval of the Board of Directors.

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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Bank's board of directors in March 2016 and are subject to the resolution of the shareholders in their meeting to be held in June 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to Note 30,f. employee benefits expense.

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 Company 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 proposed by the board of directors on April 22, 2016 and approved in the shareholders' meetings on 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 |

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2015 are subject to the resolution of the shareholders' meeting to be held in June 2016.

d. Special reserve

| | March 31, 2016 | December 31, 2015 | March 31, 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 Group 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.

## 30. NET INCOME

a. Net interest income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Interest income | | |
| Loans | $ 6,874,526 | $ 6,570,296 |
| Due from and call loans to banks | 574,930 | 830,562 |
| Investment in marketable securities | 797,232 | 634,486 |
| Others | 32,922 | 33,046 |
| | 8,279,610 | 8,068,390 |
| Interest expense | | |
| Deposits | (2,496,049) | (2,560,879) |
| Due to the Central Bank and call loans from banks | (227,960) | (176,739) |
| Others | (193,352) | (289,055) |
| | (2,917,361) | (3,026,673) |
| Net interest income | $ 5,362,249 | $ 5,041,717 |

b. Net service fee and commissions income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Service fee and commissions income | | |
| Fees from import and export | $ 85,731 | $ 89,677 |
| Remittance fees | 117,459 | 111,124 |
| Loan and guarantees fees | 203,386 | 129,253 |
| Fees from trustee | 138,647 | 217,748 |
| Fees from trustee business | 62,202 | 65,378 |
| Others | 736,806 | 779,893 |
| | 1,344,231 | 1,393,073 |
| Service fee and commissions | | |
| Interbank fees | (33,764) | (33,249) |
| Fees from trustee business | (4,341) | (10,841) |
| Management fees | (22,280) | (21,950) |
| Others | (183,920) | (154,431) |
| | (244,305) | (220,471) |
| Net service fee and commissions income | $ 1,099,926 | $ 1,172,602 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Disposal gains (losses) on financial assets and liabilities at FVTPL | | |
| Stocks and beneficiary certificates | $ 1,123 | $ 23,225 |
| Bonds | 38,245 | 12,169 |
| Bills | 3 | 14 |
| Derivative financial instruments | 461,554 | 49,293 |
| Net interest income | (79,837) | (523,861) |
| | 421,088 | (439,160) |
| Valuation gains (losses) on financial assets and liabilities at FVTPL | | |
| Stocks and beneficiary certificates | 1,705 | (16,318) |
| Bonds | (8,233) | 3,077 |
| Bills | 3,708 | (898) |
| Derivative financial instruments | 410,567 | 844,284 |
| | 407,747 | 830,145 |
| | $ 828,835 | $ 390,985 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Disposal gains | | |
| Stock | $ 32,208 | $ 14,680 |
| Bonds | 69,533 | 15,996 |
| | 101,741 | 30,676 |
| Disposal losses | | |
| Stock | (15,152) | - |
| Bonds | (180) | (79) |
| | (15,332) | (79) |
| | $ 86,409 | $ 30,597 |

e. Depreciation and amortization expenses

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Property and equipment | $ 138,071 | $ 142,189 |
| Investment property | 1,660 | 1,551 |
| Intangible assets and other deferred assets | 38,879 | 31,617 |
| | $ 178,610 | $ 175,357 |

f. Employee benefits expenses

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Short-term benefits | $ 2,235,051 | $ 2,179,989 |
| Post-employment benefits | | |
| Defined contribution plans | 38,072 | 35,132 |
| Defined benefit plans | 83,554 | 82,876 |
| High-yield savings account for employees | 116,124 | 114,102 |
| Other post-employment benefits | 1,703 | 1,519 |
| | $ 2,474,504 | $ 2,413,618 |

The existing (2014) Articles of Incorporation of the Bank stipulate to distribute bonus to employees and remuneration to directors and supervisors at 8% and 1.25% of net income (net of the bonus to employees and remuneration to directors and supervisors) minus legal reserve, based on past experiences. For the three months ended March 31, 2015, the bonus to employees and the remuneration to directors were $139,000 thousand and $22,000 thousand, respectively, representing 8% and 1.25%, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Bank (which was approved by the board of directors in March 2016 and are expected to be approved by the shareholders' in their meeting in June 2016) stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months ended March 31, 2016, the employees' compensation and the remuneration to directors were $188,000 thousand and $12,000 thousand, respectively, representing 5% and 0.4%, respectively, of the base net profit.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated 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 in June 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 consolidated 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.

## 31. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Current tax | | |
| In respect of the current year | $ 280,139 | $ 259,866 |
| Deferred tax | | |
| In respect of the current year | 236,487 | 236,861 |
| Non-deductible tax of overseas branches | 56,926 | 20,576 |
| Income tax expense recognized in profit or loss | $ 573,552 | $ 517,303 |

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Deferred tax | | |
| In respect of the current year: | | |
| Translation of foreign operations | $ (29,138) | $ (19,589) |
| Fair value changes of available-for-sale financial asset | 1,660 | (695) |
| Total income tax recognized in other comprehensive income | $ (27,478) | $ (20,284) |

c. Information about integrated income tax was as follows:

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Unappropriated earnings generated on and after January 1, 1998 | $ 15,007,945 | $ 11,613,831 | $ 13,605,117 |
| Imputation credits accounts | $ 1,077,407 | $ 859,993 | $ 1,243,757 |

The creditable ratio for distribution of earnings of 2015 and 2014 was 9.28% (estimate) and 9.83%, respectively.

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

## 32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 18, 2015. The basic and diluted after-tax earnings per share for the three months ended March 31, 2015 were adjusted retrospectively as followings:

**Unit: NT$ Per Share**

| | For the Three Months Ended March 31, 2015 | |
|---|---|---|
| | Before Adjusted Retrospectively | After Adjusted Retrospectively |
| Basic earnings per share | $ 0.36 | $ 0.34 |
| Diluted earnings per share | $ 0.36 | $ 0.34 |

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 March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Net profit for the year | $ 3,394,114 | $ 2,882,057 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 8,457,323 | 8,457,323 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation or bonus issue to employees | 47,402 | 41,395 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 8,504,725 | 8,498,718 |

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

## 33. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, refundable deposits paid under operation leases amounted to $39,619 thousand, $39,006 thousand and $36,097 thousand, respectively.

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Not later than 1 year | $ 423,830 | $ 561,595 | $ 413,256 |
| Later than 1 year and not later than 5 years | 1,112,527 | 1,066,544 | 1,072,580 |
| Later than 5 years | 349,738 | 365,478 | 350,808 |
| | $ 1,886,095 | $ 1,993,617 | $ 1,836,644 |

b. The Group as lessor

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, refundable deposits paid under operation leases amounted to $49,690 thousand, $49,272 thousand and $46,739 thousand, respectively.

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Not later than 1 year | $ 160,374 | $ 191,030 | $ 161,204 |
| Later than 1 year and not later than 5 years | 558,007 | 422,066 | 437,171 |
| Later than 5 years | 77,442 | 77,442 | 72,575 |
| | $ 795,823 | $ 690,538 | $ 670,950 |

## 34. CAPITAL RISK MANAGEMENT

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

## 35. 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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

| | March 31, 2016 | | December 31, 2015 | | March 31, 2015 | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | | | |
| Held-to-maturity investments | $ 199,281,426 | $ 199,430,485 | $ 205,777,255 | $ 205,870,456 | $ 188,565,148 | $ 188,599,428 |
| Bonds investment with no active market | 2,038,064 | 2,048,993 | 2,051,074 | 2,065,441 | 3,378,722 | 3,395,111 |
| Financial liabilities | | | | | | |
| Bond payables | 35,172,955 | 36,058,372 | 35,176,580 | 36,206,685 | 48,418,988 | 49,300,175 |

2) Fair value hierarchy

Fair value hierarchy as at March 31, 2016

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Financial assets | | | | |
| Held-to-maturity investments | $ 199,430,485 | $ 3,208,248 | $ 14,352,237 | $ 181,870,000 |
| Bonds investment with no active market | 2,048,993 | - | 2,048,993 | - |
| Financial liabilities | | | | |
| Bond payables | 36,058,372 | - | 7,401,955 | 28,656,417 |

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 March 31, 2015

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Financial assets | | | | |
| Held-to-maturity investments | $ 188,599,428 | $ 898,798 | $ 14,810,630 | $ 172,890,000 |
| Bonds investment with no active market | 3,395,111 | 1,276,997 | 818,114 | 1,300,000 |
| Financial liabilities | | | | |
| Bond payables | 49,300,175 | - | 7,228,988 | 42,071,187 |

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 | March 31, 2016 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Non-derivative financial products | | | | |
| Assets | | | | |
| Financial assets at FVTPL | $ 36,423,019 | $ 8,308,627 | $ 28,114,392 | $ - |
| Trading assets | 30,187,669 | 3,280,227 | 26,907,442 | - |
| Stock and mutual funds | 223,474 | 223,474 | - | - |
| Bond investments | 3,062,542 | 3,056,753 | 5,789 | - |
| Others | 26,901,653 | - | 26,901,653 | - |
| Financial assets designated upon initial recognition as at fair value through profit or loss | 6,235,350 | 5,028,400 | 1,206,950 | - |
| Available-for-sale financial assets | 69,144,747 | 48,579,967 | 20,564,780 | - |
| Stock investments | 3,048,980 | 3,048,980 | - | - |
| Bond investments | 65,359,806 | 44,795,026 | 20,564,780 | - |
| Others | 735,961 | 735,961 | - | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 16,965,842 | - | 16,965,842 | - |
| Derivative financial products | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 5,496,681 | 53,296 | 5,443,385 | - |
| Other financial assets | | | | |
| Hedging derivative financial instruments | 211,469 | - | 211,469 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 8,760,787 | - | 8,760,787 | - |

| 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 | March 31, 2015 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Non-derivative financial products | | | | |
| Assets | | | | |
| Financial assets at FVTPL | $ 33,825,879 | $ 7,526,556 | $ 26,299,323 | $ - |
| Trading assets | 27,503,005 | 2,833,056 | 24,669,949 | - |
| Mutual funds | 227,654 | 227,654 | - | - |
| Bond investments | 3,610,270 | 2,605,402 | 1,004,868 | - |
| Others | 23,665,081 | - | 23,665,081 | - |
| Financial assets designated upon initial recognition as at fair value through profit or loss | 6,322,874 | 4,693,500 | 1,629,374 | - |
| Available-for-sale financial assets | 57,660,457 | 30,315,976 | 27,344,481 | - |
| Stock investments | 2,410,737 | 2,410,737 | - | - |
| Bond investments | 54,396,167 | 27,051,686 | 27,344,481 | - |
| Others | 853,553 | 853,553 | - | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 16,349,428 | - | 16,349,428 | - |
| Derivative financial products | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 4,800,888 | 22,898 | 4,777,990 | - |
| Other financial assets | | | | |
| Hedging derivative financial instruments | 41,066 | - | 41,066 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 4,763,833 | - | 4,763,833 | - |

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 Three Months Ended March 31, 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 three months ended March 31, 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 March 31, 2016 and 2015, the Bank's VaR factors based on historical simulation method were as follows:

| | For the Three Months Ended March 31, 2016 | | | |
|---|---|---|---|---|
| | Average | Highest | Lowest | Ending Balance |
| Exchange VaR | $ 181,786 | $ 221,885 | $ 151,973 | $ 221,885 |
| Interest rate VaR | 19,245 | 26,057 | 14,448 | 22,217 |
| Equity securities VaR | 1,294 | 2,149 | 553 | 842 |
| Value at risk | $ 202,325 | $ 250,091 | $ 166,974 | $ 244,944 |

| | For the Three Months Ended March 31, 2015 | | | |
|---|---|---|---|---|
| | Average | Highest | Lowest | Ending Balance |
| Exchange VaR | $ 155,051 | $ 195,638 | $ 131,464 | $ 166,340 |
| Interest rate VaR | 24,810 | 82,621 | 15,275 | 40,591 |
| Equity securities VaR | 1,489 | 1,876 | 976 | 1,311 |
| Value at risk | $ 181,350 | $ 280,135 | $ 147,715 | $ 208,242 |

2) Primary foreign currencies

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

**(In Thousands of Foreign Currencies/New Taiwan Dollars)**

| | March 31, 2016 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 4,011,509 | 32.1750 | $ 129,070,302 |
| GBP | 103,978 | 46.1900 | 4,802,744 |
| AUD | 937,114 | 24.6250 | 23,076,432 |
| HKD | 1,519,790 | 4.1490 | 6,305,609 |
| CAD | 137,937 | 24.7700 | 3,416,699 |
| ZAR | 2,952,499 | 2.1600 | 6,377,398 |
| JPY | 57,645,982 | 0.2864 | 16,509,809 |
| EUR | 350,224 | 36.4300 | 12,758,660 |
| NZD | 72,391 | 22.2000 | 1,607,080 |
| RMB | 19,678,753 | 4.9710 | 97,823,081 |
| Non-monetary items | | | |
| USD | 186,413 | 32.1750 | 5,997,838 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 8,489,049 | 32.1750 | 273,135,152 |
| GBP | 100,675 | 46.1900 | 4,650,178 |

(Continued)

| | March 31, 2016 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| AUD | $ 902,797 | 24.6250 | $ 22,231,376 |
| HKD | 1,530,015 | 4.1490 | 6,348,032 |
| CAD | 112,229 | 24.7700 | 2,779,912 |
| CHF | 38,493 | 33.3050 | 1,282,009 |
| ZAR | 3,005,341 | 2.1600 | 6,491,537 |
| JPY | 46,008,591 | 0.2864 | 13,176,860 |
| EUR | 400,394 | 36.4300 | 14,586,353 |
| NZD | 75,028 | 22.2000 | 1,665,622 |
| RMB | 16,590,379 | 4.9710 | 82,470,774 |
| Non-monetary items | | | |
| USD | 545,215 | 32.1750 | 17,542,293 |

(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)**

| | March 31, 2015 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 5,980,354 | 31.2900 | $ 187,125,277 |
| GBP | 33,151 | 46.3100 | 1,535,223 |
| AUD | 724,767 | 23.9250 | 17,340,050 |
| HKD | 3,991,878 | 4.0350 | 16,107,228 |
| CAD | 99,337 | 24.6600 | 2,449,650 |
| ZAR | 1,023,851 | 2.5800 | 2,641,536 |
| JPY | 31,734,707 | 0.2603 | 8,260,544 |
| EUR | 292,899 | 33.8800 | 9,923,418 |
| NZD | 4,433 | 23.4800 | 104,087 |
| RMB | 18,697,448 | 5.0400 | 94,235,138 |
| Non-monetary items | | | |
| USD | 217,211 | 31.2900 | 6,796,532 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 6,557,774 | 31.2900 | 205,192,748 |
| GBP | 44,322 | 46.3100 | 2,052,552 |
| AUD | 740,070 | 23.9250 | 17,706,175 |
| HKD | 3,050,035 | 4.0350 | 12,306,891 |
| SGD | 16,498 | 22.7400 | 375,165 |
| CAD | 103,573 | 24.6600 | 2,554,110 |
| ZAR | 2,169,537 | 2.5800 | 5,597,405 |
| JPY | 37,633,157 | 0.2603 | 9,795,911 |
| EUR | 366,833 | 33.8800 | 12,428,302 |
| NZD | 42,741 | 23.4800 | 1,003,559 |
| RMB | 15,504,117 | 5.0400 | 78,140,750 |
| Non-monetary items | | | |
| USD | 561,182 | 31.2900 | 17,559,385 |

For the three months ended March 31, 2016 and 2015, net foreign exchange gains (losses) were $(171,367) thousand and $69,410 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group 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 Group's consolidated balance sheet:

March 31, 2016

| | Maximum Exposure to Credit Risk Mitigated by | | | |
|---|---|---|---|---|
| | Collateral | Master Netting Arrangement | Other Credit Enhancements (Describe) | Total |
| Loans | $ 823,363,298 | $ - | $ - | $ 823,363,298 |
| Financial assets at fair value through profit or loss | 18,976,631 | - | - | 18,976,631 |
| Available-for-sale financial assets | 3,224,977 | - | - | 3,224,977 |
| Held-to-maturity financial assets | 2,274,849 | - | - | 2,274,849 |
| Debt investments with no active market | 835,186 | - | - | 835,186 |

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 |

March 31, 2015

| | Maximum Exposure to Credit Risk Mitigated by | | | |
|---|---|---|---|---|
| | Collateral | Master Netting Arrangement | Other Credit Enhancements (Describe) | Total |
| Loans | $ 776,192,937 | $ - | $ - | $ 776,192,937 |
| Financial assets at fair value through profit or loss | 19,431,173 | - | - | 19,431,173 |
| Available-for-sale financial assets | 1,715,913 | - | - | 1,715,913 |
| Held-to-maturity financial assets | 2,050,301 | - | - | 2,050,301 |
| Debt investments with no active market | 846,046 | - | - | 846,046 |

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 to the consolidated financial statements.

As of March 31, 2016 and 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 | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Unused loan commitments (excluding credit card) | $ 115,796,810 | $ 107,576,609 | $ 79,239,378 |
| Credit card credit commitment | 285,867 | 347,862 | 287,409 |
| Unused issued letters of credit | 21,625,192 | 17,841,443 | 23,055,400 |
| Guarantees in guarantee business | 34,975,728 | 34,838,957 | 32,238,302 |

e) Situation of credit risk concentration

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

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

| | March 31, 2016 | |
|---|---|---|
| Industry Type | Carrying Value | Percentage of Item (%) |
| Financial and insurance | $ 71,753,117 | 5 |
| Manufacturing | 332,415,023 | 24 |
| Wholesale and retail | 116,562,665 | 9 |
| Real estate and leasing | 97,772,101 | 7 |
| Service | 38,313,190 | 3 |
| Individuals | 433,400,844 | 31 |
| Others | 291,517,192 | 21 |
| | $ 1,381,734,132 | |

| | 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 |

(Continued)

| Industry Type | December 31, 2015<br>Carrying Value | Percentage of Item (%) |
|---|---|---|
| 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 | |

(Concluded)

| Industry Type | March 31, 2015<br>Carrying Value | Percentage of Item (%) |
|---|---|---|
| Financial and insurance | $ 74,042,732 | 6 |
| Manufacturing | 337,718,765 | 26 |
| Wholesale and retail | 120,772,469 | 9 |
| Real estate and leasing | 85,322,008 | 6 |
| Service | 29,626,296 | 2 |
| Individuals | 429,953,209 | 32 |
| Others | 246,453,510 | 19 |
| | $ 1,323,888,989 | |

| Geographic Location | March 31, 2016<br>Carrying Value | Percentage of Item (%) |
|---|---|---|
| Asia | $ 1,322,401,466 | 96 |
| America | 40,487,399 | 3 |
| Europe | 16,876,167 | 1 |
| Others | 1,969,100 | - |
| | $ 1,381,734,132 | |

| Geographic Location | December 31, 2015<br>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 | March 31, 2015<br>Carrying Value | Percentage of Item (%) |
|---|---|---|
| Asia | $ 1,268,832,015 | 96 |
| America | 42,488,863 | 3 |
| Europe | 11,418,343 | 1 |
| Others | 1,149,768 | - |
| | $ 1,323,888,989 | |

| | March 31, 2016<br>Carrying Value | Percentage of Item (%) |
|---|---|---|
| Unsecured | $ 558,370,834 | 40 |
| Secured | | |
| Properties | 680,522,321 | 49 |
| Others | 142,840,977 | 11 |
| | $ 1,381,734,132 | |

| | December 31, 2015<br>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 | |

| | March 31, 2015<br>Carrying Value | Percentage of Item (%) |
|---|---|---|
| Unsecured | $ 547,696,052 | 41 |
| Secured | | |
| Properties | 644,781,743 | 49 |
| Others | 131,411,194 | 10 |
| | $ 1,323,888,989 | |

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

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at 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 | March 31, 2016 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | | | Past Due But Not Impaired (B) | Impaired (C) | Total (A)+(B)+(C) | Provision for Impairment Losses (D) | | Net (A)+(B)+(C)-(D) |
| | High | Medium | Weak | Non-ratings | Subtotal (A) | | | | Objective Evidence of Impairment | Nonobjective Evidence of Impairment | |
| In-balance-sheet items | | | | | | | | | | | |
| Receivables | $ 7,469,158 | $ 2,894,646 | $ 239,581 | $ 6,929,138 | $ 17,532,523 | $ 6,037 | $ 165,910 | $ 17,704,470 | $ 77,655 | $ 51,587 | $ 17,575,228 |
| Credit cards | - | - | - | 1,653,623 | 1,653,623 | - | 23,220 | 1,676,843 | 11,850 | 4,788 | 1,660,205 |
| Other | 7,469,158 | 2,894,646 | 239,581 | 5,275,515 | 15,878,900 | 6,037 | 142,690 | 16,027,627 | 65,805 | 46,799 | 15,915,023 |
| Loans | 363,276,673 | 689,405,808 | 157,513,410 | 160,068,706 | 1,370,264,597 | 2,013,742 | 9,455,793 | 1,381,734,132 | 3,653,687 | 12,014,057 | 1,366,066,388 |

(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 | March 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 | $ 6,387,926 | $ 3,929,664 | $ 235,383 | $ 8,275,334 | $ 18,828,307 | $ 7,421 | $ 305,415 | $ 19,141,143 | $ 244,841 | $ 64,780 | $ 18,831,522 |
| Credit cards | - | - | - | 1,425,795 | 1,425,795 | - | 17,414 | 1,443,209 | 8,607 | 4,156 | 1,430,446 |
| Other | 6,387,926 | 3,929,664 | 235,383 | 6,849,539 | 17,402,512 | 7,421 | 288,001 | 17,697,934 | 236,234 | 60,624 | 17,401,076 |
| Loans | 349,062,109 | 673,252,361 | 178,976,792 | 111,139,022 | 1,312,430,284 | 2,355,077 | 9,103,628 | 1,323,888,989 | 3,789,356 | 10,787,040 | 1,309,312,593 |

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

**(In Thousands of New Taiwan Dollars)**

| Item | March 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | | |
| | High | Medium | Weak | Non-ratings | Total |
| Consumer finance | $ 77,207,621 | $ 166,961,626 | $ 130,778,728 | $ 55,335,699 | $ 430,283,674 |
| Corporation finance | 286,069,052 | 522,444,182 | 26,734,682 | 104,733,007 | 939,980,923 |
| Total | $ 363,276,673 | $ 689,405,808 | $ 157,513,410 | $ 160,068,706 | $ 1,370,264,597 |

**(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 | March 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | | |
| | High | Medium | Weak | Non-ratings | Total |
| Consumer finance | $ 68,807,017 | $ 165,007,837 | $ 146,694,812 | $ 46,055,960 | $ 426,565,626 |
| Corporation finance | 280,255,092 | 508,244,524 | 32,281,980 | 65,083,062 | 885,864,658 |
| Total | $ 349,062,109 | $ 673,252,361 | $ 178,976,792 | $ 111,139,022 | $ 1,312,430,284 |

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

| Item | March 31, 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | | | Past Due But Not Impaired (B) | Impaired (C) | Total (A)+(B)+(C) | Provision for Impairment Losses (D) | Net (A)+(B)+(C)-(D) |
| | High | Medium | Weak | Non-ratings | Subtotal (A) | | | | Objective Evidence of Impairment | Nonobjective Evidence of Impairment | |
| Available-for-sale financial assets | $ 68,977,673 | $ - | $ - | $ 137,074 | $ 69,114,747 | $ - | $ 150,000 | $ 69,264,747 | $ 120,000 | $ - | $ 69,144,747 |
| Bonds | 65,222,732 | - | - | 137,074 | 65,359,806 | - | - | 65,359,806 | - | - | 65,359,806 |
| Stocks | 3,018,980 | - | - | - | 3,018,980 | - | 150,000 | 3,168,980 | 120,000 | - | 3,048,980 |
| Bills | 735,961 | - | - | - | 735,961 | - | - | 735,961 | - | - | 735,961 |
| Held-to-maturity financial assets | 199,281,426 | - | - | - | 199,281,426 | - | - | 199,281,426 | - | - | 199,281,426 |
| Bonds | 17,411,426 | - | - | - | 17,411,426 | - | - | 17,411,426 | - | - | 17,411,426 |
| Bills | 181,870,000 | - | - | - | 181,870,000 | - | - | 181,870,000 | - | - | 181,870,000 |
| Other financial assets | 1,391,834 | - | - | 646,230 | 2,038,064 | - | 148,641 (Note) | 2,186,705 | 148,641 | - | 2,038,064 |
| Securities and bonds | 1,391,834 | - | - | 646,230 | 2,038,064 | - | 148,641 (Note) | 2,186,705 | 148,641 | - | 2,038,064 |

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 | March 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 | $ 57,630,457 | $ - | $ - | $ - | $ 57,630,457 | $ - | $ 150,000 | $ 57,780,457 | $ 120,000 | $ - | $ 57,660,457 |
| Bonds | 54,396,167 | - | - | - | 54,396,167 | - | - | 54,396,167 | - | - | 54,396,167 |
| Stocks | 2,380,737 | - | - | - | 2,380,737 | - | 150,000 | 2,530,737 | 120,000 | - | 2,410,737 |
| Bills | 853,553 | - | - | - | 853,553 | - | - | 853,553 | - | - | 853,553 |
| Held-to-maturity financial assets | 188,565,148 | - | - | - | 188,565,148 | - | - | 188,565,148 | - | - | 188,565,148 |
| Bonds | 15,402,540 | - | - | - | 15,402,540 | - | - | 15,402,540 | - | - | 15,402,540 |
| Bills | 173,162,608 | - | - | - | 173,162,608 | - | - | 173,162,608 | - | - | 173,162,608 |
| Other financial assets | 2,723,522 | - | - | 655,200 | 3,378,722 | - | 144,557 (Note) | 3,523,279 | 144,557 | - | 3,378,722 |
| Stocks, securities and bonds | 2,723,522 | - | - | 655,200 | 3,378,722 | - | 144,557 (Note) | 3,523,279 | 144,557 | - | 3,378,722 |

Note: Cost on the reclassification date.

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

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

**(In Thousands of New Taiwan Dollars)**

| Item | March 31, 2016 | | |
|---|---|---|---|
| | Past Due Up to One Month | Past Due Over One Month | Total |
| Loans | | | |
| Consumer finance | $ 1,480,111 | $ 393,586 | $ 1,873,697 |
| Corporation finance | 126,879 | 13,166 | 140,045 |

**(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 | March 31, 2015 | | |
|---|---|---|---|
| | Past Due Up to One Month | Past Due Over One Month | Total |
| Loans | | | |
| Consumer finance | $ 1,932,767 | $ 304,040 | $ 2,236,807 |
| Corporation finance | 66,375 | 51,895 | 118,270 |

4) Liquidity risk management

a) The definition of liquidity risk

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

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about 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 March 31, 2016 and 2015, the ratio of liquidity reserve is 16.78% and 16.87%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

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

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

(In Thousands of New Taiwan Dollars)

| Item | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Major maturity funds inflows | | | | | | |
| Cash and cash equivalents | $ 16,921,233 | $ - | $ - | $ - | $ - | $ 16,921,233 |
| Due from the Central Bank and call loans to other banks | 36,919,393 | 3,633,415 | 4,491,380 | 8,566,570 | 19,024,407 | 72,635,165 |
| Financial assets at fair value through profit or loss | 29,980,356 | - | - | - | - | 29,980,356 |
| Receivables | 20,099,666 | 483,249 | 293,818 | 179,187 | 13,084 | 21,069,004 |
| Loans | 99,742,842 | 122,432,061 | 83,157,869 | 143,089,531 | 678,910,785 | 1,127,333,088 |
| Available-for-sale financial assets | - | - | 250,863 | 355,132 | 27,759,225 | 28,365,220 |
| Held-to-maturity financial assets | 135,249,993 | 5,300,000 | 2,540,209 | 3,620,158 | 13,059,399 | 159,769,759 |
| 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 | - | - | - | - | 13,336,856 | 13,336,856 |
| | 338,913,483 | 131,848,725 | 90,734,139 | 156,610,578 | 756,270,765 | 1,474,377,690 |
| Major maturity funds outflows | | | | | | |
| Due to the Central Bank and banks | 338,545 | 162,722 | 1,110,924 | 1,284,579 | - | 2,896,770 |
| Due to the Central Bank and call loans to other banks | 13,955,000 | 10,000 | - | - | - | 13,965,000 |
| Securities sold under repurchase agreements | 2,614,008 | 1,789,760 | 20,170 | - | - | 4,423,938 |
| Payables | 31,415,594 | 1,053,730 | 1,250,703 | 619,784 | 632,020 | 34,971,831 |
| Deposits and remittances | 137,949,084 | 113,429,235 | 140,600,473 | 268,172,301 | 547,176,605 | 1,207,327,698 |
| Bank notes payable | - | - | 5,000,000 | - | 25,000,000 | 30,000,000 |
| Other maturity funds outflows items | 27,391 | 59,273 | 54,725 | 206,264 | 5,230,195 | 5,577,848 |
| | 186,299,622 | 116,504,720 | 148,036,995 | 270,282,928 | 578,038,820 | 1,299,163,085 |
| Gap | $ 152,613,861 | $ 15,344,005 | $ (57,302,856) | $ (113,672,350) | $ 178,231,945 | $ 175,214,605 |

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

(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 Group.

(In Thousands of New Taiwan Dollars)

| Item | March 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 | $ 16,177,542 | $ - | $ - | $ - | $ - | $ 16,177,542 |
| Due from the Central Bank and call loans to other banks | 15,837,867 | 5,186,947 | 4,455,618 | 8,544,580 | 18,339,433 | 52,364,445 |
| Financial assets at fair value through profit or loss | 27,112,529 | - | - | - | - | 27,112,529 |
| Receivables | 17,866,508 | 651,026 | 318,098 | 723,332 | 222,437 | 19,781,401 |
| Loans | 103,108,124 | 143,018,587 | 88,872,511 | 106,174,328 | 628,310,472 | 1,069,484,022 |
| Available-for-sale financial assets | - | - | 301,366 | - | 36,606,514 | 36,907,880 |
| Held-to-maturity financial assets | 123,400,000 | 4,500,000 | 920,000 | 2,200,000 | 15,347,539 | 146,367,539 |
| 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 | - | - | - | - | 12,282,747 | 12,282,747 |
| | 303,502,570 | 153,356,560 | 94,867,593 | 117,642,240 | 717,376,151 | 1,386,745,114 |
| Major maturity funds outflows | | | | | | |
| Due to the Central Bank and banks | 432,440 | 162,722 | 1,436,831 | 1,478,623 | - | 3,510,616 |
| Due to the Central Bank and call loans to other banks | 30,815,000 | 10,000 | - | - | - | 30,825,000 |
| Securities sold under repurchase agreements | 3,504,469 | 2,129,573 | 39,900 | - | - | 5,673,942 |
| Payables | 18,939,660 | 1,420,550 | 1,143,946 | 706,005 | 1,356,860 | 23,567,021 |
| Deposits and remittances | 133,411,926 | 113,923,822 | 138,049,573 | 264,738,951 | 521,224,856 | 1,171,349,128 |
| Bank notes payable | - | 5,000,000 | - | 8,350,000 | 30,000,000 | 43,350,000 |
| Other maturity funds outflows items | 45,189 | 49,387 | 14,998 | 166,144 | 5,031,481 | 5,307,199 |
| | 187,148,684 | 122,696,054 | 140,685,248 | 275,439,723 | 557,613,197 | 1,283,582,906 |
| Gap | $ 116,353,886 | $ 30,660,506 | $ (45,817,655) | $ (157,797,483) | $ 159,762,954 | $ 103,162,208 |

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

(In Thousands of United States Dollars)

| Item | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Major maturity funds inflows | | | | | | |
| Cash and cash equivalents | $ 173,545 | $ 66,003 | $ - | $ - | $ - | $ 239,548 |
| Due from the Central Bank and call loans to other banks | 799,716 | 446,258 | 235,816 | 120,869 | 414,374 | 2,017,033 |
| Financial assets at fair value through profit or loss | 193,795 | - | - | - | - | 193,795 |
| Receivables | 575,846 | 95,003 | 112,376 | 1,734 | 934 | 785,893 |
| Loans | 634,025 | 774,467 | 586,390 | 452,993 | 3,879,482 | 6,327,357 |
| Available-for-sale financial assets | 4,993 | 4,981 | - | - | 175,341 | 185,315 |
| Held-to-maturity financial assets | - | - | - | 14,090 | 31,055 | 45,145 |
| Debts instrument without active market | - | - | - | - | 3,252 | 3,252 |
| Other maturity funds inflow items | - | - | 36,500 | 15,000 | 20,239 | 71,739 |
| | 2,381,920 | 1,386,712 | 971,082 | 604,686 | 4,524,677 | 9,869,077 |
| Major maturity funds outflows | | | | | | |
| Due to the Central Bank and banks | 887,919 | 6,594 | 720 | 1,280 | 16,044 | 912,557 |
| Due to the Central Bank and call loans to other banks | 2,122,150 | 401,000 | 30,000 | - | 410,000 | 2,963,150 |
| Financial liabilities at fair value through profit or loss | - | - | - | 147,724 | 379,575 | 527,299 |
| Payables | 683,301 | 14,704 | 2,118 | 1,001 | 6,011 | 707,135 |
| Deposits and remittances | 2,106,913 | 1,232,775 | 855,255 | 1,215,332 | 2,475,500 | 7,885,775 |
| Other maturity funds outflows items | 39,849 | 357 | 169 | 1,055 | 22,809 | 64,239 |
| | 5,840,132 | 1,655,430 | 888,262 | 1,366,392 | 3,309,939 | 13,060,155 |
| Gap | $ (3,458,212) | $ (268,718) | $ 82,820 | $ (761,706) | $ 1,214,738 | $ (3,191,078) |

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

**(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 Group.

(In Thousands of United States Dollars)

| Item | March 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 | $ 438,730 | $ 60,006 | $ - | $ - | $ - | $ 498,736 |
| Due from the Central Bank and call loans to other banks | 432,816 | 363,118 | 115,726 | 15,772 | 3,888 | 931,320 |
| Financial assets at fair value through profit or loss | 202,073 | - | - | - | - | 202,073 |
| Receivables | 454,758 | 116,234 | 77,878 | 1,310 | 577 | 650,757 |
| Loans | 718,438 | 1,007,557 | 818,163 | 363,560 | 3,744,052 | 6,651,770 |
| Available-for-sale financial assets | - | - | 10,008 | 33,568 | 19,884 | 63,460 |
| Held-to-maturity financial assets | - | - | - | - | 6,997 | 6,997 |
| Debts instrument without active market | - | - | - | - | 4,164 | 4,164 |
| Financial assets carried at cost | - | - | - | - | - | - |
| Other maturity funds inflow items | - | 10,000 | 42,500 | 30,000 | 19,170 | 101,670 |
| | 2,246,815 | 1,556,915 | 1,064,275 | 444,210 | 3,798,732 | 9,110,947 |
| Major maturity funds outflows | | | | | | |
| Due to the Central Bank and banks | 610,823 | 80,562 | 588 | 938 | 16,119 | 709,030 |
| Due to the Central Bank and call loans to other banks | 1,550,745 | 414,000 | 85,000 | 15,000 | 20,000 | 2,084,745 |
| Financial liabilities at fair value through profit or loss | - | - | - | - | 522,513 | 522,513 |
| Payables | 654,468 | 17,523 | 4,121 | 975 | 9,084 | 686,171 |
| Deposits and remittances | 1,430,264 | 926,231 | 728,251 | 933,718 | 2,167,286 | 6,185,750 |
| Other maturity funds outflows items | 39,481 | 502 | 207 | 67 | 7,082 | 47,339 |
| | 4,285,781 | 1,438,818 | 818,167 | 950,698 | 2,742,084 | 10,235,548 |
| Gap | $ (2,038,966) | $ 118,091 | $ 246,108 | $ (506,488) | $ 1,056,654 | $ (1,124,601) |

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

d) Maturity analysis of derivative financial assets and liabilities

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

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

| Item | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Foreign currency derivative instruments | | | | | | |
| Outflows | $ 123,885,441 | $ 193,156,694 | $ 76,382,470 | $ 53,621,482 | $ 16,088 | $ 447,062,175 |
| Inflows | 123,537,226 | 192,357,883 | 75,594,643 | 53,334,487 | 16,030 | 444,840,269 |
| Interest rate derivative instruments | | | | | | |
| Outflows | 8,719,690 | 8,745,343 | 4,750,139 | 22,044,533 | 16,554,274 | 60,813,979 |
| Inflows | 8,646,714 | 8,476,359 | 4,711,135 | 21,888,484 | 16,665,446 | 60,388,138 |
| Total outflows | $ 132,605,131 | $ 201,902,037 | $ 81,132,609 | $ 75,666,015 | $ 16,570,362 | $ 507,876,154 |
| Total inflows | $ 132,183,940 | $ 200,834,242 | $ 80,305,778 | $ 75,222,971 | $ 16,681,476 | $ 505,228,407 |

(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 | March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Foreign currency derivative instruments | | | | | | |
| Outflows | $ 78,271,149 | $ 180,640,089 | $ 47,274,652 | $ 54,608,535 | $ - | $ 360,794,425 |
| Inflows | 78,251,284 | 180,409,911 | 47,257,657 | 54,857,556 | - | 360,776,408 |
| Interest rate derivative instruments | | | | | | |
| Outflows | 6,924,359 | 11,600,019 | 10,538,356 | 25,775,293 | 8,853,804 | 63,691,831 |
| Inflows | 6,691,460 | 11,421,955 | 10,568,455 | 25,836,632 | 9,503,964 | 64,022,466 |
| Total outflows | $ 85,195,508 | $ 192,240,108 | $ 57,813,008 | $ 80,383,828 | $ 8,853,804 | $ 424,486,256 |
| Total inflows | $ 84,942,744 | $ 191,831,866 | $ 57,826,112 | $ 80,694,188 | $ 9,503,964 | $ 424,798,874 |

e) Maturity analysis of off-balance-sheet items

Group'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 | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Irrevocable loan commitments issued | $ 94,053,680 | $ 2,911,017 | $ 2,427,673 | $ 5,465,435 | $ 10,939,005 | $ 115,796,810 |
| Credit card credit commitment | - | 1,382 | 4,914 | 7,429 | 272,142 | 285,867 |
| Letters of credit issued yet unused | 21,569,734 | 36,695 | 18,763 | - | - | 21,625,192 |
| Guarantees | 33,470,224 | 28,880 | 19,884 | 1,085,630 | 371,110 | 34,975,728 |
| | $ 149,093,638 | $ 2,977,974 | $ 2,471,234 | $ 6,558,494 | $ 11,582,257 | $ 172,683,597 |

**(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 | March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | Over 1 Year | Total |
| Irrevocable loan commitments issued | $ 57,393,204 | $ 2,115,196 | $ 1,266,868 | $ 3,210,275 | $ 15,253,835 | $ 79,239,378 |
| Credit card credit commitment | - | 360 | 360 | 4,339 | 282,350 | 287,409 |
| Letters of credit issued yet unused | 23,020,905 | 20,011 | 14,484 | - | - | 23,055,400 |
| Guarantees | 31,048,341 | 23,292 | - | 846,406 | 320,263 | 32,238,302 |
| | $ 111,462,450 | $ 2,158,859 | $ 1,281,712 | $ 4,061,020 | $ 15,856,448 | $ 134,820,489 |

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

## 36. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

| Item / Business Type | | | March 31, 2016 | | | | | March 31, 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 | | $ 1,513,761 | $ 398,040,190 | 0.38% | $ 3,656,034 | 241.52% | $ 1,429,522 | $ 353,619,081 | 0.40% | $ 4,523,050 | 316.40% |
| | Unsecured | | 526,740 | 550,293,048 | 0.10% | 5,536,263 | 1,051.04% | 641,041 | 540,316,150 | 0.12% | 6,453,027 | 1,006.65% |
| Consumer finance | Mortgage loans (Note d) | | 667,367 | 279,968,485 | 0.24% | 4,199,527 | 629.27% | 550,707 | 289,465,847 | 0.19% | 2,427,671 | 440.83% |
| | Cash cards (Note h) | | - | - | - | - | - | - | - | - | - | - |
| | Credit loans (Note e) | | 1,612 | 1,742,935 | 0.09% | 14,745 | 914.70% | 2,309 | 1,428,274 | 0.16% | 20,576 | 891.12% |
| | Others (Note f) | Secured | 364,221 | 149,996,717 | 0.24% | 2,249,951 | 617.74% | 358,454 | 137,577,527 | 0.26% | 1,138,280 | 317.55% |
| | | Unsecured | 2,151 | 1,692,757 | 0.13% | 11,224 | 521.80% | 11,715 | 1,482,110 | 0.79% | 13,792 | 117.73% |
| Total | | | 3,075,852 | 1,381,734,132 | 0.22% | 15,667,744 | 509.38% | 2,993,748 | 1,323,888,989 | 0.23% | 14,576,396 | 486.89% |

| Item / Business Type | March 31, 2016 | | | | | March 31, 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 | $ 4,347 | $ 1,591,214 | 0.27% | $ 19,186 | 441.36% | $ 3,348 | $ 1,369,691 | 0.24% | $ 15,380 | 459.38% |
| No recourse receivable factoring (Note g) | - | 6,843,332 | - | 15,702 | - | - | 6,365,215 | - | 20,680 | - |

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 Group does not engage in cash card business.

| Item / Business Type | March 31, 2016 | | March 31, 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) | $ 75 | $ 2,682 | $ 114 | $ 3,691 |
| Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b) | 367 | 11,061 | 8,559 | 7,952 |
| Total | 442 | 13,743 | 8,673 | 11,643 |

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

| March 31, 2016 | | | |
|---|---|---|---|
| Rank (Note a) | Transaction Party (Note b) | Loans (Note c) | As Proportion of Net Equity (%) |
| 1 | A Corporation (railway transportation industry) | $ 33,610,623 | 25.25 |
| 2 | B Group (investment advisory services industry) | 26,748,632 | 20.09 |
| 3 | C Group (airline industry) | 22,766,975 | 17.10 |
| 4 | D Group (financial intermediation industry) | 13,044,003 | 9.80 |
| 5 | E Group (synthesis construction industry) | 11,809,092 | 8.87 |
| 6 | F Group (financial intermediation industry) | 7,712,200 | 5.79 |
| 7 | G Group (steel manufacturing industry) | 7,659,862 | 5.75 |
| 8 | H Group (real estate development industry) | 6,672,000 | 5.01 |
| 9 | I Group (liquid crystal panel and components manufacturing industry) | 5,953,003 | 4.47 |
| 10 | J Group (steel refining industry) | 5,740,470 | 4.31 |

| March 31, 2015 | | | |
|---|---|---|---|
| Rank (Note a) | Transaction Party (Note b) | Loans (Note c) | As Proportion of Net Equity (%) |
| 1 | A Corporation (railway transportation industry) | $ 33,900,993 | 27.78 |
| 2 | B Group (petroleum and coal products manufacturing industry) | 29,212,711 | 23.94 |
| 3 | C Group (airline industry) | 18,744,334 | 15.36 |
| 4 | D Group (marine transportation industry) | 10,705,191 | 8.77 |
| 5 | K Group (other retail sale in non-specialized stores industry) | 10,260,093 | 8.41 |
| 6 | E Group (synthesis construction industry) | 9,873,411 | 8.09 |
| 7 | I Group (liquid crystal panel and components manufacturing industry) | 6,922,624 | 5.67 |
| 8 | G Group (steel manufacturing industry) | 6,913,548 | 5.67 |
| 9 | L Group (computer manufacturing industry) | 6,512,373 | 5.34 |
| 10 | J Group (steel extrusion industry) | 6,217,241 | 5.10 |

Note a: Sorted by the balance of loans on March 31, 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 | March 31, 2016 | | | | |
|---|---|---|---|---|---|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | $ 1,276,834,207 | $ 44,282,242 | $ 19,488,552 | $ 87,485,104 | $ 1,428,090,105 |
| Interest-sensitive liabilities | 327,475,476 | 760,796,610 | 106,149,255 | 25,082,599 | 1,219,503,940 |
| Interest sensitivity gap | 949,358,731 | (716,514,368) | (86,660,703) | 62,402,505 | 208,586,165 |
| Net worth | | | | | 114,168,732 |
| Ratio of interest-sensitive assets to liabilities | | | | | 117.10% |
| Ratio of interest sensitivity gap to net assets | | | | | 182.70% |

**(In Thousands of New Taiwan Dollars; %)**

| Item | March 31, 2015 | | | | |
|---|---|---|---|---|---|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | $ 1,221,952,640 | $ 29,968,255 | $ 22,910,958 | $ 92,521,785 | $ 1,367,353,638 |
| Interest-sensitive liabilities | 364,922,827 | 721,074,324 | 106,318,283 | 28,967,443 | 1,221,282,877 |
| Interest sensitivity gap | 857,029,813 | (691,106,069) | (83,407,325) | 63,554,342 | 146,070,761 |
| Net worth | | | | | 105,237,647 |
| Ratio of interest-sensitive assets to liabilities | | | | | 111.96% |
| Ratio of interest sensitivity gap to net assets | | | | | 138.80% |

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

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

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

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

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

| Item | March 31, 2016 | | | | |
|---|---|---|---|---|---|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | $ 8,393,360 | $ 1,164,303 | $ 156,885 | $ 91,536 | $ 9,806,084 |
| Interest-sensitive liabilities | 11,266,672 | 546,791 | 741,688 | 139 | 12,555,290 |
| Interest sensitivity gap | (2,873,312) | 617,512 | (584,803) | 91,397 | (2,749,206) |
| Net worth | | | | | 277,843 |
| Ratio of interest-sensitive assets to liabilities | | | | | 78.10% |
| Ratio of interest sensitivity gap to net assets | | | | | (989.48%) |

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

| Item | March 31, 2015 | | | | |
|---|---|---|---|---|---|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | $ 9,206,588 | $ 1,263,872 | $ 99,470 | $ 213,125 | $ 10,783,055 |
| Interest-sensitive liabilities | 10,105,625 | 610,689 | 589,620 | 525,342 | 11,831,276 |
| Interest sensitivity gap | (899,037) | 653,183 | (490,150) | (312,217) | (1,048,221) |
| Net worth | | | | | 336,209 |
| Ratio of interest-sensitive assets to liabilities | | | | | 91.14% |
| Ratio of interest sensitivity gap to net assets | | | | | (311.78%) |

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

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

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

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

d. Profitability

| Item | | March 31, 2016 | March 2015 |
|---|---|---|---|
| Return on total assets | Pretax | 0.21% | 0.19% |
| | After tax | 0.18% | 0.16% |
| Return on net worth | Pretax | 3.02% | 2.82% |
| | After tax | 2.58% | 2.39% |
| Profit margin | | 44.39% | 42.42% |

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 March 31 of 2016 and 2015, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

| | Total | March 31, 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 | $ 1,689,715,404 | $ 184,666,078 | $ 184,576,463 | $ 244,552,525 | $ 109,089,502 | $ 182,327,301 | $ 784,503,535 |
| Major maturity cash outflows | 2,265,968,019 | 118,110,671 | 164,268,354 | 322,448,637 | 297,832,561 | 505,680,739 | 857,627,057 |
| Gap | (576,252,615) | 66,555,407 | 20,308,109 | (77,896,112) | (188,743,059) | (323,353,438) | (73,123,522) |

(In Thousands of New Taiwan Dollars)

| | Total | March 31, 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 | $ 1,579,921,405 | $ 162,249,101 | $ 158,793,337 | $ 270,832,557 | $ 109,689,499 | $ 134,514,024 | $ 743,842,887 |
| Major maturity cash outflows | 2,139,690,453 | 96,968,640 | 148,641,342 | 314,368,691 | 248,517,353 | 495,693,129 | 835,501,298 |
| Gap | (559,769,048) | 65,280,461 | 10,151,995 | (43,536,134) | (138,827,854) | (361,179,105) | (91,658,411) |

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 | March 31, 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 | $ 19,064,889 | $ 5,916,812 | $ 3,710,687 | $ 2,666,960 | $ 1,939,528 | $ 4,830,902 |
| Major maturity cash outflows | 24,049,747 | 8,241,261 | 3,876,834 | 2,637,078 | 4,181,111 | 5,113,463 |
| Gap | (4,984,858) | (2,324,449) | (166,147) | 29,882 | (2,241,583) | (282,561) |

(In Thousands of U.S. Dollars)

| | Total | March 31, 2015 | | | | |
|---|---|---|---|---|---|---|
| | | Period Remaining until Due Date and Amount Due | | | | |
| | | 1-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 year |
| Major maturity cash inflows | $ 17,634,819 | $ 5,657,514 | $ 3,490,234 | $ 2,124,986 | $ 2,142,804 | $ 4,219,281 |
| Major maturity cash outflows | 22,771,741 | 7,634,491 | 3,520,100 | 2,732,468 | 3,879,260 | 5,005,422 |
| Gap | (5,136,922) | (1,976,977) | (29,866) | (607,482) | (1,736,456) | (786,141) |

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

f. Trust accounts

Under Article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of March 31, 2016 and 2015 were as follows:

| | March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Special purpose trust accounts - domestic | $ 24,462,433 | $ 23,862,107 |
| Special purpose trust accounts - foreign | 78,109,974 | 80,145,053 |
| Insurance trust | 1,042 | 1,054 |
| Retirement and breeds trust | 312,215 | 225,851 |

(Continued)

| | March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Umbilical-cord-blood trust | $ 8,076,229 | $ 7,236,593 |
| Money claim and guarantee trust | 79,200 | 1,461,813 |
| Marketable securities trust | 786,042 | 911,150 |
| Real estate trust | 12,203,564 | 9,567,327 |
| Securities under custody | 130,406,322 | 128,885,601 |
| Other money trust | 1,429,828 | - |
| | $ 255,866,849 | $ 252,296,549 |

(Concluded)

## 37. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Group

| Name | Relationship |
|---|---|
| Direct, supervisor and managers and the relatives | CHB's director, supervisor and managers and the relatives |
| 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 |
| First Financial Holding | 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 March 31, 2016 | $ 1,196,332 | 0.09 |
| Balance as of December 31, 2015 | 1,148,344 | 0.09 |
| Balance as of March 31, 2015 | 2,230,284 | 0.17 |

For the three months ended March 31, 2016 and 2015, interest ranged from 0.00% to 3.73% and from 0.00% to 3.38%, interest revenues were $4,773 thousand and $8,110 thousand, respectively.

| | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Ending Balance | Highest Amount | Normal Loans | Non-performing Loans | Collateral | Difference in Terms Between Related Parties and Non-related Parties |
| Consumer loans | | | | | | |
| 29 accounts | $ 12,317 | $ 13,102 | $ 12,317 | $ - | Credit | None |
| Self-use residential mortgage loans | | | | | | |
| 203 accounts | 1,141,796 | 1,181,774 | 1,141,796 | - | Real estate | None |
| Others | | | | | | |
| Crown Department Company | 36,950 | 37,550 | 36,950 | - | Real estate | None |
| Other - individual 11 accounts (Note) | 5,268 | 6,321 | 5,268 | - | 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 |

| | March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Ending Balance | Highest Amount | Normal Loans | Non-performing Loans | Collateral | Difference in Terms Between Related Parties and Non-related Parties |
| Consumer loans | | | | | | |
| 21 accounts | $ 8,435 | $ 8,767 | $ 8,435 | $ - | Credit | None |
| Self-use residential mortgage loans | | | | | | |
| 203 accounts | 1,068,995 | 1,116,152 | 1,068,995 | - | Real estate | None |
| Others | | | | | | |
| First Financial Holding | 1,100,000 | 1,100,000 | 1,100,000 | - | Credit | None |
| Other - corporate 1 account (Note) | 39,350 | 39,950 | 39,350 | - | Real estate | None |
| Other - individual 15 accounts (Note) | 13,504 | 14,329 | 13,504 | - | Deposit | None |

Note: The balance of every corporate entity is not over $1 billion of the total ending balance. 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 March 31, 2016, 1.40% in December 31, 2015 and 1.54% in March 31, 2015, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Deposits

| | Balance | Percentage of Loans (%) |
|---|---|---|
| Balance as of March 31, 2016 | $ 3,675,258 | 0.24 |
| Balance as of December 31, 2015 | 3,568,423 | 0.23 |
| Balance as of March 31, 2015 | 3,612,883 | 0.25 |

For the three months ended March 31, 2016 and 2015, the interest rates interval were between 0.00% to 13.00%, respectively; the interest expense were $14,904 thousand and $14,518 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.

3) Call loans to banks and call loans from banks

Call loans to banks

**(In Thousands of Original Currencies)**

| | | | March 31, 2016 | | |
|---|---|---|---|---|---|
| **Name** | **Department** | **Currency** | **Ending Balance** | **Interest Rate (Per Annum %)** | **Interest Revenue** |
| Land Bank | OBU | USD | $ 15,000 | 0.44-0.83 | $ 129 |
| | Hong Kong Branch | USD | 30,000 | 0.34-0.86 | 89 |
| Taiwan Business Bank | OBU | USD | 10,000 | 0.37-0.88 | 60 |

**(In Thousands of Original Currencies)**

| | | | 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 |

(In Thousands of Original Currencies)

| | | | March 31, 2015 | | |
|---|---|---|---|---|---|
| Name | Department | Currency | Ending Balance | Interest Rate (Per Annum %) | Interest Revenue |
| Land Bank | DBU | NTD | $ 5,005,000 | 0.388-0.87 | $ 740 |
| | Hong Kong Branch | USD | 50,000 | 0.11-0.48 | 17 |
| Taiwan Business Bank | OBU | USD | 40,000 | 0.14-0.70 | 41 |
| | Singapore Branch | USD | 10,000 | 0.51-1.10 | 27 |
| | London Branch | USD | 10,000 | 0.51-0.63 | 6 |
| | Hong Kong Branch | USD | 20,000 | 0.11-0.50 | 8 |

Call loans from banks

(In Thousands of Original Currencies)

| | | | March 31, 2016 | | |
|---|---|---|---|---|---|
| Name | Department | Currency | Ending Balance | Interest Rate (Per Annum %) | Interest Expense |
| Land Bank | OBU | AUD | $ 7,000 | 1.90-2.40 | $ 53 |
| | | USD | 10,000 | 0.34-0.50 | 10 |
| | London Branch | USD | 45,000 | 0.41-0.80 | 92 |
| Taiwan Business Bank | OBU | HKD | 70,000 | 0.25 | 5 |

(In Thousands of Original Currencies)

| | | | 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 | - |

(In Thousands of Original Currencies)

| | | | March 31, 2015 | | |
|---|---|---|---|---|---|
| Name | Department | Currency | Ending Balance | Interest Rate (Per Annum %) | Interest Expense |
| Land Bank | DBU | NTD | $ 2,005,000 | 0.388-0.87 | $ 1,127 |
| | OBU | NZD | 1,800 | 3.50-3.55 | 1 |
| Taiwan Business Bank | London Branch | EUR | 1,000 | 0.03-0.40 | 4 |

4) Due from banks and due to banks

Due from banks

(In Thousands of Original Currencies)

| Name | Department | Currency | March 31, 2016 Ending Balance | December 31, 2015 Ending Balance | March 31, 2015 Ending Balance |
|---|---|---|---|---|---|
| Land Bank | DBU | NTD | $ 4 | $ 69 | $ 436 |
| Taiwan Business Bank | DBU | NTD | 279 | 5 | 347 |

Due to banks

(In Thousands of Original Currencies)

| Name | Department | Currency | March 31, 2016 Ending Balance | December 31, 2015 Ending Balance | March 31, 2015 Ending Balance |
|---|---|---|---|---|---|
| The Export-Import Bank | DBU | NTD | $ 2,336 | $ 1,308 | $ 2,708 |
| Taishin Bank | New York Branch | USD | 45 | 45 | 36 |
| Land Bank | DBU | NTD | 277 | 277 | 277 |

c. Compensation of directors, supervisors and management personnel:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Short-term benefits | $ 12,258 | $ 11,580 |
| Post-employment benefits | 519 | 467 |
| | $ 12,777 | $ 12,047 |

The compensation of directors, supervisors and management personnel for the three months ended March 31, 2016 and 2015 was based on the estimation in 2016 and had been approved by shareholders in their annual meeting held in 2015.

## 38. PLEDGED ASSETS

The summary of the Group's pledged assets as of March 31, 2016, December 31, 2015 and March 31, 2015 were as follows:

| Pledged Assets | Description | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|---|
| Available-for-sale financial assets | Government bonds | $ 6,070,500 | $ 1,040,300 | $ 969,100 |
| Held-to-maturity financial assets | Bonds and certificate of deposits | 36,782,450 | 36,792,991 | 41,675,650 |
| Time deposits with original maturity more than 3 months | Time deposit | 8,450,700 | 8,338,310 | 2,016,000 |
| Refundable deposits | Cash | 236,608 | 109,225 | 196,289 |

## 39. CONTINGENT LIABILITIES AND COMMITMENTS

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Trust liabilities | $ 255,866,849 | $ 261,132,384 | $ 252,296,550 |
| Unused loan commitments | 115,796,810 | 107,576,609 | 79,239,378 |
| Credit card credit commitment | 285,867 | 347,862 | 287,409 |
| Unused issued letters of credit | 21,625,192 | 17,841,443 | 23,055,400 |
| Guarantees issued in guarantee business | 34,975,728 | 34,838,957 | 32,238,302 |
| Repayment note and time deposit held for custody | 10,312,642 | 10,061,107 | 5,213,814 |
| Liabilities on joint loans | 292,203 | 288,195 | 304,292 |

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 Group 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 Group on August 1, 2002, the Iranian plaintiff countered by resuming another lawsuit it had filed against the Group 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 Group 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 Group. 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 Group. 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 Group. 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 Group. The Iranian plaintiff appealed to the Supreme Court again on November 28, 2014. The Supreme Court rejected the appeal on December 30, 2015.

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.

## 40. 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 as of March 31, 2016 | None |
| 2 | Acquisition of fixed assets over NT$300 million or 10% of outstanding capital as of March 31, 2016 | None |
| 3 | Disposal of fixed assets over NT$300 million or 10% of outstanding capital as of March 31, 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 | None |
| 6 | Sale of NPL | None |
| 7 | Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization | None |
| 8 | Other significant transactions which may affect decisions of the users of the consolidated financial statements | None |

b. Information on the Group's Investees

| No. | Item | Explanation |
|---|---|---|
| 1 | Investees' names, locations, etc. | Table 1 |
| 2 | Capital lending to another party | None |
| 3 | Endorsement for another party | None |
| 4 | Marketable securities held as of March 31, 2016 | None |
| 5 | Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2016 | None |
| 6 | Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2016 | None |
| 7 | Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2016 | None |
| 8 | Receivables from related parties over NT$300 million or 10% of outstanding capital | 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 consolidated financial statements | None |

c. Investment in Mainland China: Table 2

d. Intercompany relationships and significant intercompany transactions: Table 3

## 41. SIGNIFICANT SUBSEQUENT EVENTS

To integrate resources and to create comprehensive benefit, 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 from the merger.

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

## 42. OTHER DISCLOSURE

The Bank had been approved by the FSC to set up Dongguan Branch and Fuzhou Branch on September 5, 2013 and January 28, 2014, respectively. The Bank invested RMB1,000 million and RMB500 million in Dongguan Branch and Fuzhou Branch, respectively. Dongguan Branch began operations on November 19, 2014. On March 13, 2015, Fuzhou Branch had been approved by the central authority of China to begin operations and engage in RMB currency exchange operations. Fuzhou Branch began operations on April 20, 2015.

## 43. 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 Three Months Ended March 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans | Deposits and Remittances | Financial Instruments and Investments | Wealth Management | Oversea Branch | Others | Total |
| Net interest income | $ 3,334,808 | $ 846,862 | $ 311,923 | $ - | $ 868,683 | $ (27) | $ 5,362,249 |
| Net service fee and commissions income | 377,371 | 49,876 | (12,488) | 609,829 | 75,338 | - | 1,099,926 |
| Net income on financial instrument | - | - | 1,101,437 | - | 16,088 | - | 1,117,525 |
| Others | 1,072 | - | (57) | - | 20,021 | 45,910 | 66,946 |
| Net revenue and gains | 3,713,251 | 896,738 | 1,400,815 | 609,829 | 980,130 | 45,882 | 7,646,646 |
| Bad debts expenses and guarantee liability provisions | 68,280 | - | - | - | (15,983) | - | 52,297 |
| Operating expenses | - | - | - | - | - | - | (3,731,277) |
| Income before income tax | $ 3,781,531 | $ 896,738 | $ 1,400,815 | $ 609,829 | $ 964,147 | $ 45,882 | $ 3,967,666 |

| | For the Three Months Ended March 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans | Deposits and Remittances | Financial Instruments and Investments | Wealth Management | Oversea Branch | Others | Total |
| Net interest income | $ 3,091,154 | $ 1,009,847 | $ 298,989 | $ - | $ 642,077 | $ (350) | $ 5,041,717 |
| Net service fee and commissions income | 327,877 | 45,538 | (5,657) | 749,792 | 55,052 | - | 1,172,602 |
| Net income on financial instrument | - | | 499,366 | - | 10,211 | - | 509,577 |
| Others | 16,754 | - | (35) | - | 2,272 | 51,256 | 70,247 |
| Net revenue and gains | 3,435,785 | 1,055,385 | 792,663 | 749,792 | 709,612 | 50,906 | 6,794,143 |
| Bad debts expenses and guarantee liability provisions | 267,763 | - | - | - | 16,863 | - | 284,626 |
| Operating expenses | - | - | - | - | - | - | (3,679,409) |
| Income before income tax | $ 3,703,548 | $ 1,055,385 | $ 792,663 | $ 749,792 | $ 726,475 | $ 50,906 | $ 3,399,360 |

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

| | March 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans | Deposits and Remittances | Financial Instruments and Investments | Oversea Branch | Others | Adjustment | Total |
| Assets | $ 1,255,457,201 | $ - | $ 533,784,607 | $ 184,271,533 | $ 64,562,329 | $ (89,986,294) | $ 1,948,089,376 |
| Liabilities | $ 1,137,147 | $ 1,510,397,635 | $ 189,101,131 | $ 168,229,228 | $ 36,080,052 | $ (89,986,294) | $ 1,814,958,899 |

| | 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 |

| | March 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans | Deposits and Remittances | Financial Instruments and Investments | Oversea Branch | Others | Adjustment | Total |
| Assets | $ 1,212,882,074 | $ - | $ 511,983,004 | $ 157,316,835 | $ 67,707,483 | $ (121,063,940) | $ 1,828,825,456 |
| Liabilities | $ 1,041,064 | $ 1,425,268,724 | $ 221,865,645 | $ 141,027,761 | $ 38,667,088 | $ (121,063,940) | $ 1,706,806,342 |

## CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION ON INVESTEES' NAMES, LOCATIONS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**
**(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

| Investor | Investees' Names | Investees' Location | Line of Business | Original Investment Amount | | Ending Balance | | | Net Income (Loss) of Current Period | Recognized Income (Loss) of Current Period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of March 2016 | End of Year 2015 | Shares | Ownership Interest (%) | Book Value | | | |
| Chang Hwa Bank | CHB Insurance Agency | 6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C. | Life insurance agency | $ 2,008 | $ 2,008 | 5,000,000 | 100 | $ 188,000 | $ 88,000 | $ 88,000 | |
| | CHB Insurance Brokerage | 6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C. | Property insurance brokerage | 2,000 | 2,000 | 800,000 | 100 | 18,467 | 2,467 | 2,467 | |

## CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION OF INVESTMENT IN MAINLAND CHINA**
**FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31, 2016 | Net Income (Loss) of the Investee (Note 2) | % of Direct or Indirect Investment | Investment Gain (Losses) | Carrying Amount as of March 31, 2016 | Accumulated Repatriation of Investment Income as of March 31, 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 March 31, 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) | $ 19,969,572 |

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) Consolidated 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)

## CHANG HWA COMMERCIAL BANK, LTD.

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**
**(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % to Total Sales or Assets (Note 3) |
| 0 | The Bank | CHB Insurance Agency | a | Commission income | $ 318,037 | Same as normal customers | 4.16 |
| | | | | Deposits and remittance | 307,241 | " | 0.02 |
| | | CHB Insurance Brokerage | a | Commission income | 9,998 | Same as normal customers | 0.13 |
| | | | | Deposits and remittance | 29,595 | " | - |

Note 1: Transaction details: Methods of numbering are as followed:

a. 0 for parent Company.
b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as followed

a. Parent company to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.