



Stock Code: 2801

Chang Hwa Commercial Bank, Ltd.

Handbook for the 2017 Annual Meeting of Shareholders

(Summary Translation)

Meeting Time: 9: 00 a.m. on Friday, June 16, 2017

Location: 13F., No. 57, Sec. 2, Zhongshan N. Rd., Taipei City, Taiwan.

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I. Agenda

1. Report the number of shares represented by the shareholders present and the number of voting shares, and call the meeting to order
2. Chairman takes chair
3. Stand at attention
4. Three bows to the national flag and national father's portrait
5. Chairman remarks
6. Report Items:
 - (1) 2016 Business Report.
 - (2) Audit Committee review of 2016 audited Financial Statements.
 - (3) The status of the Bank's distribution of 2016 employee and director remuneration.
7. Recognition Items:
 - (1) The Bank's 2016 Business Report and Financial Statements.
 - (2) The Bank's distribution of 2016 profit.
8. Discussion and Election Items:
 - (1) The Bank's a new share issue through capitalization of earnings.
 - (2) The amendment of the Bank's Articles of Incorporation.
 - (3) The amendment of the Bank's Regulations Governing the Acquisition and Disposal of Assets.
 - (4) Election of 25th term of the Bank's Directors (including Independent Directors).
 - (5) The release of non-competition restrictions for the Bank's directors (including Independent Directors) of the 25th term
9. Questions and Motions
10. Adjournment

Report Items

Report No. 1:

2016 Business Report.

Report No. 2:

Audit Committee review of 2016 audited Financial Statements.

(Please refer to pages 66 to 67 of the handbook.)

Report No. 3:

The status of the Bank's distribution of 2016 employee and director remuneration.

Explanation:

As adopted by the 27th board meeting of the 24th term held on February 24, 2017 for distribution of the Bank's 2016 employee and director remuneration, the employees' cash remuneration is NT\$745,075,838 and the directors' (Independent Directors not included) cash remuneration is NT\$59,606,067.

Recognition Items

Recognition Item No. 1: Adoption of the Bank's 2016 Business Report and Financial Statements.

(Proposed by the Board of Directors.)

Explanation:

The Bank's 2016 Financial Statements, balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, etc. (please refer to pages 68 to 96 of the handbook), have been certified by Jerry Gung, CPA and Walter Liu, CPA of Deloitte & Touche, and the Business Report has also been reviewed by the Bank's Audit Committee, and approved by the Board of Directors. Please adopt them.

Resolution:

Recognition Item No. 2: Adoption of the Bank's distribution of 2016 profit.

(Proposed by the Board of Directors.)

Explanation:

1. The Bank's 2016 net profit after tax was NT\$12,085,971,634.17. After the Bank set aside 30% legal reserve of NT\$3,625,791,491 by law and 0.5% of net profit after tax as special reserve of NT\$60,429,859 in accordance with the May 25, 2016 letter No. 10510001510 (F.S.C) Gin-Guan-Ying to development financial technology and protect the interests of employees in Taiwanese banks along with the "beginning retained earnings" of NT\$86,372,716.47 and the "actuarial loss of defined benefit plan" of NT\$202,105,830.11, the distributable net profit was NT\$8,284,017,170.53. The proposed distribution of profit is scheduled as below:
 - (1) Distribution of dividend and bonus to common stock shareholders – cash (NT\$0.42 per share): NT\$3,765,200,287.
 - (2) Distribution of dividend and bonus to common stock shareholders – stock (NT\$0.5 per share): NT\$4,482,381,290.
 - (3) Unappropriated retained earnings are NT\$36,435,593.53.
2. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues. The ex-dividend date will be determined after the competent authorities approve the capitalization of earnings case.
3. In line with the integrated income tax, the last annual surplus is assigned in priority order.
4. The total cash dividend amount will be distributed to each individual shareholder to the nearest NT\$1, and fractional amounts less than NT\$1 will be listed in other incomes of the Bank.
5. If the number of outstanding shares is affected by any situations leading to change in shareholder's distribution ratios, the Board of Directors will be authorized to adjust the distribution terms.
6. Attachment: 2016 Profit Distribution Table.

Resolution:

Chang Hwa Commercial Bank, Ltd.
2016 Profit Distribution Table

(Unit: NTD\$)

Beginning retained earnings	86,372,716.47
Less: Actuarial loss of defined benefit plan	(202,105,830.11)
Add: Net profit after tax	12,085,971,634.17
Less: 30% legal reserve	(3,625,791,491.00)
Less: 0.5% Special reserve	(60,429,859.00)
Distributable net profit	8,284,017,170.53
Distributable items:	
Dividend to shareholders -Cash dividends: NT\$0.42 per share	3,765,200,287.00
Dividend to shareholders -Stock dividends: NT\$ 0.50 per share	4,482,381,290.00
Unappropriated retained earnings	36,435,593.53

Note:

1. In line with the integrated income tax, the last annual surplus is assigned in priority order.
2. 0.5% of net profit after tax as special reserve in accordance with the May 25, 2016 letter No. 10510001510 (F.S.C) Gin-Guan-Ying to development financial technology and protect the interests of employees in Taiwanese banks.

Discussion and Election Items

Discussion Item No. 1: Discussion and ratification of the Bank's issuance of new shares through capitalization of earnings.

(Proposed by the Board of Directors.)

Explanation:

1. In order to reinforce working capital, strengthen the financial structure and raise the capital adequacy ratio, the Bank plans to set aside NT\$4,482,381,290 from the stock dividends of distribution of 2016 profit as the capital for issuing new shares with a face value of NT\$10 per share in accordance with Article 240 of the Company Act. It is expected to issue 448,238,129 shares of common stock and, after the capitalization of earnings, the Bank's capital will become NT\$94,130,007,180.
2. For the method of handling fractional shares, please refer to Article 267 of the Company Act. The Board of Directors is authorized to set the record date for the proposed capital increase after receiving approval from the competent authority. The distribution of the new shares should be made to the shareholders with no consideration at the ratio of 50 new shares for every 1,000 shares held by shareholders according to their respective shareholding as stated in shareholders' register book on the record date. Shareholders may, within 7 days from the stock dividend record date, apply to the stock affairs agent of the Bank to combine fractional shares into one share. Odd lots of less than one share thus collected by the Bank will be placed at its par value with specific parties as determined by the Chairman under the authorization of the AGM.
3. The rights and obligations of the newly issued shares will be the same as those of existing shares.
4. As a result of repurchase of the Bank's shares or assignment, conversion and deletion of the treasury stock. The Board of Directors is authorized to adjust the distribution terms if the number of outstanding shares is affected by an amendment to relevant laws or regulations, a request by the competent authorities, or other situations leading to change in shareholder's distribution ratios.

Resolution:

Discussion Item No. 2: To comply with the Bank’s business items stated in its registration change form, Article 9 of the Bank’s Articles of Incorporation is proposed for revision.

(Proposed by the Board of Directors.)

Explanation:

1. According to the amended Article 8-1 of the Insurance Act, banks may concurrently engage in the insurance agency or insurance brokerage business. As approved by the Financial Supervisory Commission for the establishment of the insurance agency, the Bank added Subparagraph 20 “to engage in the personal insurance agency business” and Subparagraph 21 “to engage in the property and liability insurance agency business” to Article 9 “Commercial Bank Operation Business” of the Bank’s Articles of Incorporation, which was adopted by the shareholders’ regular meeting held on June 8, 2016 and has been registered at the Ministry of Economic Affairs. It is hereby explained.
2. According to the Ministry of Economic Affairs, the “personal insurance agency business” and the “property and liability insurance agency business” shall have their own business item codes respectively, rather than under the business scope subordinate to the commercial bank industry. However, the Bank listed the above two businesses as the items engaged under the commercial bank industry without stating their business item codes, which is inconsistent with the content of the Bank’s change registration form. The Bank was therefore requested to modify the text of Article 9 of its Articles of Incorporation at this regular meeting of shareholders in order to achieve consistency. Hence, it is proposed to specify the business item codes of the “personal insurance agency business” and the “property and liability insurance agency business” in the Article (personal insurance agency: H601011; property and liability insurance agency: H601021) and make required text modification, so as to be consistent with the businesses stated in the Bank’s change registration form.
3. Attachment: Article 9 of the Articles of Incorporation of Chang Hwa Commercial Bank Co., Ltd. Pre- and Post-Amendment Comparison Table.

Resolution:

Attachment

**Article 9 of the Articles of Incorporation of Chang Hwa Commercial Bank
Co., Ltd. Pre- and Post-Amendment Comparison Table**

Post-amendment	Pre-amendment	Explanation
<p>Article 9</p> <p>The Bank’s business items are H101021 the commercial bank industry, <u>H601011 personal insurance agency and</u> <u>H601021 property and liability insurance agency</u>, and its business scope is as follows:</p> <p>(1) To accept Cheque Deposits;</p> <p>(2) To accept Current Deposits;</p> <p>(3) To accept Time Deposits;</p> <p>(4) To issue Bank Debentures;</p> <p>(5) To extend Short-term, medium-term and long-term loans;</p> <p>(6) To handle discount bills and notes;</p> <p>(7) To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks;</p> <p>(8) To handle domestic and foreign remittances;</p> <p>(9) To accept commercial drafts;</p> <p>(10) To issue domestic and foreign Letters of Credit;</p> <p>(11) To guarantee the issuance of corporate bonds;</p> <p>(12) To provide guarantee for domestic and foreign transactions;</p> <p>(13) To act as collecting and paying agent;</p>	<p>Article 9</p> <p>The Bank’s business item is H101021 the commercial bank industry and its business scope is as follows:</p> <p>(1) To accept Cheque Deposits;</p> <p>(2) To accept Current Deposits;</p> <p>(3) To accept Time Deposits;</p> <p>(4) To issue Bank Debentures;</p> <p>(5) To extend Short-term, medium-term and long-term loans;</p> <p>(6) To handle discount bills and notes;</p> <p>(7) To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks;</p> <p>(8) To handle domestic and foreign remittances;</p> <p>(9) To accept commercial drafts;</p> <p>(10) To issue domestic and foreign Letters of Credit;</p> <p>(11) To guarantee the issuance of corporate bonds;</p> <p>(12) To provide guarantee for domestic and foreign transactions;</p> <p>(13) To act as collecting and paying agent;</p>	<p>1. Amendment to the Article.</p> <p>2. Given that the “personal insurance agency business” and “property and liability insurance business” referred to in Subparagraph 20 and Subparagraph 21 of the Article respectively have their own respective business item codes, rather than under the business scope subordinate to the commercial bank industry, the Bank’s business item codes shall be specified in this Article and the text of the Article shall be modified accordingly.</p>

Post-amendment	Pre-amendment	Explanation
<p>(14)To act as agent to sell government bonds, treasury notes, corporate bonds and stocks;</p> <p>(15)To conduct credit card business;</p> <p>(16) To conduct trust business;</p> <p>(17)To conduct securities business;</p> <p>(18)To conduct warehousing, custody and agency businesses in relation to the businesses in the preceding 17 items subparagraphs;</p> <p>(19)To engage in futures introducing broker business;</p> <p>(20) To conduct life insurance agency business;</p> <p>(21)To conduct property insurance agency business; and</p> <p>(22) To conduct other relevant businesses which may be authorized by the Competent Authority.</p>	<p>(14)To act as agent to sell government bonds, treasury notes, corporate bonds and stocks;</p> <p>(15)To conduct credit card business;</p> <p>(16) To conduct trust business;</p> <p>(17)To conduct securities business;</p> <p>(18)To conduct warehousing, custody and agency businesses in relation to the businesses in the preceding 17 items subparagraphs;</p> <p>(19)To engage in futures introducing broker business;</p> <p>(20) To conduct life insurance agency business;</p> <p>(21)To conduct property insurance agency business; and</p> <p>(22) To conduct other relevant businesses which may be authorized by the Competent Authority.</p>	

Discussion Item No. 3: In conjunction with the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” set up by the Financial Supervisory Commission, the Bank’s handling procedure for asset acquisition and disposal (hereafter referred to as the “Procedure”) is proposed for revision.

(Proposed by the Board of Directors.)

Explanation:

1. To be processed in accordance with the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies” amended, promulgated and enforced in accordance with the Doc. No. 1060001296 Chin-Kuan-Cheng-Fa-Tzu-Ti issued by the Financial Supervisory Commission on February 9, 2017.
2. The main points of this time of amendment are explained as follows:
 - (1) Specifically define the terms used by the government agencies for the Procedure (Amend Articles 10 and 12).
 - (2) The domestic money market fund acquired or disposed of by the Bank from or for its related parties as referred to in the Procedure is the money market fund issued by the agency engaging in the securities investment trust business and approved by the Financial Supervisory Commission in accordance with the Securities Investment Trust and Consulting Act. Hence, it is amended (amend Paragraph 1 of Article 15 and Subparagraph 1 of Paragraph 1 and item (3) of Subparagraph 6 of Paragraph 1 of Article 31).
 - (3) Given that either the merger of a company with its 100 percent-owned subsidiary or the merger between subsidiaries 100 percent owned by the company in accordance with the Business Mergers and Acquisitions Act shall be deemed an organizational adjustment of the same group, such a merger can be exempt from rationality opinions from experts on the merger. Hence, the amendment is specifically made accordingly (amend the proviso of Article 23).
 - (4) In view of the fact that the Bank’s frequent announcements and declarations of equipment acquired or disposed of for business operating purposes will reduce the importance of the information disclosure for reference, the standard for announcement and declaration of non-related party’s business equipment transactions is relaxed (amend Subparagraph 4 of Paragraph 1 of Article 31).
 - (5) By considering that the common corporate bonds subscribed, offered and issued by those that specialize in investment in the domestic primary market and the general

financial bonds without equity involvement are the regular business, and, due to underwriting businesses, a securities serves as a recommended securities firm to guide an emerging-listed company which makes it necessary to subscribe securities, the announcements and declarations are specified to be exempt (amend Item (2) of Subparagraph 6 of Paragraph 1 of Article 31).

(6) It is specified that when any error or omission is made in the Bank's announcement, the total items shall be re-announced and re-declared within 2 days after learning the error or omission (amend Paragraph 5 of Article 31).

3. Attachment: Procedures for Acquisition or Disposal of Assets by Chang Hwa Commercial Bank Ltd. Pre- and Post-Amendment Comparison Table.

Resolution:

Attachment

**Procedures for Acquisition or Disposal of Assets by Chang Hwa
Commercial Bank Ltd. Pre- and Post-Amendment Comparison Table**

Post-amendment	Pre-amendment	Explanations
<p>Article 10</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional</p>	<p>Article 10</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional</p>	<p>According to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereafter referred to as the Regulation), the Article is only applicable to the transactions with government agencies and the transactions are limited to the asset acquisition or disposal from or for central and local government agencies. In so doing, such transactions are less likely to have price manipulation, so expert opinions can be exempt. Hence, the text of Paragraph 1 of the Article is amended in accordance with Paragraph 1 of Article 9 of the Regulation.</p>

Post-amendment	Pre-amendment	Explanations
<p>appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the</p>	<p>appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the</p>	

Post-amendment	Pre-amendment	Explanations
<p>appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 12 Where the Bank acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Article 12 Where the Bank acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>The reason for the amendment to this Article is same as that for Article 10.</p>
<p>Article 15 When the Bank intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds</p>	<p>Article 15 When the Bank intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds</p>	<p>The domestic money market funds referred to in Paragraph 1 of Article 14 of the Regulation is the money market fund issued by the agency engaging in the securities investment trust business and approved by the Financial Supervisory Commission pursuant to the Securities Investment Trust and Consulting Act. Hence, the text of Paragraph 1 of the Article is amended.</p>

Post-amendment	Pre-amendment	Explanations
<p>or bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the board of directors :</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds 	<p>or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the board of directors :</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds 	

Post-amendment	Pre-amendment	Explanations
<p>utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA’s opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 31, paragraph 2 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and the board of directors need not be counted toward the transaction amount. When a matter is submitted for discussion by the board of directors pursuant to paragraph 1 and preceding paragraph, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>The matters for which paragraph 1 shall be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject</p>	<p>utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA’s opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 31, paragraph 2 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and the board of directors need not be counted toward the transaction amount. When a matter is submitted for discussion by the board of directors pursuant to paragraph 1 and preceding paragraph, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>The matters for which paragraph 1 shall be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject</p>	

Post-amendment	Pre-amendment	Explanations
to mutatis mutandis application of Article 6, paragraphs 2 and 3.	to mutatis mutandis application of Article 6, paragraphs 2 and 3.	
<p>Article 23</p> <p>The Bank that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> <p><u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Bank of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Bank directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u></p>	<p>Article 23</p> <p>The Bank that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>According to the purpose of the amendment to the Regulation, the merger of a company with its 100 percent -owned subsidiary or the merger between the subsidiaries 100 percent owned by the company shall be deemed the organization adjustment in a same group, so the requirement of an opinion on reasonableness issued by an expert may be exempted. Hence, in conjunction with Article 22 of the Regulation, a proviso is added to the Article.</p>
<p>Article 31</p> <p>Under any of the following circumstances, the Bank acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from</p>	<p>Article 31</p> <p>Under any of the following circumstances, the Bank acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from</p>	<p>In conjunction with Article 30 of the Regulation, the Article is amended as follows:</p> <ol style="list-style-type: none"> 1. The reason for amending Subparagraph 1 of Paragraph 1 and item (3) of Subparagraph 6 of Paragraph 1 of the Article is same as that for Article 15. 2. The equipment acquired or

Post-amendment	Pre-amendment	Explanations
<p>the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of <u>money market funds issued by domestic securities investment trust enterprises</u>. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. Where the type of asset acquired or disposed is equipment / machinery for business use, the trading counterparty is not a related party, and <u>the transaction amount reaches NT\$1 billion or more</u>. 5. Where land is acquired under an arrangement on engaging others to build on the 	<p>the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>domestic money market funds</u>. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 	<p>disposed for the business operating purpose is the item required by a company for daily business. Frequent announcements and declarations will reduce the importance of the information disclosure for reference. Hence, Item (4) of Subparagraph 4 of Paragraph 1 of the pre-amended Article is amended and moved to Subparagraph 4 of Paragraph 1 of the Article by referring to Subparagraph 4 of Article 30 of the Regulation for a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <ol style="list-style-type: none"> 3. Move Item (5) of Subparagraph 4 of Paragraph 1 of the pre-amended Article to Subparagraph 5 of Paragraph 1 of the Article, and move Subparagraph 4 of Paragraph 1 of the pre-amended Article to Subparagraph 6 of Paragraph 1 of the Article. 4. By referring to the following reason for amending Item 2 of Subparagraph 4 of Paragraph 1 of Article 30 of the Regulation: the common corporate bonds acquired, offered and issued by those that specialize in investment in the domestic primary market and the general financial bonds without equity involvement are the regular

Post-amendment	Pre-amendment	Explanations
<p>company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Bank expects to invest in the transaction is less than NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding <u>five</u> subparagraphs, a disposal of receivables by the Bank, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or <u>subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking</u></p>	<p>4. Where an asset transaction other than any of those referred to in the preceding <u>three</u> subparagraphs, a disposal of receivables by the Bank, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or <u>subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</u></p>	<p>business and the transaction purpose is mainly and simply for earning interest while, according to the existing regulations, no announcement is required for sales of the bonds in the secondary market, and by considering the effect and consistency of information disclosure, the bond related matters shall be excluded from the announcement applicable scope. On the other hand, it has been found that, due to requirements of undertaking businesses, a securities firm may serve as a recommended securities firm to guide an emerging listed company. As such, according to Taipei Exchange, the subscription of the un-listed securities of the emerging-listed company in question shall also be excluded from the announcement applicable scope. Hence, Item (2) of Subparagraph 4 of Paragraph 1 of the pre-amended Article is amended and moved to Item (2) of Subparagraph 6 of Paragraph 1 of the Article.</p> <p>5. The reason for amending Item (3) of Subparagraph 4 of Paragraph 1 of the pre-amended Article is same as that for Article 15, and the amendment is moved to Item (3) of Subparagraph 6 of Paragraph 1 of the Article.</p> <p>6. Also, according to Paragraph</p>

Post-amendment	Pre-amendment	Explanations
<p><u>business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</u></p> <p>(3) Trading of bonds under repurchase / resale agreements, or <u>repurchase of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p>	<p>(3) Trading of bonds under repurchase / resale agreements, or <u>subscription or redemption of domestic money market funds.</u></p> <p>(4) <u>Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u></p> <p>(5) <u>Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Bank expects to invest in the transaction is less than NT\$500 million.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p>	<p>5 of Article 30 of the Regulation, it is specifically prescribed that, for the items required to be announced, if any error or omission is made in the announcement which requires correction, the total items shall be re-announced and re-declared in 2 days after learning the error or omission. Hence, Paragraph 5 of the Article is amended.</p>

Post-amendment	Pre-amendment	Explanations
<p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Bank shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries, and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Bank at the time of public announcement makes an</p>	<p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Bank shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries, and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Bank at the time of public announcement makes an</p>	

Post-amendment	Pre-amendment	Explanations
<p>error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing of such error or omission.</u></p> <p>The Bank acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Bank, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>The Bank acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Bank, where they shall be retained for 5 years except where another act provides otherwise.</p>	

Election Item No. 4: Election of 25th term of the Bank's Directors (including Independent Directors).

(Proposed by the Board of Directors.)

Explanation:

1. When holding its first extraordinary shareholders' meeting of 2014 (December 8, 2014), the Bank specifically amended Paragraph 2 of Article 18 of its Articles of Incorporation to revise the term of office of the 24th term of Directors to be two years and seven months, so the election of its 25th term of Directors can occur at this year's Shareholders' Meeting. Nevertheless, no re-election was timely held when the term of office of the 23rd term of Directors and Supervisors expired (November 25, 2014) which resulted in the circumstance where the term of office of the entire body of the 24th term of the Bank's Directors will continue until after the day when Shareholders' Meeting is held. This is contrary to the purpose of the aforesaid amendment to the Articles of Incorporation. Hence, to fulfill the purpose of the aforesaid amendment to the Articles of Incorporation and timely reflect shareholders' opinions on the Bank operation, an early full re-election of Directors is proposed.
2. This Shareholders' Meeting will elect 9 Directors (including 3 Independent Directors) for the 25th term, with the term of office from June 16, 2017 to June 15, 2020 for a total of three years.
3. The Director (including Independent Director) candidate list for this election was already passed by the review of the Bank's Directors in the 29th meeting of the 24th term of the Board of Directors, which was held on April 25, 2017. The details are as per the attachment.

Election results:

Results announced by the chairperson:

Attachment

**Candidate list of Directors (Including Independent Directors)
Chang Hwa Commercial Bank Co., Ltd.**

Serial No.	Shareholder account number & tax ID number	Name	Education	Experience	Current Position(s)	Number of shares held
1	Shareholder account number : 940001 Tax ID number : 0373****	Chang, Ming-Daw (Delegate of Ministry of Finance (MOF))	LL.M Chinese Culture University	<ul style="list-style-type: none"> • President of Chang Hwa Bank • President of Taiwan Financial Holdings and Bank of Taiwan • Director General of Banking Bureau, Financial Supervisory Commission • Deputy Director General of Financial Examination Bureau, Financial Supervisory Commission • Deputy Director General of Bureau of Monetary Affairs, Ministry of Finance 	<ul style="list-style-type: none"> • Chairman of Chang Hwa Bank 	1,093,072,201
2	Shareholder account number : 940001 Tax ID number : 0373****	Juan, Ching-Hwa (Delegate of MOF)	<ul style="list-style-type: none"> • Bachelor of Law, National Taiwan University • Bachelor of Business Administration, National ChengChi University 	<ul style="list-style-type: none"> • Director General of National Taxation Bureau of the Central Area, Ministry of Finance • Chief Secretary of Ministry of Finance • Executive Secretary of Petitions and Appeals Committee, Ministry of Finance • Executive Secretary of Legal Affairs Committee, Ministry of Finance 	<ul style="list-style-type: none"> • Director General of National Treasury Administration, Ministry of Finance • Director of Chang Hwa Bank 	1,093,072,201
3	Shareholder account number : 940001 Tax ID number : 0373****	Wang, Shu-Min (Delegate of MOF)	<ul style="list-style-type: none"> • Master of Science (Computer Application), Asian Institute of Technology (Thailand) 	<ul style="list-style-type: none"> • Director of Information Technology Department, Director of Saving & Remittances Department, Chief Secretary of Chunghwa Post Co., Ltd. • Supervisor of Cathay United Bank Co., Ltd. • Supervisor of Taiwan Mobile Payment Co., Ltd. 	<ul style="list-style-type: none"> • Vice President of Chunghwa Post Co., Ltd. • Director of the Board of Changhwa Express Co., Ltd. 	1,093,072,201
4	Shareholder account number : 71695	Lin, Chih-Hsien (Delegate of National Development Fund,	<ul style="list-style-type: none"> • Bachelor of Law, Tung Hai University 	<ul style="list-style-type: none"> • Section Chief of Legal Affairs Committee, Executive Yuan • Deputy Director, Senior Specialist, Insurance Bureau of Financial Supervisory Commission, Executive Yuan 	<ul style="list-style-type: none"> • Counselor & Executive Director of National Development Council 	246,494,217

Serial No.	Shareholder account number & tax ID number	Name	Education	Experience	Current Position(s)	Number of shares held
	Tax ID number : 0103*****	Executive Yuan)		<ul style="list-style-type: none"> Deputy Director of Senior Specialist, MOE Counselor of Mainland Affairs Council, Executive Yuan 	<ul style="list-style-type: none"> Director of Chang Hwa Bank 	
5	Shareholder account number : 920434 Tax ID number : 0379*****	Liao, Sheng-Li (Delegate of Taiwan Business Bank)	<ul style="list-style-type: none"> National Chengchi University -Master of Accounting 	<ul style="list-style-type: none"> Partner of Candor Taiwan CPAs Supervisor of T3EX Global Holdings Corp 	<ul style="list-style-type: none"> Partner of Candor Taiwan CPAs Supervisor of T3EX Global Holdings Corp 	88,782,273
6	Shareholder account number : 3013829 Tax ID number : 1617*****	Lee, Shih-Tsung (Delegate of Lee Investment Co., Ltd.)	<ul style="list-style-type: none"> Taipei City Private Shunde Senior family Business Vocational School 	<ul style="list-style-type: none"> Chairman of Lungyen Life Service Corp Chairman of Lungyen Life Service Corp 	<ul style="list-style-type: none"> Group President of Lungyen Life Service Corp 	88,402,140
7	Shareholder account number : 959743 Tax ID number : 2241*****	Kuo, Hsueh-Chun (Delegate of Lungyen Life Service Corp)	<ul style="list-style-type: none"> Finance, National Taiwan University 	<ul style="list-style-type: none"> President of Funeral Services, Lungyen Life Service Corp Vice president of Business, Lungyen Life Service Corp 	<ul style="list-style-type: none"> President of Lungyen Life Service Corp 	351,474,954
8	Shareholder account number : 2837094 Tax ID number : 8032*****	Wu, Cheng-Ching (Delegate of Taishin Financial Holding Co., Ltd.(TSFHC))	<ul style="list-style-type: none"> PhD., Department of Engineering, Tokyo University 	<ul style="list-style-type: none"> Chairman of TASCOC Chemical Corp Managing Director & Director of Chang Hwa Bank Director of Taishin Financial Holding Co. Chairman of Taiwan Chemical Industry Association Managing Director of Petrochemical Industry Association of Taiwan Member of Steering Committee, China Youth Corps 	<ul style="list-style-type: none"> Chairman of TASCOC Chemical Corp Director of Chang Hwa Bank 	2,021,212,165
9	Shareholder account number : 2837094	Chen, Hwai-Chou (Delegate of TSFHC)	<ul style="list-style-type: none"> Executive MS in Finance, Zicklin School of Business, Baruch 	<ul style="list-style-type: none"> Chairman & President of Chang Hwa Bank President of Taishin Financial Holding Company CFO of Taiwan High Speed 	<ul style="list-style-type: none"> Managing Director of Chang Hwa Bank 	2,021,212,165

Serial No.	Shareholder account number & tax ID number	Name	Education	Experience	Current Position(s)	Number of shares held
	Tax ID number : 8032*****		College, The City University of New York	Rail Corp. <ul style="list-style-type: none"> • President of Taishin Bank • General Manager of Bank of America Shun San Br. 		
10	Shareholder account number : 2837094 Tax ID number : 8032*****	Lin, Cheng-Hsien (Delegate of TSFHC)	<ul style="list-style-type: none"> • Master of Law, National ChengChi University • Master of Law, Southern Methodist University 	<ul style="list-style-type: none"> • Judge of Taiwan Taipei District Court 	<ul style="list-style-type: none"> • Attorney-at-Law of Lin & Associates Law Firm 	2,021,212,165
11	Shareholder account number : 2837094 Tax ID number : 8032*****	Wang, Wen-Yew (Delegate of TSFHC)	<ul style="list-style-type: none"> • Economics, National Taiwan University 	<ul style="list-style-type: none"> • Managing Director & Supervisor of Chang Hwa Bank • President of Taishin Financial Holding Company • President of Taishin Bank • Deputy Vice Director of Standard Chartered Bank Taipei Br. • Vice President of Citi Bank Taipei Br. 	<ul style="list-style-type: none"> • Director of Taiwan Foundation for Asia Pacific Development 	2,021,212,165
12	Shareholder account number : 2837094 Tax ID number : 8032*****	Cheng, Chia-Chung (Delegate of TSFHC)	<ul style="list-style-type: none"> • MA degree in Economics of National Taiwan University 	<ul style="list-style-type: none"> • Director of Chang Hwa Bank • Director & Supervisor of Taishin Financial Holding Company • Top Advisor of ChinaTimes Incorporated • Chairman of Cti TV • President of CTV 	<ul style="list-style-type: none"> • Chairman of Taishin Bank Foundation for Arts and Culture • Supervisor of Taishin Bank 	2,021,212,165

Independent Director Candidates:

Serial No.	ID number	Name	Education	Experience	Current Position(s)	Number of shares held
1	M10067*****	Liang, Kuo-Yuan	Ph.D.(Economics), Duke University	<ul style="list-style-type: none"> • Chairman and Professor of Department of Economics National Tsing Hua University • Visiting Scholar of Department of Economics, UCLA • Commissioner of Fair Trade Commission, Executive Yuan • President of Polaris Research Institute • Honorary Professor of College of 	<ul style="list-style-type: none"> • Chairman of Yuanta-Polaris Research Institute • Adjunct Professor of Department of Economics, National Taiwan 	0

Serial No.	ID number	Name	Education	Experience	Current Position(s)	Number of shares held
				Technology Management, National Tsing Hua University	University	
2	B10092*****	Yu, Chi-Chang	J.S. D, J.S.M, Stanford University LL.M., LL.B., National ChengChi University	<ul style="list-style-type: none"> • Adjunct Associate Professor of Soochow University • Adjunct Associate Professor of Taiwan University • Adjunct Associate Professor of Chang Gung University • Senior Attorney and Partner of Lee and Li, Attorneys-at-Law • Managing Attorney of Yu & Associate, Attorneys-at- Law • Judge of District Courts in Banquo • Revenue Officer of National Taxation Bureau of Taipei, Ministry of Finance 	<ul style="list-style-type: none"> • Adjunct Associate Professor of Soochow University • Adjunct Associate Professor of Taiwan University • Adjunct Associate Professor of Chang Gung University 	0
3	L10302*****	Huang, Ming-Hsiang	DBA in Finance, Mississi ppi State University Bachelor of Arts, Economics, Tunghai University □	<ul style="list-style-type: none"> • Chairperson of Department of Business Administration Dean of Academic Affairs and Associate Professor of Department of Business Administration National Changhua University of Education (NCUE) • Associate Professor of Finance Dept. of Finance and Lecturer of Dept. of Banking and Insurance, Fengchia University • Bank clerk and Senior security analyst, Trust Department, Taiwan Business Bank. 	<ul style="list-style-type: none"> • Professor of Department of Business Administration, College of Business National Changhua University of Education 	0
4	T10220*****	Pan, Jung-Chun	Banking and Insurance Dept., Feng Chia University	<ul style="list-style-type: none"> • Supervisor of Key Ware Electronics Co., Ltd. • Director & President of Mega Asset Management Co., Ltd. • Director & CEO of Concord Financial Management Corp. • Assistant Vice President of Taishin International Bank • Assistant Vice President of Da An Bank • Deputy General Manager of Savings Department of Bank of Communications 	<ul style="list-style-type: none"> • Independent Director of Chang Hwa Bank 	0
5	N12251*****	Hsu, Chao-Ching	University of California at Berkeley (LL.M. 2007) Tunghai	<ul style="list-style-type: none"> • Judge of Taiwan Chiayi District Court • Director and CEO of Taiwan Law Foundation • Executive Director of Taiwan 	<ul style="list-style-type: none"> • LexPro Attorneys-at-Law • Assistant professor of 	0

Serial No.	ID number	Name	Education	Experience	Current Position(s)	Number of shares held
			University (LL.M. 1995)	Property and Economic Law Institute <ul style="list-style-type: none"> • Member of Examination Affairs Committee of Taiwan Bar Examination • Member of Military Injustice Petitions Committee • Vice President of Criminal Procedure Committee of Taiwan Bar Association • Assistant professor of National Chung Cheng University • Instructor of Tunghai University 	National Chung Cheng University <ul style="list-style-type: none"> • Instructor of Tunghai University 	
6	Q10050*****	Chen, Deng-Shan	Master in Finance , University of ILLINOIS at Urbana-Champaign Master in Accounting, National ChengChi University	<ul style="list-style-type: none"> • Certified Public Accountants (CPA) • American Institute of Certified Public Accountants (AICPA) • American Institute of Certified Management Accountants (AICMA) • Director of Chang Hwa Bank • Vice Chairman of RALEC Electronic Corp. • Independent Director of Taishin Bills Finance Co. Ltd. • Vice President of Shinkong Synthetic Fiber Corporation 	None	0

Discussion Item No. 5: The release of non-competition restrictions for the Bank’s directors (including independent directors) of the 25th term is proposed for approval.

(Proposed by the Board of Directors.)

Explanation:

1. According to Paragraphs 1 and 5, Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company’s business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. In case a director violates the regulation, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company. In addition, in light of letter No. 89206938, released by Ministry of Economic Affairs on April 24th, 2000, in case a legal person acts as a shareholder of a company or a delegate elected as director pursuant to Paragraph 2, Article 27 of Company Act, both the delegate and the legal person shall abide by non-competition restrictions.
2. For the Bank’s 25th term of directors (including independent directors) and the legal persons represented by them, when conducting any activities or taking on any post for himself or on behalf of another person within the scope of the Bank’s business, on the premise without prejudice to the Bank’s interests, the release of non-competition restrictions is proposed for approval in accordance with Article 209 of the Company Act.
3. In order to facilitate shareholders exercising their voting rights by electronic transmission, the “list of candidates for the Bank’s 25th term of non-independent directors and independent directors to be released from non-competition restrictions” (as attached) is enclosed in the handbook. After electing the non-independent directors and independent directors in the meeting of shareholders, the final list will be confirmed.

Resolution:

Attachment

2017 Annual General Meeting of CHB**List of candidates for the Bank's 25th term of non-independent directors and independent directors to be released from non-competition restrictions**

	Name	Current Positions in other Companies (referring to the companies which have the same business as our Bank)
Directors and the legal persons represented by them	Ministry of Finance (MOF)	Director of Taiwan Financial Holding Co., Ltd. Director of Mega Financial Holding Co., Ltd. Director of Hua Nan Financial Holdings Co., Ltd. Director of First Financial Holding Co., Ltd. Director of Taiwan Cooperative Financial Holding Co., Ltd. Director of Land Bank of Taiwan Co., Ltd. Director of Taiwan Business Bank Co., Ltd.
	Delegate of MOF: Juan, Ching-Hwa	Supervisor of Bank Taiwan Insurance Brokers Co., Ltd.
	Delegate of MOF: Wang, Shu-Min	Vice President of Chunghwa Post Co., Ltd.
	National Development Fund, Executive Yuan	Director of iPASS Corporation Director of Mega Financial Holding Co., Ltd.
	Taiwan Business Bank Co., Ltd. (TBB)	Supervisor of Taiwan Asset Management Corporation Director of Sunsino Development Associated Inc. Director of Taipei Forex Incorporation Director of CDIB & Partners Investment Holding Corp. Director of Taiwan Incubator SME Development Corporation Supervisor of Financial E-Solution Co., Ltd. Director of Taiwan Financial Asset Service Corporation Director and Supervisor of Taiwan Business Bank Insurance Agency Co., Ltd. Director and Supervisor of Taiwan Business Bank Property Insurance Agency Co., Ltd. Director and Supervisor of Taiwan Business Bank International Leasing Co., Ltd. Director and Supervisor of Taiwan Business Bank (Cambodia) Microfinance Institution Plc
	Delegate of TBB: Liao, Sheng-Li	Partner of Candor Taiwan CPAs Supervisor of T3EX Global Holdings Corp.
	Taishin Financial Holding Co., Ltd (TSFHC)	Director and Supervisor of Taishin International Bank Co., Ltd. Director and Supervisor of Taishin Securities Co., Ltd. Director and Supervisor of Taishin Asset Management Co., Ltd.
	Delegate of TSFHC: Wu, Cheng-Ching	Director of TSFHC Director of China Investment & Development Co., Ltd.

Questions and Motions

II. Appendices

Appendix 1: Rules of Procedure for Shareholders Meetings

Chang Hwa Commercial Bank, Ltd.

Established on September 19th 1972 by AGM

Revised on September 27th 1986 by AGM

Revised on October 17th 1998 by AGM

Revised on May 18th 2001 by AGM

Revised on June 22th 2012 by AGM

Revised on June 12th 2015 by AGM

Article 1 (Basis of Establishment)

To establish a strong governance system and sound supervisory capabilities for Chang Hwa Commercial Bank(hereafter as “CHB”) shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and the Corporate Governance Best-Practice Principles for Banking Industry.

Article 2 (Rules of Adoption)

The rules of procedures for CHB’s shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3 (Convening shareholders meetings and shareholders meeting notices)

Unless otherwise provided by law or regulation, CHB’s shareholders meetings shall be convened by the board of directors.

CHB shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. CHB shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, CHB shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at CHB and its professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

CHB shall inform all shareholders before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting; as to shareholders who own less than 1,000 shares of nominal stocks may be given in the form of a public announcement via MOPS.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to CHB a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, CHB shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, CHB shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4 (Proxy to attend shareholders meetings)

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by CHB and stating the scope of the proxy's

authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to CHB or its professional shareholder services agent before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to CHB or its professional shareholder services agent, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to CHB before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 (The time and place of a shareholders meeting)

The venue for a shareholders meeting shall be the premises of CHB, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6 (Procedures for reporting and preparation of AGM related documents)

CHB shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, “shareholders”) shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. CHB may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

Attending shareholders may hand in a sign-in card in lieu of signing in.

CHB shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker’s slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by

more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 (The chair and non-voting participants of a shareholders meeting)

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the managing directors to act as chair; where the chairperson does not make such a designation, the managing directors shall select from among themselves one person to serve as chair.

When a managing director serves as chair, as referred to in the preceding paragraph, the managing director shall be one who has held that position for six months or more and who understands the financial and business conditions of CHB. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

CHB may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8 (Documentation of a shareholders meeting by audio or video)

CHB, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 (Calculation of the number of shares in attendance)

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated

by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act and Article 13, paragraph 7 of this Rules.

Article 10 (Discussion of proposals)

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 11 (Shareholder speech)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 12 (Calculation of voting shares and recusal for conflict of interest)

Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

If a shareholder holds shares for other persons, and asserts the exercise of split voting, the provisions of related regulations set by Securities authority shall be complied with.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of CHB, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13 (Voting, Scrutinizing and Calculation for Proposals)

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under the Company Act or other regulations.

When CHB holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice.

A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person under the preceding paragraph, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means shall deliver a written declaration of intent to CHB or its professional shareholder services agent before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to CHB, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail.

When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in CHB's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, the chair or a person designated by the chair shall first announce the total number of voting

rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results based on the numbers of votes for and against and the number of abstentions shall be entered into the MOPS. However, if a proposal passed without objection of any shareholder made by the chair, shall be deemed to be voted.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of CHB.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14 (Election of directors)

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by CHB, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 (Meeting Minutes)

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and made a public announcement via the MOPS within 20 days after the conclusion of the meeting,

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of CHB.

Article 16 (Public Disclosure)

On the day of a shareholders meeting, CHB shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, CHB shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 (Maintaining order at the meeting place)

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

A shareholder speaks without the equipment provided by CHB, or speaks at the non-designated area set up by CHB, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 (Recess and resumption of a shareholders meeting)

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days, will be not applicable to Article 172 of the Company Act and the Article 3 of this Rules.

Article 19 (Authorized Level and Execution)

These Rules, and any amendments hereto, shall be implemented after adoption by

shareholders meetings.

Appendix 2: Articles of Incorporation

Chang Hwa Commercial Bank, Ltd.

Enacted on 1 January 1947	Amended on 22 October 1991
Amended on 28 February 1948	Amended on 23 November 1992
Amended on 1 November 1948	Amended on 1 December 1993
Amended on 21 December 1950	Amended on 15 October 1994
Amended on 16 February 1951	Amended on 16 November 1996
Amended on 26 February 1955	Amended on 21 March 1998
Amended on 22 February 1958	Amended on 17 October 1998
Amended on 26 February 1959	Amended on 3 June 2000
Amended on 24 February 1960	Amended on 18 May 2001
Amended on 28 February 1961	Amended on 24 May 2002
Amended on 25 February 1964	Amended on 6 June 2003
Amended on 25 February 1965	Amended on 11 June 2004
Amended on 24 February 1967	Amended on 10 June 2005
Amended on 23 February 1968	Amended on 23 September 2005
Amended on 14 March 1969	Amended on 9 June 2006
Amended on 19 September 1972	Amended on 15 June 2007
Amended on 24 September 1974	Amended on 13 June 2008
Amended on 24 September 1975	Amended on 19 June 2009
Amended on 24 September 1976	Amended on 2 June 2010
Amended on 19 September 1980	Amended on 10 June 2011
Amended on 17 September 1982	Amended on 22 June 2012
Amended on 28 October 1988	Amended on 8 December 2014
Amended on 12 December 1989	Amended on 12 June 2015
Amended on 27 September 1990	Amended on 8 June 2016

Chapter One General Provisions

- Article 1 The objectives of the Bank are to promote economic development in line with national financial policies, provide comprehensive financial services for the society and the public, safeguard public interests, achieve operating efficiency and enhance shareholders' equity.
- Article 2 The Bank is organized and registered in accordance with the regulations of the Banking Act and the Company Act and is named Chang Hwa Commercial Bank, Ltd, hereinafter called Chang Hwa Bank. The English name of the bank is CHANG HWA COMMERCIAL BANK, LTD. or CHANG HWA BANK in short.
- Article 3 The head office of the Bank is located in Taichung City Taiwan, and the bank may establish branch institutions domestically and overseas at appropriate locations based on business needs.
- Article 4 (deleted)

Chapter Two Shares

- Article 5 The authorized capital of the Bank is New Taiwan Dollars one hundred and ten billion (NT\$110,000,000,000), divided into eleven billion shares, at par value of ten New Taiwan Dollars (NT\$10) per share. The shares may be issued at a premium. The Board of Directors is authorized to issue the unissued shares in installments.
- Article 6 All share certificates of the Bank shall be in inscribed form and issued in accordance with the laws.

The Bank may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody enterprise/institution to record the issue of such shares.

- Article 7 The shareholder of the Bank shall complete a seal/signature specimen card and submit it to the Bank for record. All claims for collection of share dividend, bonus, exercising of shareholder's rights in writing or written correspondence with the Bank shall be verified against the seal/signature specimen card.

Article 8 Matters relating to shareholders of the Bank shall be processed and exercised in accordance with the relevant laws and regulations of the competent authorities.

Chapter Three Businesses

Article 9 The business scope of the Bank is classified as H101021 Commercial Bank and may conduct the following businesses:

- (1) To accept Cheque Deposits;
- (2) To accept Current Deposits;
- (3) To accept Time Deposits;
- (4) To issue Bank Debentures;
- (5) To extend Short-term, medium-term and long-term loans;
- (6) To handle discount bills and notes;
- (7) To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks;
- (8) To handle domestic and foreign remittances;
- (9) To accept commercial drafts;
- (10) To issue domestic and foreign Letters of Credit;
- (11) To guarantee the issuance of corporate bonds;
- (12) To provide guarantee for domestic and foreign transactions;
- (13) To act as collecting and paying agent;
- (14) To act as agent to sell government bonds, treasury notes, corporate bonds and stocks;
- (15) To conduct credit card business;
- (16) To conduct trust business;
- (17) To conduct securities business;
- (18) To conduct warehousing, custody and agency businesses in relation to the businesses in the preceding 17 items subparagraphs;
- (19) To engage in futures introducing broker business;
- (20) To conduct life insurance agency business;
- (21) To conduct property insurance agency business; and
- (22) To conduct other relevant businesses which may be authorized by the Competent Authority.

Chapter Four Shareholders' Meeting

Article 10 The Shareholders' Meeting of the Bank shall be categorised into general meeting and extraordinary meeting. The general Shareholders' Meeting shall be convened once a year within six months after the end of each fiscal year. The extraordinary Shareholders' Meeting shall be convened whenever deemed necessary.

Article 11 A notice indicating the date, the venue and the cause(s) or subject(s) for convening the meeting shall be given to each shareholder no later than thirty days prior to an ordinary meeting, and no later than fifteen days prior to an extraordinary meeting.

A public notice may be given to those shareholders who own less than one thousand shares no later than thirty days prior to an ordinary meeting, and no later than fifteen days prior to an extraordinary meeting.

Article 12 In the event that a shareholder is unable to attend a shareholders' meeting due to any reason, may appoint a proxy to attend a Shareholders' Meeting in his/her/its behalf by executing a power of attorney printed by the Bank stating therein the scope of power authorized to the proxy. The power of attorney shall be delivered to the Bank no later than five days prior to the date of the Shareholders' Meeting. A shareholder may only execute one power of attorney and appoint one proxy only.

When a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the Bank, otherwise, the portion of excessive voting power shall not be counted.

Article 13 For a Shareholders' Meeting convened by the Board of Directors, the chairman of the Board of Directors shall preside over the Shareholders' Meeting. In the event that the chairman of the Board of Directors is on leave or cannot exercise his/her power and authority for any cause, the chairman of the Board of Directors shall designate one of the managing directors to act on his/her behalf. In the absence of such a designation, the managing directors shall elect from among themselves an acting chairman of the meeting.

A proxy referred in the preceding paragraph, for a Shareholders' Meeting convened by any other person having the convening right, he/she shall act as the chairman of the meeting, however if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

Article 14 The Shareholders' Meeting are empowered to resolve the following matters:

- (1) To draft and amend the Articles of Incorporation of the Bank.
- (2) To elect and discharge of directors.
- (3) To examine and approve the statements and records prepared and submitted by the Board of Directors. In order to conduct the examination, the Shareholders' Meeting may select and appoint inspectors as required.
- (4) To increase or reduce capital.
- (5) To distribute profits, dividends and bonuses.
- (6) Other important matters.

Article 15 Article 15 Resolutions at a Shareholders' Meeting shall, unless otherwise stipulated under the Company Act or other laws, be adopted by more than half vote of the shareholders present, who represent more than half of the total number of voting shares.

In the event that the number of shareholders present does not constitute the quorum referred to in the preceding paragraph, but the shareholders present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by more than half of those present. A notice of such tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' Meeting within one month.

In the aforesaid Shareholders' Meeting, if the tentative resolution is again adopted by more than half of those present who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the first paragraph.

Article 16 Unless otherwise provided for in the laws or in these Articles of Incorporation, a shareholder shall have one voting power in respect of each share in his/her/its possession.

Article 17 Resolutions adopted at a Shareholders' Meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be published within twenty (20) days after the meeting.

The minutes of Shareholders' Meeting shall record the date, venue, the name of the chairman, the method of adopting resolutions, and a summary of the essential

points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Bank.

The attendance book bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Bank for a minimum period of one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the attendance book and the powers of attorney of the proxies shall be kept until the legal proceedings of the foregoing lawsuit have been concluded.

Chapter Five

Board of Directors

Article 18 The Board of Director of the Bank shall comprise nine directors, to be elected in the Shareholders' Meeting among the persons with disposing capacity.

The 24th term of office for Board of Directors shall be two years and seven months and from the 25th term of office for Board of Directors, the term shall be three years. Directors may be eligible for re-election. Starting from the 25th term of office, election of the Bank's non-independent directors shall be performed through candidate nomination mechanism; the non-independent directors shall be duly elected at the Shareholders' Meeting from a list of nominated non-independent directors. The ways of nomination and election shall be in accordance with the Company Act.

In the event that a governmental organization or juristic-person shareholder is elected as director, its representative may be re-appointed at any time due to the change of the official functions and duties of the original representative, and they shall serve out the remainder of the term of office of their predecessors.

Starting from the 24th term of the Board of Directors, the number of independent directors in the list of directors which set under the first paragraph shall be no less than three persons and no less than one-fifth of the total number of directors. The candidate nomination mechanism shall be adopted; the independent directors shall be duly elected at the Shareholders' Meeting from among the nominees listed in the roster of independent director candidates.

Election for the independent directors and non-independent directors shall be held together but their votes shall be counted separately.

Regulations governing the professional qualifications, restrictions on

shareholdings and concurrent positions held, manner of nomination and election, and other matters for compliance with respect to independent directors shall be in accordance with the regulations prescribed by the competent authority.

The total number of shares held by all the directors shall be in accordance with the regulations prescribed by the relevant authority.

Article 19 The Board of Directors shall have three managing directors, to be elected in a meeting attended by over two thirds of the directors and consent by more than half of the directors present. The chairman of the Board of Directors shall be elected from among the managing directors in the same manner. The chairman of the Board of Directors shall act internally as the chairperson of the meetings of the Board of Directors and the meetings of the managing directors, and shall externally represent the Bank.

Amongst the managing directors, the number of independent directors shall not be less than one and not less than one-fifth of the total number of managing directors.

In the event that the chairman of the Board of Directors is on leave or absent or cannot exercise his power and authority for any cause, he shall designate one of the managing directors to act on his behalf. In the absence of such a designation, the managing directors shall elect from among themselves an acting chairman of the Board of Directors.

Article 19.1 Starting from the 24th term of the Board of Directors, the Bank shall establish an audit committee, to be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be committee convener, and at least one of whom shall have accounting or financing expertise.

The Bank shall adopt an audit committee charter; the exercise of power by audit committee, as well as other compliance requirements, shall be in accordance with the regulations prescribed by the audit committee charter, the Bank's rules and regulations, and the relevant laws and regulations prescribed by the competent authority.

Article 20 The duties and powers of the Board of Directors shall be as follows:

- (1) To approve rules and regulations matters defining power and responsibility, articles of association and important businesses of the Bank.
- (2) To approve business operations plan.

- (3) To propose the increase or reduction of capital.
- (4) To approve the establishment, revocation or changes of the branch institutions.
- (5) To approve various significant contracts or agreements.
- (6) To approve yearly and half-yearly financial reports.
- (7) To approve the budgets.
- (8) To approve real estate transactions.
- (9) To approve investments in other companies.
- (10) To propose profit distribution or loss appropriation.
- (11) To review discussion on business reports.
- (12) To approve internal control system.
- (13) To decide and determine director's remuneration, regardless of profit or loss, the remuneration of the directors to be on par with the salary levels of directors of financial institutions similar in size to the Bank.
- (14) To approve the appointment, dismissal and remuneration of the President, Executive Vice-Presidents, Chief Auditor, head of regulatory compliance, section heads and branch heads.
- (15) To handle assignments from Chairman of the Board.
- (16) All other authority in accordance with the law, articles of incorporation and vested by the meetings of the shareholders.

When exercising the authority under item (9) of this Article, the Board of Directors is not required to limit the Bank's total amount of investments to 40% of the Bank's capital as prescribed in paragraph 1 Article 13 of the Company Act.

Article 21 The ordinary meeting of the Board of Directors shall be convened on a quarterly basis. An extraordinary meeting may be convened in the event of an emergency or upon the request by more than half of the directors. Unless otherwise stipulated under the Company Act, all meetings of the Board of Directors shall be called by way of written notice or electronic means by the Chairman of the Board of Directors.

The Board of Directors shall adopt rules of procedures for Board of Directors meetings to enhance operational efficiency and policy decision capability of the Board of Directors.

In order to strengthen management functions, the Board of Directors shall set up various types of special functional committees. The rules and regulations governing their functions and powers shall be drawn up separately by the Board of Directors.

Article 22 In case a director for any reason is unable to attend a meeting of the Board of Directors, he may appoint another director to attend the meeting on his behalf by issue a written proxy in each time. The written proxy shall state the scope of authority with reference to the subjects to be discussed at the meeting.

A director may accept the appointment to act as the proxy referred to in the preceding paragraph of one director only.

Article 23 Unless otherwise provided for in the Company Act or other laws and decrees, resolutions of the Board of Directors shall be adopted by a more than half of the directors at a meeting attended by more than half of the directors.

Article 24 Minutes of the Board of Directors shall be affixed with the signature or seal by the Chairman and the recorder. It shall be distributed to each director within twenty days after the close of the meeting.

The attendance book bearing the signatures of the directors present at the meeting shall form part of the minutes and must be kept together with the minutes as the important files of the bank for as long as the bank in existence.

The powers of attorney of the directors appointing other directors as proxies shall be kept by the Bank for a minimum period of one year.

Article 25 During the meeting of the Board of Directors, President, Executive Vice-President and the Chief Auditor shall be invited to attend the meeting. However they have no voting rights.

Article 26 During the recess of the Board of Directors, the managing directors shall, pursuant to applicable laws and regulations, the Articles of Incorporation of the Bank, resolutions adopted by the Shareholders' Meetings and the meetings of the Board of Directors, hold conferences from time to time to regularly exercise the duties and powers of the Board of Directors. Such conferences shall be convened by way of written notice or electronic means by the Chairman of the Board of Directors and shall preside by him as the Chairman. If Chairman of the Board of Directors is unable to attend the conference for any cause, he shall designate one of the managing directors to act on his behalf. In the absence of such a designation, the managing directors shall elect from among themselves an acting chairman of the conference.

The scope of duties and powers carried out by the Board of Managing Directors in accordance with the preceding paragraph shall be set out clearly in the rules of

procedures for Board of Directors meetings.

Article 27 (deleted)

Article 28 During the meeting of the Board of Managing Director, President, Executive Vice-President and the Chief Auditor shall be invited to attend the meeting. However, they shall have no voting rights.

The provisions of Article 22 to 24 of these Articles of Incorporation shall apply mutatis mutandis to the meetings of the Board of Managing Directors.

Article 29 The Chief Auditor shall be responsible for leading and supervising the Internal Audit Division which comes under the Board of Directors. The Internal Audit Division shall assess and put it on record the internal control system and its performance and shall report its audit business to the Board of Directors at a minimum period of every six months.

The employment, dismissal or transfer of the Chief Auditor shall be allowed only if consent of more than two-thirds of the directors is given and prior approval is obtained from the competent authority.

Chapter Six (Deleted)

Article 30 (deleted)

Article 31 (deleted)

Article 32 (deleted)

Article 33 (deleted)

Article 33.1 (deleted)

Chapter Seven Presidents

Article 34 The Bank shall have one President in charge of the Bank's operations in accordance with the resolutions of the Board of Directors. The appointment and dismissal of the President shall be recommended by the chairman of the Board of Directors and proposed at the Board of Directors' Meeting. Resolution of consent shall be adopted by a more than half of the directors at a meeting attended by more than half of the directors.

The President shall be assisted by several Executive Vice-Presidents. The appointment and dismissal of the Executive Vice-Presidents shall be recommended by the President and proposed at the Board of Directors' Meeting. Resolution of consent shall be adopted by more than half of the directors at a meeting attended by more than half of the directors.

Article 35 In case the President cannot perform his duties for any cause, the Chairman of the Board of Directors shall designate one of the Executive Vice-President as acting President and refer this designation to the Board of Directors for its approval.

Chapter Eight

Accounting

Article 36 The fiscal year of the Bank shall commence from 1 January and end at 31 December of the same year. At the end of each fiscal year, the Bank shall prepare the year-end financial statements. The closing date of each year is 31 December.

Article 37 At the end of each fiscal year, the Bank shall prepare annual report and the Board of Directors shall prepare the following statements and records and submit to the general Shareholders' Meeting for ratification in accordance with the procedures prescribed by the competent authority:

- (1) The business report.
- (2) Financial statements.
- (3) Proposals on distribution of profit or loss appropriation.
- (4) Other items specified by the competent authority.

The above statements and records, together with the annual report, shall be submitted to the competent authority and the Central Bank within 15 days after the ratification by the ordinary meeting of shareholders. The financial statement and other items specified by the competent authority shall be published in the local daily newspapers or announced according to the mode specified by the competent authority; and shall also be placed at a prominent place of each business office for perusal. Public notice is exempted if Article 36 of the Stock Exchange Act has been complied with.

The publicly announced statements and other items specified by the competent

authority referred to in the preceding paragraph shall be duly audited and attested by a certified public accountant.

Article 38 At the end of fiscal year, profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), if any, shall be distributed with 1% to 6% of the profit as employees' bonuses and up to 0.8% distributed as remuneration of directors. However, if the bank has any accumulated losses, profit shall be reserved to cover such amounts first.

The aforementioned bonuses of employees can be in the form of stocks or cash; while remuneration for directors shall be in the form of cash. The aforementioned bonuses and remuneration shall be proposed at the Board of Directors' Meeting attended by at least two-thirds of the directors and approved by at least half the directors present at the meeting, and reported at the Shareholders' Meeting.

Article 38-1 After the final closing of accounts, surplus, if any, shall be used to make up for the prior year 's loss and payment of tax before setting aside 30% of the net profit as statutory reserve in accordance to Banking Act and provision or reverse of special reserves under other relevant law. 30% to 100% of shareholders' dividends and bonuses and other undistributed surplus of previous years can be distributed, to be proposed by the Board of Directors and approved at the Shareholders' Meeting before distribution.

In order to continuously expand the bank's operation and increase its profitability, the Bank adopts the residual dividend approach. According to the Bank's business needs and taking into account future plan for capital budgeting, shareholders' dividend and bonus shall be given primarily in the form of stock dividend in order to reserving an amount for necessary funds and distributing the remainder in the form of cash, provided such cash dividend shall not be less than 10% of the total dividends. No cash dividend will be distributed if the cash dividend falls short of NTD0.1 per share, unless otherwise determined in the Shareholders' Meeting.

The Bank shall not distribute cash profits or buy back shares if any situation stipulated in Article 44-1, subparagraph 1 of the Banking Act occurs.

If the total amount of the legal reserves as stipulated in subparagraph 1 has not reached the total amount of capital, the amount of profit distributed as cash may not exceed 15% of the total capital.

In the event that the legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and has set aside

legal reserve in compliance with the company Act, the restrictions stipulated in paragraph 1 and paragraph 4 shall not apply.

Chapter 9

Addendum

Article 39 The Bank shall enter into liability insurance contract with the insurance industry on the liability of indemnity incurred in the course of their duties and according to law by its directors and key officials.

Article 40 All other matters not specified herein shall be regulated under the Banking Act, the Company Act and other relevant laws or regulations.

Article 41 These Articles of Incorporation will be implemented after it has been resolved and approved at the meeting of shareholders. The same applies to any amendments to the Articles.

Article 42 These Articles of Incorporation are concluded on 1 January 1947.

Appendix 3: Rules for Director Elections

Chang Hwa Commercial Bank, Ltd.

Established on November 25th 2005 by 2nd ISM

Revised on June 15th 2007 by AGM

Revised on December 8th 2014 by 1st ISM

Revised on June 12th 2015 by AGM

Article 1

These Rules are established by Chang Hwa Commercial Bank (hereafter as “CHB”) for the purpose of fair, just and open election of directors.

Article 2

Except as otherwise provided by the relevant laws and regulations and the Articles of Incorporation of CHB, the election of directors of CHB shall be in accordance with these Rules.

Article 3

Except as otherwise provided by the Articles of Incorporation of CHB, each share will have voting rights for director elections of CHB in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

An independent director and non-independent director candidates nomination system is adopted by CHB, and the shareholders shall elect the independent directors and non-independent directors from among the nominees listed in the rosters of independent director and non-independent director candidates.

Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. An independent director candidate or a non-independent director candidate to whom the ballots cast represent a prevailing number of votes shall be deemed an independent director or a non-dependent director elect.

The provision of Article 178 of the Company Act shall not apply to the voting power referred to these Rules.

Article 3-1

Prior to the book closure date before a regular shareholders meeting is held, CHB shall publicly announce that it will receive the nomination of non-independent director

candidates, and the location and time period for their submission; the period for submission of nomination may not be less than 10 days.

A roster of non-independent director candidates of CHB may be submitted in one of the following ways:

1. A shareholder holding 1% or more of the total number of outstanding shares issued by CHB may submit to the company in writing a roster of non-independent director candidates, provided that the total number of candidates nominated shall not exceed the quota to be elected.
2. This restrictive condition as above shall also be applicable to the roster of non-independent director candidates nominated by the board of directors of CHB.

The roster of non-independent director candidates submitted by a shareholder or the board of directors of CHB, as prescribed in the preceding Paragraph, shall be annexed with the name, education background and past work experience of the candidates, the letter of understanding issued by each candidate to consent to act as director after he/she/it has been elected as such, a written statement issued by each candidate assuring that he/she/it is not under any of the circumstances set forth in Article 30 of the Company Act, and other evidential documents executed and provided by each candidate. If any candidate is a juristic person shareholder or its representative, additional information and documents reflecting the basic registration information of the said juristic person shareholder and the document certifying the number of shares of the company in its possession.

The board of directors or other authorized conveners of shareholders' meetings shall examine and/or screen the data and information of each non-independent director candidate nominated; and shall, unless under any of the following circumstances, include all qualified candidates in the final roster of candidates accordingly:

1. Where the roster of non-independent director candidates is submitted by the nominating shareholder beyond the deadline fixed and announced by CHB for accepting such candidates roster;
2. Where the number of shares of CHB being held by the nominating shareholder is less than 1% of the total number of outstanding shares of CHB at the time when the share transfer registration is suspended by CHB in accordance with the provisions set out in Paragraph 2 or Paragraph 3, Article 165 of the Company Act;
3. Where the number of candidates nominated exceeds the quota to be elected; or;

4. Where the relevant evidential documents required in Paragraph 3 of this Article are not submitted along with the roster of candidates.

The processes of the operation for examining and/or screening the non-independent director candidates nominated shall be recorded in writing and such records shall be retained in the file for a period of at least 1 year, however, that if any shareholder has filed a lawsuit against the result of directors election, the foregoing records shall be retained in the file until the legal proceedings of the foregoing lawsuit have been concluded.

Article 3-2

Prior to the book closure date before a regular shareholders meeting is held, CHB shall publicly announce that it will receive the nomination of independent director candidates, and the location and time period for their submission; the period for submission of nomination may not be less than 10 days.

A roster of independent director candidates of CHB may be submitted in one of the following ways, and qualification of all candidates shall be examined and/or screened by the board of directors of CHB before the election held by the shareholders' meeting:

1. A shareholder holding 1% or more of the total number of outstanding shares issued by CHB may submit to the company in writing a roster of independent director candidates, provided that the total number of candidates nominated shall not exceed the quota to be elected.
2. This restrictive condition as above shall also be applicable to the roster of independent director candidates nominated by the board of directors of CHB.
3. Any other ways under the regulations of competent authority.

The roster of independent director candidates submitted by a shareholder or the board of directors of CHB, as prescribed in the preceding Paragraph, shall be annexed with the name, education background and past work experience of the candidates, the letter of understanding issued by each candidate to consent to act as director after he/she/it has been elected as such, a written statement issued by each candidate assuring that he/she/it is not under any of the circumstances set forth in Article 30 of the Company Act, and other evidential documents executed and provided by each candidate (including but not limited to the nominees and his/her relatives).

The board of directors or other authorized conveners of shareholders' meetings shall examine and/or screen the data and information of each independent director candidate nominated; and shall, unless under any of the following circumstances, include all qualified candidates in the final roster of candidates accordingly:

1. Where the roster of independent director candidates is submitted by the nominating shareholder beyond the deadline fixed and announced by CHB for accepting such candidates roster;
2. Where the number of shares of CHB being held by the nominating shareholder is less than 1% of the total number of outstanding shares of CHB at the time when the share transfer registration is suspended by CHB in accordance with the provisions set out in Paragraph 2 or Paragraph 3, Article 165 of the Company Act;
3. Where the number of candidates nominated exceeds the quota to be elected; or;
4. Where the relevant evidential documents required in Paragraph 3 of this Article are not submitted along with the roster of candidates.

Article 4

Except as otherwise provided by the Articles of Incorporation of CHB, any shareholder of CHB shall have the right to elect directors.

Except as otherwise provided by relevant laws and regulations, any person who has the capacity to make juridical acts (employee of CHB included), but not in the limit of being a shareholder of CHB, may be elected as a director of CHB under these Rules. However, a certain proportion of directors shall meet relevant qualifications under "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks".

A government agency or a juristic person acts as a shareholder of CHB, may authorize one or more representatives to be elected as a director.

People who violate relevant provisions about the qualification of a director of the Company Act, the Securities and Exchange Act, the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or other laws and regulations, may not serve as a directors of CHB. An elect under such circumstances shall be removed from such positions upon discovery.

Article 5

The number of directors will be as specified in the Articles of Incorporation of CHB, and those independent director candidates and non-independent director candidates who receive ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes.

When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner at the time when the election ends. The chair will draw lots on behalf of any person not in attendance.

Article 6

Except as otherwise provided by the Company Act or other relevant regulations, in the event that a candidate is elected both a director and an independent director at the same time, the candidate shall have the choice to decide whether to serve as a director or an independent director, but not both, and the vacancy will be filled by the next candidate who has less number of votes than the aforesaid candidate.

Article 7

The board of directors shall prepare ballots for directors election with seals stamped. The number of voting rights and attendance number for shareholders associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders or their proxies at the shareholders meeting. However, shareholders who exercise voting rights by correspondence or electronic means shall follow the instructions specified in the shareholders meeting notice.

Article 8

At the beginning of the election, the chair will ask for 5 shareholders volunteer to perform the respective duties of vote monitoring personnel. If there are no volunteers and less than 5 volunteers available, the vacancy will be appointed by the chair. In the case of more than 5 volunteers available for voting monitoring personnel, the positions shall be decided by drawing lots.

At the beginning of the election, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote counting personnel.

The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 9

Where the candidate is a natural person, his/her name and ID numbers (part will be hidden) will be printed in the “candidate of independent directors” or “candidate of non-independent directors” column of the ballots by CHB. Where a non-independent director candidate is a government agency or a corporate shareholder, the name and the shareholder account number of the government agency or corporate shareholder will be printed in the “candidate of non-independent directors” column of the ballots by CHB. In the case where a non-independent director candidate is a representative of the government agency or corporate shareholder, in addition to the name and the shareholder account number of the government agency or corporate shareholder will be printed in the “candidate of non-independent directors” column of the ballots, the name of the representative will be printed in the same column as well.

The number of voting rights for each candidate of directors shall be entered by voters in the column of “number of voting rights allotted” on the ballots.

Article 10

In the case that the sum in “number of voting rights allotted” column of the ballots is less than the number of the voting rights specified in the ballots, the shortage of voting rights shall be deemed waived.

Article 11

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by the board of directors of CHB.
2. A blank ballot is placed into the ballot box.
3. The sum entered by a voter in “number of voting rights allotted” column exceeds the number of the voting rights specified in the ballot.
4. Any ballot placed into the ballot box after the polling hours.

Article 12

The number entered by a voter in the “number of voting rights allotted” column of a ballot is invalid under any of the following circumstances:

1. The writing is unrecognized because of defacing.

2. The writing has been altered.

Article 13

The identification of Article 11 and Article 12 of these Rules are executed by vote monitoring personnel; if vote monitoring personnel hold differing views, they shall go for a vote. When the numbers of positive and negative sides are the same, the ballot shall be deemed to be valid.

Article 14

Once voting is finished, the chair shall announce to have votes counted on the spot. The vote counting personnel will record the number of votes each candidate receives, under the supervision of the vote monitoring personnel.

Based on the outcome of the ballot counting on the spot plus the number of rights whose voting rights are exercised by correspondence or electronically, the chair shall announce the list of elected directors, and the number of votes each receives.

Article 15

A letter of understanding shall be issued by each elected director, within the specified period of time set by CHB, to consent to act as director. Any elected director does not issued such letter of understanding within the specified period of time, shall be deemed as a renunciation.

Article 16

All other matters not specified herein shall be regulated under the Company Act, the Securities and Exchange Act, the Civil Code, relevant regulations and the Articles of Incorporation of CHB.

Article 17

The Rules and all subsequent amendments each shall be implemented after being approved by the Shareholders' Meeting.

Appendix 4: Shareholding of Directors

The minimum shares required to be held by the entire body of the Bank's directors and the shares held by individual directors and the entire body of directors as stated in the shareholders' list as of the day the stock transfer is suspended before the shareholders' ordinary meeting, are as follows:

1. The Bank has already issued 8,964,762,589 shares, and, according to Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the minimum shares required to be held by the entire body of directors is 143,436,201 shares.
2. Detailed list of the shares held by respective directors and the entire body of directors:

Chang Hwa Commercial Bank, Ltd. Shareholding of Directors

Book closure date: Apr. 18, 2017

Title	Name	Shares held as of the day suspending the stock transfer before this time of shareholders' meeting	
		Shareholding (shares)	Shareholding Ratio(%)
Chairman	Ming-Daw Chang (Delegate of Ministry of Finance)	1,093,072,201	12.19
Managing Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd)	2,021,212,165	22.55
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0
Director	Ching-Hwa Juan (Delegate of Ministry of Finance)	(1,093,072,201)	(12.19)
Director	Ing-wei Peng (Delegate of Ministry of Finance)	(1,093,072,201)	(12.19)
Director	Chih-Hsien Lin (Delegate of Ministry of Finance)	(1,093,072,201)	(12.19)
Director	Cheng-Ching Wu (Delegate of Taishin Financial Holding Co., Ltd)	(2,021,212,165)	(22.55)
Independent Director	Shang-Chen Chen	0	0
Independent Director	Jung-Chun Pan	0	0
Total shares held by the entire body of directors		3,114,284,366	34.74

Appendix 5: Status of proposition put forth by the shareholders holding more than 1% of the Bank's shares:

N/A

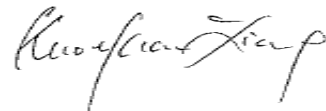
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 24, 2017

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2016 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements have been certified by Jerry Gung, CPA and Walter Liu, CPA of Deloitte & Touche, and upon which a Standard Unqualified Opinion has been issued. These statements referred to above present fairly the financial position as of December 31, 2016 and the operation results and cash flows in 2016 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.


Independent Director & Chairman: Kuo-Yuan Liang



Independent Director: Shang-Chen Chen



Independent Director: Jung-Chun Pan



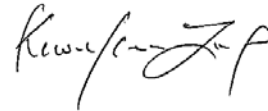
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 25, 2017

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2016 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman: Kuo-Yuan Liang



Independent Director: Shang-Chen Chen



Independent Director: Jung-Chun Pan



2016 Business Report of Chang Hwa Commercial Bank, Ltd.

In January 2017, the International Monetary Fund (IMF) published its world economic outlook that revised the 2016 global economic growth down to 3.1%. The report highlighted a drop in corporate investments in the United States during the first half of the year, impacted by the weakened market demand and strong dollar. However, the recovery of the labor market combined with wage growth fueled private spending and the real estate market, contributing to an expected annual growth rate of 1.6%. Meanwhile, political and economic uncertainty increased in the Eurozone after Brexit, which undermined confidence among corporations and consumers. Fortunately, the crisis was alleviated by the British interest rate cuts and continued loose monetary policy in the Euro zone, which as a result, boosted economic momentum with annual economic growth expected to be 1.7%. Growth in Mainland China continued to slow with estimated annual economic growth of 6.7%, mainly affected by rising debt risk, sustained economic restructuring, the elimination of excess capacity. In Japan, Prime Minister Shinzo Abe's decision to delay a sales tax increase, followed by his 28.1-trillion Yen financial incentives announced in early August 2016, is expected to stimulate domestic demands and private spending, especially when corporate demand for labor has increased. Annual economic growth is estimated to reach 0.9% for the year.

With regards to the domestic economy, the Directorate-General of Budget, Accounting, and Statistics (Executive Yuan) published its report on January 25, 2017, which revised economic growth to 1.4% for 2016. The report showed strong private spending in the first half of the year due to holiday spending (Chinese New Year, Qingming and Duanwu). The peak season was followed by slower salary growth coupled with reduction in net demand for labor that undermined private consumption. As a result, private spending growth rate has been revised down from 2.68% in 2015 to 1.99%. In terms of private investment, ongoing decrease in the price and volume of real estate transactions has discouraged private construction projects since 2015, and private investments continued to weaken given the nation's lack of incentives for business ventures as compared to many other Asian countries. Nevertheless, private investments still expanded by 1.68% as semiconductor manufacturers and suppliers invested extensively to maintain technological advantage and to accommodate newer, smarter applications of their products.

Import-Export trade had suffered in the first half of the year due to the world's stagnant economy and competition from Chinese suppliers. It was not until the second half when demands for new consumer electronics increased that growth gradually rebounded quarter by quarter, and contributed to the rise of imports. Overall, export and import trade were estimated to grow by 2.14% and 3.34%, respectively. Consumer price index (CPI) is expected to rise by 1.40% for the year, as food price increased due to impact of local climate and typhoons, while global prices of commodities are also showing signs of recovery. With regards to the interest rates, the Central Bank has maintained discount rate, accommodations

with collateral rate, and accommodations without collateral rate unchanged at 1.375%, 1.75% and 3.625%, respectively. Given the recovery of export growth and moderate increase in private spending, investment, and consumer price, the Central Bank is expected to maintain interest rates unchanged over the short term, as opposed to following the Fed's rate hike footsteps. As for exchange rate movement, the TWD strengthened moderately between January and August 2016 due to quantitative easing undertaken by European Central Bank (ECB) and Bank of Japan (BOJ). The Fed's decision to postpone interest rate hike in the first half of the year that attracted global capital back into Asia, and positive export growth rate in July and August 2016. Later, as the Fed started to raise interest rates, the TWD weakened against the USD.

Despite the challenging economic and financial environment, the Bank still managed to deliver exceptional results in 2016, owing to the contribution of all employees, with cumulative pre-tax earnings reaching TWD 14.083 billion, making 2016 the 7th consecutive year in which the Bank has earned more than TWD 10 billion in earnings, living up to shareholder's expectations. In terms of asset quality, the Bank managed to maintain its non-performing loan ratio at 0.25% and loan loss coverage ratio at 458.58%. Furthermore, the Bank was selected a composition of the TWSE Corporate Governance 100 Index by Taiwan Stock Exchange in 2016. At the same time, the Bank was also evaluated as top 5% among Taiwan listed companies in corporate governance by Taiwan Stock Exchange in 2016, which represented an acknowledgment of the Bank's sound management practices in a number of aspects including corporate governance, finance, business growth, and solid operation. We would like to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.

The details of the 2016 business results of the Bank, the 2017 Annual Business Plan, the Future Development Strategy, and the impact of the external competitive environment, the regulatory environment and the overall business environment and the latest credit rating are summarized as follows:

A. 2016 Results of Operations

(a) Organization changes

1. To enhance the functionality and increase competitiveness of the organization, the Bank made the decision to separate its Wealth Management Section from the Domestic Banking Division, which became the Wealth Management Division on April 1, 2016.
2. To reduce the business tax burden, support government policy and offer better protection for consumers, the Bank undertook a short form merger to acquire the life insurance business from its former subsidiary, CHB Life Insurance Agency Company, Ltd. and non-life insurance business from CHB Insurance Brokerage Company, Ltd. Under this arrangement CHB, assumed all rights and obligations of the respective subsidiaries, and established the Insurance Agency Division on

April 1, 2016 to provide life and non-life insurance agency services.

3. To centralize loan management activities for better operating efficiency, the Bank reorganized its collection team on July 25, 2016. Under this adjustment, the loan management team that previously operated as a sub-section under the Commercial Regional Center now belongs to the Loan Asset Management Division.
4. To more effectively promote securities underwriting services, an Underwriting Section and a Brokerage Section were created under the Domestic Banking Division to oversee the Bank's securities underwriting and brokerage activities.

(b) Accomplishments

1. Corporate banking:
Launched new corporate lending solutions, including: loans against fund account, photovoltaic project lending, machinery upgrade loans, and machinery export loans, and supply chain factoring.
2. Consumer banking:
Launched new personal lending solution, including: green energy motorcycle hire purchases, privileged employee loans, and investment-backed loans.
3. Syndicated loans:
A total of 106 syndicated loan cases were completed by domestic business units in 2016. CHB served as lead arranger in 7 of these cases, and co-arranger in 42 and ordinary participant in the 57 remaining cases.
4. Deposits:
Provided new services interbank cash deposits over ATM and cardless withdrawals.
5. Credit card:
 - (1) Issued VISA Infinite and MasterCard World cards; launched HCE mobile credit card service.
 - (2) Enabled credit cards and debit cards to be used for payment at government agencies, and enabled credit cards to be used as carriers for digital invoices.
 - (3) Launched credit card marketing campaigns including: \$1,000 shopping credit for new cardholders with spending requirement, 5% cashback on Taiwan Railway purchases, \$100 rebate for \$888 spent at Welcome, 40% off movie tickets daily at selected cinemas, cashback and installment option for insurance premiums, Taiwan High Speed Rail business class upgrades and standard class discounts, discounts at selected restaurants, installment option for online shopping, and concessions for shopping at department stores.
6. Foreign Exchange:
 - (1) All branches of the Bank have become full-fledged foreign currency units,

while 70 of them are full-service foreign currency units and 116 of them are designated foreign exchange units.

(2) Launched foreign currency NCD and foreign currency clearance/settlement banking services.

7. Trust:

(1) In 2016, the Bank added 114 new domestic funds, 80 new offshore funds, 23 foreign bonds and 31 overseas ETF to the product portfolio. As of the end of 2016, the Bank had a total of 746 domestic funds, 1,157 offshore funds, 23 foreign bonds and 31 overseas ETF, distributed to the market, giving investors a broad range of selections to choose from.

(2) The Bank added 2 new domestic funds launched to its custodial services. In terms of the size of assets under custody, the Bank ranked 6th among local peers.

8. Wealth Management:

(1) Adopted two separate training programs for general employees and financial advisors, and took measures to enhance the professional capacity of financial advisors.

(2) Eight investment seminars of distinctive themes were organized in 2016 to raise customers' satisfaction towards the Bank.

9. E-banking:

(1) Developed a hospital-exclusive mobile app that offers useful features such as appointment booking, payment, and medicine collection. The app allows customers to make real-time inquiries and payments while reducing waiting time.

(2) Actively promoted the use of the Web ATM service due to its many advantages, including low cost, high collection efficiency, and applicability in a wide range of business activities (including but not limited to healthcare and meat auctions). This service continues to exhibit growing transaction volume.

(3) In response to increasing demand for third-party collection and payment services, CHB has launched an O2O solution based on QR Code to accommodate domestic transactions; for cross-border transactions, CHB has collaborated with Tenpay to launch an O2O solution based on the WeChat Pay service, which enables users to make and collect payments using the same account.

(4) The Bank's official website underwent a makeover that gives users the optimized web page layout depending on the type of device they use, and hence provides customers with a whole new user experience.

10. Information Technology:

- (1) The Bank's information system had passed the ISO 27001: 2013 reevaluated certification.
- (2) Continued efforts in implementing various information systems, while developing new electronic payment systems to support new services.
- (3) The Bank continues to maintain and develop its offshore branch core account system and Internet banking system. Improvements are being made to the 2nd generation payment system in China, while on-site backups are being developed for all branches located in China.

11. Risk Management:

- (1) Established Industry Limit Guidelines for effective diversification across a broad range of industries. Meanwhile, credit risk management practices are being escalated for overseas credit exposure, including China.
- (2) Implemented the Bank's 2016 risk appetite statement so that every business and management activity was properly aligned with the target risk appetite, therefore ensuring compliance with financial supervisory regulations and best corporate governance practices.

12. Non-performing loan management:

As of the end of December 2016, non-performing loans amounted to NT\$3.516 billion or 0.25%, and the loan loss coverage ratio stood at 458.58%.

13. Relocation of domestic branches:

Relocate Neihu Branch (the Bank's first digital branch) and Siyuan Branch.

14. New overseas branches:

Set up a subsidiary, Chang Hwa Bank (China) Ltd. and a Nanjing Branch in China, in addition to Yangon Representative Office in Myanmar, Manila Branch in Philippines, and Chang Hwa Bank (Cambodia) Specialized Bank, Ltd. in Phnom Penh.

15. Awards:

- (1) The Bank was given an excellent performance rating in the FSC's 2015 (10th) SME lending review.
- (2) Received the 2015 Excellent Credit Guarantee Partner Award, Guaranteed Credit Growth Award, and Outstanding Credit Manager commendation from Ministry of Economic Affairs, R.O.C.
- (3) Received the 2016 "Electronic Banking Excellence Award - Best System and Best Innovation - Domestic Bank Division" from Financial Information Service Co., Ltd.
- (4) Received the Diamond Award (2nd) - RMB Futures Market Maker of the Year from Taiwan Futures Exchange.

16. Participation in social welfare:

- (1) Made donations to the “Tainan City Bureau of Social Affairs Social Aid Account” to assist the Tainan City Government in disaster relief and reconstruction following the recent earthquake in southern Taiwan.
 - (2) Made donations to the “Taitung County Government Social Aid Account” to assist Taitung County Government in reconstruction from the aftermath of Typhoon Nepartak.
 - (3) Made donations to Chinese Taipei Olympic Committee to fund the silver medal and the bronze medal incentives during the 2016 Rio Olympics, and encouraged the best performance from the nation’s top athletes.
 - (4) Made donations to the Taitung County Sports Association to assist in the training of top performers and potential athletes, and thereby contributed to sports development.
 - (5) Sponsored the efforts of Huashan Social Welfare Foundation in delivering New Year meals and mobilizing volunteer services to lone elders.
 - (6) Made donations to the “Tuition Support Program” organized by Taiwan Fund for Children and Families, which assisted financially disadvantaged elementary school and junior high school students in their studies.
 - (7) Made donations to the program - “Tuition Subsidy for Financially Disadvantaged High School Students” organized by Twilight Elite Development Association R.O.C.
 - (8) Sponsored Commercial Times in organizing its first FinTech Creativity Challenge in the hope of bringing Taiwan into the new era of financial technology.
 - (9) Sponsored the Department of Finance, National Sun Yat-sen University College of Management, in organizing its 24th Conference on the Theories and Practices of Securities and Financial Market.
 - (10) Sponsored Global Views - Commonwealth Publishing Group in organizing the 14th Annual Global Views Leaders Forum.
 - (11) Made donations to Children’s Lantern during the 2016 Taiwan Lantern Festival organized by the Tourism Bureau, Ministry of Transportation and Communication R.O.C.
17. Corporate Social Responsibility:
- (1) Published the Bank’s 2015 corporate social responsibility report and obtained the certification of British Standards Institute (BSI).
 - (2) The Bank’s energy management system was certified by Societe Generale de Surveillance (SGS) for ISO 50001: 2011.

(c) Budget Execution

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,553,286,413 thousand or 99.95% of the original budget target.
2. The total loans volume was NT\$1,347,855,030 thousand or 97.67% of the original budget target.
3. The total investment business (securities) volume was NT\$310,753,535 thousand or 102.19% of the original budget target.
4. The foreign exchange transactions totaled US\$122,587,053 thousand amounting to 88.46% of the original budget target.
5. The securities brokerage transactions totaled NT\$62,237,009 thousand or 83.40% of the original budget target.
6. The wealth management business volume was NT\$69,081,454 thousand or 81.87% of the original budget target.
7. The assets under custody totaled NT\$130,408,600 thousand or 89.35% of the original budget target.
8. The total card transaction volume (retail spend) reached NT\$16,221,641 thousand representing 100.21% of the original target.

(d) Financial Highlights

1. Net interest income: NT\$21,726,769 thousand
2. Net income other than net interest income : NT\$9,281,712 thousand
3. Net revenue and gains: NT\$31,008,481 thousand
4. Provisions for bad debts expenses and guarantee liability : NT\$1,138,044 thousand
5. Total operating expenses: NT\$15,787,396 thousand
6. Income Before income Tax: NT\$14,083,041thousand
7. Income Tax expenses: NT\$1,997,069 thousand
8. Net income After income Tax: NT\$12,085,972 thousand
9. Other comprehensive income (loss),net of Tax: NT\$-1,077,343 thousand
10. Total comprehensive income: NT\$11,008,629 thousand
11. After tax EPS: NT\$1.35
12. Return on Assets (ROA):0.62%.
13. Return on Equity (ROE):9.05%

(e) Research and Development

- 1.Active development of digital banking service that resulted in patent registration:

Financial technology (FinTech) is the latest trend in the global financial industry. In response to this trend, the Bank has taken pro-active steps to develop patented proprietary FinTech and combined them with relevant technologies to improve the

quality, efficiency and added value of conventional banking services. The Bank is confident that this development will yield higher profits and make the organization more competitive in digital banking. The Bank filed 8 patent applications in 2016. So far, the Intellectual Property Office, Ministry of Economic Affairs, has approved 4 new patents for the Bank's Internet banking login system, electronic payment security system, bill payment system, and cheque system. All of them have been implemented to banking services. The other 4 patents, including the customer development system, marketing system, integrated account system and fax transaction authentication system, have progressed to the review stage.

Enhancement of digital banking infrastructure: with regards to mobile communication, the Bank has adopted new mobile communication technologies to support the new version of its mobile securities trading service as well as the new personal banking app, mobile payment (TSM and HCE), iPay O2O, WeChat Pay O2O and other innovative services. In terms of cloud service, cloud technology is being adopted to support various types of FinTech service, given the technology's potential to reduce system development costs. As for the big data project, the Bank has completed the integration of external open data with internal data warehouse. In 2017, the Bank plans to collect data on users' browsing history on the CHB official website and their personal Internet banking system, and develop a more advanced big data platform to analyze data in a way that more effectively supports business development in all directions. In terms of blockchain development, the Bank has been invited to participate in the "Financial Blockchain Research and Application Development Committee" assembled by Financial Information Service Co., Ltd., and is starting practical development of blockchain technology for the corporate banking segment in 2017.

2. Research on economic and industry dynamics:

The world's financial market has become more unpredictable and changeable year after year. In an attempt to grasp the ongoing economic, political, and industrial developments around the world, the specific unit-in-charge of the Bank has extensively analyzed the economic and industry dynamics. The bank closely monitored developments in key industries. These efforts were aimed to identify turning points in the business environment, and the reports were distributed to all branches and the Commercial Regional Center on a regular basis via video conferencing.

3. Business research and development reports and publications:

The Bank's management units had identified prevailing issues relating to business operations and the financial environment. Employees compiled these issues into research reports. A total of 22 studies were completed in 2016. The research reports were placed on reserve in the Bank's library and made accessible by all employees, thereby promoting their new knowledge as well as professional skills to improve and develop the Bank's business.

B. 2017 Highlights of Business Plans

(a) Business Directions and Operational Policies

1. Deposits:

- (1) Introduce new digital banking solutions, enhance electronic banking service and develop a third-party payment platform to provide customers with greater convenience and security. Attract NTD and foreign currency deposits to expand the overall deposit size while increase the source of current deposits.
- (2) Expand the Bank's foreign currency deposit pool by launching promotional campaigns in line with market trends for popular currencies such as USD, CNY, EUR, etc. The expansion of the deposit pool will help the Bank capture foreign currency opportunities to a greater extent.

2. Lending:

- (1) Support the government's innovative industry development policy by introducing project financing solutions. Promote supply chain financing as a means to the growth of both volume and utilized credit exposure among small and medium enterprises.
- (2) Promote consumer loans and personal investment loans as the two supporting pillars for the growth in retail banking.
- (3) Actively explore opportunities to lead-arrange, co-arrange, and take part in prominent international syndicated loans for greater volume and increase international visibility.
- (4) Explore opportunities in cross-strait financing as China introduces further deregulations on cross-border RMB lending. Deeply engage overseas local markets to enhance the proportion of direct lending.
- (5) Restructure loan portfolio to increase the weight of high-margin or high-income customers and shift towards small and medium enterprises for better net return on capital.
- (6) Adopt a quality and quantity balanced focus when developing business. Maintain credit asset quality and focus on risk segmentation in addition to

pursuing volume growth.

3. Foreign exchange:
 - (1) Urge branches to take initiative in visiting premium customers for more opportunities to provide import, export, and foreign exchange services.
 - (2) Strengthen relationships with depositary banks and correspondent banks; collaborate in expanding foreign exchange and its related services.
 - (3) Promote cross-border payment collection as a means to increase the volume and market share of the Bank's foreign exchange service. Generate foreign exchange income in the form of fees income.
4. Investment:
 - (1) Develop a multitude of financial products in line with market trends; promote financial products as solutions to corporate finance for greater profit potential.
 - (2) Exercise sound judgment of financial product trends and timely adjust investment portfolio.
5. Trust:
 - (1) Select funds, offshore bonds and offshore ETFs that conform to current market trend and offer them to customers as part of the Bank's investment consulting service. Increase fee revenues by launching a broader variety of custodian services.
 - (2) Provide customers with broader variety of trust services including real estate trust, real estate transaction trust, the elderly trust and disability trust.
6. Wealth management:
 - (1) Enhance performance of the wealth management system as well as the training and retention of wealth management personnel.
 - (2) Expand investment product variety for higher penetration of wealth management customers.
7. Insurance agency service:
 - (1) Intensify promotional efforts on conventional protection-type and investment-linked insurance products of longer duration. Continue efforts in growing personal non-life insurance in the retail segment.
 - (2) Utilize digital marketing solutions to improve the penetration of mortgage and life insurance products. Enhance collaboration across different departments for maximum cross-selling results.
8. Cards:

Launch credit cards with exclusive features and privileges designed for specific customer groups. Expand the card base and grow transaction acquisition services by applying segmented marketing.
9. E-commerce / Online banking:

- (1) Integrate collection/payment services into e-commerce and online transactions, and guide existing as well as new customers to making the best use of them.
 - (2) Combine the Bank's advantage in financial technology, social media and payment service to develop its exclusive brand image and a fully featured mobile payment app.
 - (3) Devote resources into developing a mobile banking app that focuses on distributing real-time messages. Build closer relationship and learn more about customers' needs through the use of social media.
10. Services expansion in Overseas:
- Broaden the variety of cross-strait banking services and achieve deeper penetration of featured services and products. Expand the Bank's global financial services and enhance global visibility.
11. Securities brokerage:
- Explore opportunities in the securities market by increasing market share of the Bank's online securities trading service. Increase revenue by guiding branches in exploring customers for underwriting services.
12. Operational management:
- (1) Improve the quality of employees' core training. Develop digital banking and international finance talent. Raise overall talent quality for greater corporate competitiveness.
 - (2) Develop advanced capital planning and asset/liability management; maintain adequate capital that supports business development and covers potential risks.
 - (3) Take pragmatic steps toward corporate governance and conduct various business activities under robust supervision to secure shareholder interest and strive to attain the best results in corporate governance evaluation.
13. Risk management operations:
- (1) Continue to improve its credit portfolio risk management and monitoring practices in a manner that conforms with its risk management policy, business characteristics, the latest Basel Capital Accord, and qualitative indicators and aims to provide the most accurate and timely information for executive risk managers.
 - (2) Use risk assessment tools such as application/behavioral models to develop objective and consistent reviews on individual credit customers. Quantify risks to facilitate identification, assessment, monitoring and communication.
14. Internal Control:
- Implement the three lines of defense as part of the Bank's internal control. Integrate the first (self-audit), second (regulatory compliance and risk management) and third (internal audit) lines of defense to ensure the effectiveness

of the Bank's internal control policy.

15. Regulatory compliance:

- (1) Enforce the Bank's compliance policy and practices.
- (2) Enhance the Bank's anti-money laundering and counter terrorist financing practices.

16. Back-end operations:

- (1) Enhance IT security control; raise efficiency and availability of IT operations by improving existing workflow.
- (2) Increase non-operating revenues in the form of financial lease income. Reduce expenses and control procurement costs.
- (3) Aim to reduce 50,000KG of CO2 emission each year in support of government policies.

(b) Business Operational Targets

1. Deposit Volume: NT\$1,600,258,052 thousand
2. Loans Volume: NT\$1,375,932,275 thousand
3. Investment Business (Securities): NT\$331,787,211 thousand
4. Foreign Exchange Transactions: US\$118,764,579 thousand
5. Securities Brokerage Transactions: NT\$64,048,151 thousand
6. Wealth Management Transactions: NT\$74,125,000 thousand
7. Assets under custody: NT\$134,500,000 thousand
8. Credit Card (Transaction Amount): NT\$17,700,000 thousand

C. Future Development Strategy

(a) Deposits

Introduce new, upgraded banking services starting with the launch of digital foreign currency deposit accounts.

(b) Lending

1. Design domestic and cross-border foreign currency financing features for the "supply chain online financing system," and thereby expand the diversity of financial services offered to customers.
2. Continually adjust the credit portfolio and place more emphasis on SME lending for higher margin. Actively utilize SME credit guarantee fund as a means to improve credit quality and capital adequacy.

(c) Investment

Pay close attention to the movement of international capital market and changes in

counterparty credit ratings and actively develop diversified channels. Exercise robust liquidity management; optimize long term and short term allocation of funds by striking the right balance between liquidity and revenues.

(d) Foreign Exchange

Strive to become the agency bank for the foreign currency collection services of Financial Information Service Co., Ltd., and thereby increase the volume of foreign exchange transactions.

(e) Overseas Business

Support the government's New Southbound Policy by establishing local branches and merging local financial institutions in potential ASEAN countries. Search for suitable merger targets or investees and use them to quickly enter to local financial markets.

(f) Securities brokerage

Respond to new digital banking trends by introducing an online securities brokerage account opening system that has the potential to explore new customers and grow the securities brokerage business in volume and market share.

(g) Insurance agency service

Introduce innovative insurance products combined with the latest financial technology to satisfy customers' needs.

(h) Wealth Management

1. Assemble a professional investment service team (with product, taxation, and asset planning specialists) that focuses on exploring and maintaining relationships with high net worth individuals and corporate customers, and carrying out differentiated marketing strategies and services.
2. Connect trading platforms of peers for product offerings such as sub-brokerage, private equity funds, and innovative investments. Meanwhile, the Bank will progressively optimize its asset allocation and adjust the portfolio of products sold by introducing new marketing campaigns.

(i) Trust

Upgrade and test the existing fund system. Develop "New Generation Special Purpose Money Trust Trading System" to improve service efficiency and satisfy customers' investment requirements.

(j) Cards

1. To accommodate changes in consumers' payment methods, the Bank will be consolidating multiple services into a single card as a means to provide more incentives for using the CHB card and for raising customer loyalty.
2. Analyze data gathered from the "Open Financial Data and Application Program" to explore ways to complement the existing product line. Apply more advanced customer segmentation to help source new customers, increase card spending, and expand the card base more effectively.

(k) E-commerce / Online Banking

1. Introduce upgrades to the personal Internet banking and mobile banking systems.
2. Develop the collection payment app and the corporate Internet banking app.
3. Launch cloud-based payment (HCE ATM card) service.
4. Replace and upgrade the customer service system for better service efficiency.

(l) Operational Management

1. Develop a versatile talent training system that conforms with the Bank's business strategies. Implement an employee transformation program that provides them with the professional capacity needed to embrace the challenges of the Bank 3.0 era.
2. Continue raising the transparency of information disclosed to achieve sound corporate governance.
3. Achieve full utilization of assets held on hand to derive maximal benefits. For real estate properties under management, the Bank will adopt a variety of value-adding solutions such as leasing, superficies set-up, participation in city renewals, and cooperation with professional developers to maximize gains by utilizing the Bank's real estate.
4. Adopt a broad variety of pro-active debt collection strategies; monitor debt recovery progress on a regular basis and offer incentives to collectors for recovering overdue loans; resolve bad loans to maintain the Bank's asset quality.

(m) Risk Management Operations

1. Continue monitoring and management of credit exposure in China.
2. Develop credit risk management techniques and quantitative models for expected losses.
3. Improve existing operational risk management tools, and enhance the connection and integration of different management practices.

(n) Regulatory compliance

1. Ensure compliance in all aspects. Avoid being penalized by the supervisory authorities and suffering financial losses or damage to reputation for violations of the law. Continually assist all departments of the Bank in reviewing and revising operational guidelines, and thereby maintain the effectiveness of the internal control system.
2. Enforce anti-money laundering (AML) and countering terrorist financing (CTF) practices. Make plans for the evaluation and management of AML and CTF risks.
3. Continually enhance training intensities to raise employees' professional capacity while at the same time reduce compliance risks of the Bank.

(o) Back-end Operations

1. The Bank has made regulatory compliance, AML, CTF, information security, and financial derivative service as the key focuses of its audit effort. Steps have been taken to enhance the quality of internal audit. Improvements are being suggested to the management at appropriate time to ensure that the internal control system remains effective.
2. Upgrade to the latest information technology to accommodate the changing trends. Enhance information and network security control to give customers a safe transaction environment.
3. Adopt centralized processing for highly manual works and for services that have the potential to achieve economies of scale in purpose of lower operational risk and cost. For operations which centralized processing is unsuitable, the Bank will focus on improving system functions and simplifying procedures to cut down the amount of manual works involved.

D.The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Environment

(a) External Competitive Environment

1. In response to the new FinTech era, the Financial Supervisory Commission has proposed its Financial Technology Development Strategy White Paper, which introduced detailed actions, goals and strategies toward achieving “Innovative Digital Technology in Smart Finance” by 2020. To contribute to this vision, the Bank has been invited by Financial Information Service Co., Ltd. to take part in the Corporate Finance Research Consulting Team of the Financial Blockchain Research and Application Development Committee, where it began practical development of blockchain technology for the corporate banking segment. It is the Bank's hope to raise the efficiency of financial services delivered by introducing innovative applications of the blockchain technology.

2. In an attempt to prevent the negative interest margin from widening to an extent that may threaten the financial security and solvency of insurance companies, the authorities have made an announcement to adjust assumed interest rate for reserves of new insurance contracts in 2017 (interest rates for NTD, USD and AUD insurance plans will be reduced by 25–50 basis points). This policy is expected to cause a rise in premiums across all types of insurance products in 2017. Although customers' anticipation in rising premiums may stimulate sales growth in the short term, high premiums would ultimately deter customers from purchasing insurance over the long run, which may negatively affect the Bank's business performance as an insurance agency in the future. The Bank will continue to observe changes in market interest rates, and make appropriate adjustments to its product strategy to minimize the impact of interest rate changes on the performance of the Bank's insurance business.
3. FundRich Securities Co. Ltd. is founded with the assistance of Taiwan Depository and Clearing Corporation. In September 2016, the company's online fund trading platform was launched. This new platform allows investors to open accounts and place orders online, and offers several advantages including lower subscription fees (as compared to orders placed through banks) and waived trust management fees. More than 8 thousand online accounts have been opened using the platform, which makes it a prominent competitor to conventional banks. The Bank will devote greater attention to improving products and services, including the quality of Internet banking services, the range of investment products offered, the user experience in the fund/bond system, and the training of financial advisors, to mitigate impact of price competition.

(b) Regulatory Environment

1. Establishment of the Countering Terrorist Financing Act:

The Countering Terrorist Financing Act was implemented under the President's order on July 27, 2016 to prevent and suppress funding to terrorism, terrorists and organizations and to enable international cooperation for the protection of national security and basic human rights. It provides a more robust foundation to the nation's counter terrorist financing efforts. According to the Counter Terrorist Financing Act, the Ministry of Justice serves as the competent authority for the Act, while the Executive Yuan is responsible for developing CTF policies, regulation review, planning, and general supervision of CTF activities. The competent authority is required to assemble a "Countering Terrorist Financing Review Committee" that specializes in reviewing the list of sanctioned terrorists

and organizations and devising appropriate measures.

Any individual, legal entity or organization that has been identified in the United Nations Security Council's resolution regarding terrorists, terrorist organizations, or the prevention of weapons proliferation need to be added to the sanction list and announced immediately by the competent authority.

2. Amendment of Notes on Anti-money Laundering and Countering Terrorist Financing for Banks:

In an attempt to enhance AML and CTF practices within the nation, the Financial Supervisory Commission reviewed and made several amendments and text correction to Notes on Anti-money Laundering and Countering Terrorist Financing for Banks on December 2, 2016 based on the 40 recommendations announced by the Financial Action Task Force (FATF).

For banks, the boards of directors and executive management are required to understand how their organizations are exposed to risk of money laundering and terrorist financing, as well as the types of AML and CTF measures in place. In addition, steps must be taken to develop proper AML and CTF culture within their organizations.

Each bank is required to establish an independent department that specializes in AML and CTF activities; in addition, the board of directors must appoint one senior manager to the role of AML/CTF Officer and provide the officer with adequate authority to serve as the second line of defense. This AML/CTF Officer shall report to the board of directors and supervisors at least once every six months.

Every branch, local and abroad, must have a senior manager assigned to supervise execution of AML/CTF policies and procedures, and conduct self-audits on related matters.

3. Amendment to Articles 7 and 8 of Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business:

The Financial Supervisory Commission has tightened supervision over the launch of complex, high-risk financial derivatives by banks. In order to address the riskiness of complex high-risk products while protecting investors and ensuring

stable and sound growth of financial institutions and the market, the Financial Supervisory Commission made amendments to Articles 7 and 8 of “Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business” (referred to as the Regulation below), which requires banks to seek prior approval or prior acknowledgment from the competent authority before offering complex high-risk products to customers other than institutional investors and high net worth corporate investors:

Products that involve foreign currencies would require approval from the Central Bank and acknowledgement from the Financial Supervisory Commission. New complex high-risk products that have not been permitted for offering, or have been permitted for offering for less than six months, would require prior approval before launch. Products that have been permitted for offering for more than six months are subject to follow-up reporting process. These amendments were made for the purpose of encouraging financial product innovation.

4. Amendment of electronic payment regulations:

Since the implementation of Act Governing Electronic Payment Institutions on May 3, 2015, the Financial Supervisory Commission has been helping electronic payment institutions grow business by making a series of deregulations, including amendment of “Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions” on August 17, 2016, and amendment of “Rules Governing the Administration of Electronic Payment Business” and “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions” on September 10, 2016. Meanwhile, banks are being encouraged to engage electronic payment institutions in business collaborations for the benefit of both parties.

The Bank will aim to capitalize on the ongoing deregulation and the growing demand for mobile payment by expanding its electronic payment services. In addition to O2O payment solutions, the Bank will also introduce new security measures such as pattern lock, hand gesture and fingerprint recognition to simplify transaction procedures in the age of cashless payment, and thereby attract different customer profiles.

(c) Macroeconomic Environment

1. Some of the most significant uncertainties presented to the world’s economy in

2017 include: U.S. policies under the Trump administration, localized supply chain and adjustment of economic structure in China, performance of the European economy, timing of Brexit from the EU, and election outcomes in Germany and France. All of these will affect financial market volatility. The Bank will continue monitoring the above developments and respond with caution.

- The Bank is in pursuit of excellence while maintaining a sound business philosophy. The Bank has planned to focus on five major initiatives for the coming year: “corporate banking, retail banking, wealth management, and overseas business as core areas,” “broad and deep employee training,” “prioritizing information security for new financial technology,” “immediate compliance supervision,” and “delivering recognition for employees, value for shareholders and social welfare for society.” Through integrated digital and physical banking channels, we will provide customers with more innovative and diversified financial services, and position ourselves as one of Taiwan’s top banks.

E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2016/11	-	-	twAA	twA-1+	Stable
S&P	2016/11	BBB+	A-2	-	-	Stable
Moody’s	2016/12	A2	P-1	-	-	Stable

Note: Compared to January 2016, the latest rating published by Moody’s has maintained the Bank’s long-term and short-term ratings and prospect unchanged, whereas baseline credit assessment (BCA) was adjusted upwards from Baa3 to Baa2.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the Bank), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the financial statements of the Bank for the year ended December 31, 2016.

Recognition of Loan Interest Revenue

Loan interest revenue is the most important source of revenue for the Bank. For the year ended December 31, 2016, loan interest revenue was \$27,051,838 thousand, accounting for 83% of the Bank's total interest income; thus, it is a very significant account in the financial statements. Refer to Notes 4 and 29 to the Bank's financial statements for related information.

Loan interest revenue greatly depends on an automated calculation performed by the Bank's information system. The input controls of the program and the automated arithmetic logic of the system parameters have a great influence on the correctness of interest revenue. Therefore, our evaluation of the correctness of the loan interest revenue mainly included understanding and testing the internal control procedures for the calculations of revenue from loan and related interest. We selected samples from the loan system and checked the original data of the lender. We tested the design and operating effectiveness of the related controls over the system. We used the loans from 2016 as the sample population and selected all the lenders in November as a sample to check the completeness of the loan cases and to test the accuracy of the loan interest revenue recognized for that month.

Impairment Assessment of Loans and Receivables

Loans and receivables are the most important asset items for the Bank. As of December 31, 2016, the total amount of loans and receivables were \$1,387,540,151 thousand, accounting for 69% of the Bank's total assets. Refer to Notes 4, 5, 8 and 9 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans and receivables depends on management's estimation of future cash flows, and the business cycles of any particular industry may lead to an increase in the operation risk of that particular industry, or it may lead to a higher credit risk due to the decline in the value of collateral. Therefore, we considered the impairment assessment of loans and receivable to be a key audit matter.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tza Li Gung and Shui En Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2017

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 45,199,330	2	\$ 31,225,679	2
Due from the Central Bank and call loans to banks	194,825,223	10	146,654,212	8
Financial assets at fair value through profit or loss	34,699,024	2	43,518,615	2
Derivative financial assets for hedging	86,265	-	192,521	-
Receivables, net	20,280,261	1	19,729,443	1
Current tax assets	56,689	-	55,436	-
Loans, net	1,367,259,890	68	1,321,934,363	69
Available-for-sale financial assets, net	76,824,866	4	67,415,202	3
Held-to-maturity financial assets, net	204,864,541	10	205,777,255	11
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost	4,167,009	-	4,167,009	-
Debt investments without active market	88,555	-	2,051,074	-
Other miscellaneous financial assets	<u>18,842,264</u>	<u>1</u>	<u>25,530,337</u>	<u>2</u>
Other financial assets, net	<u>23,097,828</u>	<u>1</u>	<u>31,748,420</u>	<u>2</u>
Property and equipment, net	20,801,823	1	22,253,008	1
Investment property, net	13,753,981	1	12,536,509	1
Intangible assets, net	423,465	-	500,710	-
Deferred tax assets	2,447,734	-	2,367,489	-
Other assets	<u>530,584</u>	<u>-</u>	<u>348,357</u>	<u>-</u>
TOTAL	<u>\$ 2,005,151,504</u>	<u>100</u>	<u>\$ 1,906,257,219</u>	<u>100</u>
LIABILITIES AND EQUITY				
Due to the Central Bank and banks	\$ 139,162,582	7	\$ 124,025,228	7
Finance due to banks	-	-	3,879,840	-
Financial liabilities at fair value through profit or loss	18,093,146	1	22,732,139	1
Securities sold under repurchase agreements	2,954,981	-	4,612,047	-
Payables	33,834,971	2	23,164,932	1
Current tax liabilities	550,984	-	146,692	-
Deposits and remittances	1,624,429,817	81	1,547,739,711	81
Bank note payables	31,375,226	2	35,176,580	2
Other financial liabilities	2,718,964	-	1,075,196	-
Reserve for liabilities	4,524,224	-	4,371,316	-
Deferred tax liabilities	6,672,201	-	6,644,859	1
Other liabilities	<u>3,310,883</u>	<u>-</u>	<u>3,213,720</u>	<u>-</u>
Total liabilities	<u>1,867,627,979</u>	<u>93</u>	<u>1,776,782,260</u>	<u>93</u>
EQUITY				
Capital stock				
Common stock	89,647,626	5	84,573,232	5
Retained earnings				
Legal reserve	23,784,945	1	20,291,944	1
Special reserve	12,020,521	1	12,020,521	1
Unappropriated earnings	11,970,239	-	11,613,831	-
Other equity				
Exchange differences on translation of foreign financial statements	(8,125)	-	733,874	-
Unrealized gains on available-for-sale financial assets	<u>108,319</u>	<u>-</u>	<u>241,557</u>	<u>-</u>
Total equity	<u>137,523,525</u>	<u>7</u>	<u>129,474,959</u>	<u>7</u>
TOTAL	<u>\$ 2,005,151,504</u>	<u>100</u>	<u>\$ 1,906,257,219</u>	<u>100</u>

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
INTEREST INCOME	\$ 32,589,526	105	\$ 32,991,503	111
INTEREST EXPENSES	<u>(10,862,757)</u>	<u>(35)</u>	<u>(12,075,574)</u>	<u>(40)</u>
NET INTEREST INCOME	<u>21,726,769</u>	<u>70</u>	<u>20,915,929</u>	<u>71</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commissions income	5,411,772	17	4,905,306	16
Gain on financial assets and liabilities at fair value through profit or loss	2,071,330	7	406,788	1
Realized gain on available-for-sale financial assets	432,225	1	280,188	1
Foreign exchange gains	279,662	1	1,647,056	6
Other miscellaneous net income	<u>1,086,723</u>	<u>4</u>	<u>1,501,767</u>	<u>5</u>
Net income other than net interest income	<u>9,281,712</u>	<u>30</u>	<u>8,741,105</u>	<u>29</u>
NET REVENUE AND GAINS	<u>31,008,481</u>	<u>100</u>	<u>29,657,034</u>	<u>100</u>
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS	<u>(1,138,044)</u>	<u>(4)</u>	<u>(329,372)</u>	<u>(1)</u>
OPERATING EXPENSES				
Employee benefits expenses	(10,549,116)	(34)	(10,193,168)	(35)
Depreciation and amortization expenses	(717,900)	(2)	(702,268)	(2)
Other general and administrative expenses	<u>(4,520,380)</u>	<u>(15)</u>	<u>(4,686,025)</u>	<u>(16)</u>
Total operating expenses	<u>(15,787,396)</u>	<u>(51)</u>	<u>(15,581,461)</u>	<u>(53)</u>
INCOME BEFORE INCOME TAX	14,083,041	45	13,746,201	46
INCOME TAX EXPENSE	<u>(1,997,069)</u>	<u>(6)</u>	<u>(2,102,864)</u>	<u>(7)</u>
NET INCOME	<u>12,085,972</u>	<u>39</u>	<u>11,643,337</u>	<u>39</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (243,501)	-	\$ (445,513)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	41,395	-	75,737	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(883,139)	(3)	(10,707)	-
Unrealized gain (loss) on available-for-sale financial assets	(127,868)	-	551,907	2
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>135,770</u>	<u>-</u>	<u>(95)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(1,077,343)</u>	<u>(3)</u>	<u>171,329</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,008,629</u>	<u>36</u>	<u>\$ 11,814,666</u>	<u>40</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.35</u>		<u>\$ 1.30</u>	
Diluted	<u>\$ 1.34</u>		<u>\$ 1.29</u>	

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Bank					Other Equity		Total Equity
	Capital Stock		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	
	Shares (Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2015	7,904,040	\$ 79,040,404	\$ 17,022,790	\$ 12,020,521	\$ 10,723,060	\$ 750,956	\$ (316,630)	\$ 119,241,101
Appropriation of 2014 earnings								
Legal reserve	-	-	3,269,154	-	(3,269,154)	-	-	-
Cash dividends	-	-	-	-	(1,580,808)	-	-	(1,580,808)
Stock dividends	553,283	5,532,828	-	-	(5,532,828)	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	11,643,337	-	-	11,643,337
Other comprehensive income for the year ended December 31, 2015, net of tax	-	-	-	-	(369,776)	(17,082)	558,187	171,329
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	11,273,561	(17,082)	558,187	11,814,666
BALANCE, DECEMBER 31, 2015	8,457,323	84,573,232	20,291,944	12,020,521	11,613,831	733,874	241,557	129,474,959
Appropriation of 2015 earnings								
Legal reserve	-	-	3,493,001	-	(3,493,001)	-	-	-
Cash dividends	-	-	-	-	(2,960,063)	-	-	(2,960,063)
Stock dividends	507,439	5,074,394	-	-	(5,074,394)	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	12,085,972	-	-	12,085,972
Other comprehensive income for the year ended December 31, 2016, net of tax	-	-	-	-	(202,106)	(741,999)	(133,238)	(1,077,343)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	11,883,866	(741,999)	(133,238)	11,008,629
BALANCE, DECEMBER 31, 2016	8,964,762	\$ 89,647,626	\$ 23,784,945	\$ 12,020,521	\$ 11,970,239	\$ (8,125)	\$ 108,319	\$ 137,523,525

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,083,041	\$ 13,746,201
Non-cash (revenues and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	1,138,044	329,372
Depreciation expenses	557,514	567,004
Amortization expenses	160,386	135,264
Interest income	(32,589,526)	(32,991,503)
Interest expenses	10,862,757	12,075,574
Dividends income	(789,842)	(345,033)
Net (gain) losses on financial assets and liabilities at fair value through profit or loss	(2,378,874)	297,723
Gain on disposal of investments	(288,460)	(181,117)
Unrealized foreign exchange losses (gain)	307,544	(704,511)
Other adjustments	(366,905)	(112,546)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and banks	(12,866,982)	7,455,792
Decrease (increase) in financial assets at fair value through profit or loss	9,520,686	(5,590,573)
(Increase) decrease in receivables	(1,037,630)	1,639,599
Increase in loans	(45,806,771)	(63,078,423)
Increase in available-for-sale financial assets	(7,595,267)	(19,278,268)
Decrease (increase) in held-to-maturity financial assets	912,772	(22,140,196)
Decrease in other financial assets	8,626,729	46,950,053
(Increase) decrease in other assets	(181,428)	71,764
(Decrease) increase in due to the Central Bank and banks	(3,121,308)	11,201,771
Increase in deposits and remittances	76,690,106	94,770,426
Increase (decrease) in payables	10,837,328	(6,081,578)
(Decrease) increase in financial liabilities at fair value through profit or loss	(3,760,030)	1,976,567
Decrease in reserve for liabilities	(177,474)	(98,774)
Increase in other financial liabilities	1,643,768	450,780
Increase in other liabilities	<u>78,779</u>	<u>264,593</u>
Cash generated from operations	24,458,957	41,329,961
Interest received	31,386,075	32,563,180
Dividend received	789,842	345,033
Interest paid	(11,030,981)	(12,356,946)
Income taxes refund	-	529,830
Income taxes paid	<u>(1,468,515)</u>	<u>(2,004,534)</u>
Net cash generated from operating activities	<u>44,135,378</u>	<u>60,406,524</u>

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (333,887)	\$ (566,799)
Acquisition of investment property	(1,122)	(998)
Acquisition of intangible assets	(77,281)	(108,820)
Proceeds from disposal of property and equipment	<u>38</u>	<u>32</u>
Net cash used in investing activities	<u>(412,252)</u>	<u>(676,585)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and call loans from banks	14,378,822	(8,401,985)
Proceeds from issuance of bank notes	6,300,000	-
Repayment of bank notes	(9,624,000)	(13,350,000)
Cash dividends distributed	(2,960,063)	(1,580,808)
(Decrease) increase in securities sold under repurchase agreements	<u>(1,657,066)</u>	<u>85,353</u>
Net cash generated from (used in) financing activities	<u>6,437,693</u>	<u>(23,247,440)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(883,139)</u>	<u>(10,707)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,277,680	36,471,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>118,700,025</u>	<u>82,228,233</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 167,977,705</u>	<u>\$ 118,700,025</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 45,199,330	\$ 31,225,679
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>122,778,375</u>	<u>87,474,346</u>
Cash and cash equivalents at end of period	<u>\$ 167,977,705</u>	<u>\$ 118,700,025</u>