



Stock Code: 2801

Chang Hwa Commercial Bank, Ltd.

**Handbook for the 2018 Annual Meeting of
Shareholders**

(Summary Translation)

Meeting Time: 9: 00 a.m. on Friday, June 8, 2018

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) 2017 Business Report.
 - (2) Audit Committee review of 2017 audited Financial Statements.
 - (3) 2017 employee and director remuneration distribution status.
7. Recognition Items:
 - (1) The Bank's 2017 Business Report and Financial Statements.
 - (2) The Bank's distribution of 2017 profit.
8. Discussion Item:

The issuance of new shares via capitalization of earnings.
9. Questions and Motions
10. Adjournment

Report Items

Report No. 1:

2017 Business Report.

Report No. 2:

Audit Committee review of 2017 audited Financial Statements.

(Please refer to pages 34 to 35 of the handbook.)

Report No. 3:

The status of the Bank's distribution of 2017 employee and director remuneration.

Explanation:

As adopted by the 9th board meeting of the 25th term held on February 12, 2018 for distribution of the Bank's 2017 employee and director remuneration, the employees' cash remuneration is NT\$749,710,950 and the directors' (Independent Directors not included) cash remuneration is NT\$59,976,876.

Recognition Items

Recognition Item No. 1: Adoption of the Bank's 2017 Business Report and Financial Statements.

(Proposed by the Board of Directors.)

Explanation:

The Bank's 2017 Financial Statements, balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, etc. (please refer to pages 36 to 54 of the handbook), have been certified by Jerry Gung, CPA and Titan Lee, 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 2017 profit.

(Proposed by the Board of Directors.)

Explanation:

1. The Bank's 2017 net profit after tax was NT\$12,093,107,130.48. After the Bank set aside 30% legal reserve of NT\$3,627,932,140 by law and 0.5% of net profit after tax as special reserve of NT\$60,465,536 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\$36,435,593.53 and the "actuarial loss of defined benefit plan" of NT\$349,699,750, the distributable net profit was NT\$8,091,445,298.01. The proposed distribution of profit is scheduled as below:
 - (1) Distribution of dividend and bonus to common stock shareholders – cash (NT\$0.45 per share): NT\$4,235,850,323.
 - (2) Distribution of dividend and bonus to common stock shareholders – stock (NT\$0.4 per share): NT\$3,765,200,280.
 - (3) Unappropriated retained earnings are NT\$90,394,695.01.
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. 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: 2017 Profit Distribution Table.

Resolution:

Chang Hwa Commercial Bank, Ltd.
2017 Profit Distribution Table

(Unit: NTDS)

Beginning retained earnings	36,435,593.53
Less: Actuarial loss of defined benefit plan	(349,699,750.00)
Add: Net profit after tax	12,093,107,130.48
Less: 30% legal reserve	(3,627,932,140.00)
Less: 0.5% Special reserve	(60,465,536.00)
Distributable net profit	8,091,445,298.01
Distributable items:	
Dividend to shareholders -Cash dividends: NT\$0.45 per share	4,235,850,323.00
Dividend to shareholders -Stock dividends: NT\$ 0.40 per share	3,765,200,280.00
Unappropriated retained earnings	90,394,695.01

Note:

1. 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 Item

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\$3,765,200,280 from the stock dividends of distribution of 2017 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 376,520,028 shares of common stock and, after the capitalization of earnings, the Bank's capital will become NT\$97,895,207,460.
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 40 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:

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 23 November 1992
Amended on 28 February 1948	Amended on 1 December 1993
Amended on 1 November 1948	Amended on 15 October 1994
Amended on 21 December 1950	Amended on 16 November 1996
Amended on 16 February 1951	Amended on 21 March 1998
Amended on 26 February 1955	Amended on 17 October 1998
Amended on 22 February 1958	Amended on 3 June 2000
Amended on 26 February 1959	Amended on 18 May 2001
Amended on 24 February 1960	Amended on 24 May 2002
Amended on 28 February 1961	Amended on 6 June 2003
Amended on 25 February 1964	Amended on 11 June 2004
Amended on 25 February 1965	Amended on 10 June 2005
Amended on 24 February 1967	Amended on 23 September 2005
Amended on 23 February 1968	Amended on 9 June 2006
Amended on 14 March 1969	Amended on 15 June 2007
Amended on 19 September 1972	Amended on 13 June 2008
Amended on 24 September 1974	Amended on 19 June 2009
Amended on 24 September 1975	Amended on 2 June 2010
Amended on 24 September 1976	Amended on 10 June 2011
Amended on 19 September 1980	Amended on 22 June 2012
Amended on 17 September 1982	Amended on 8 December 2014
Amended on 28 October 1988	Amended on 12 June 2015
Amended on 12 December 1989	Amended on 8 June 2016
Amended on 27 September 1990	Amended on 16 June 2017
Amended on 22 October 1991	

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, H601011 Personal Insurance Agent and H601021 Property Insurance Agent, 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: 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 9,413,000,718 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 150,608,011 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. 10, 2018

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)	1,147,725,811	12.19
Managing Director	Cheng-Ching Wu (Delegate of Taishin Financial Holding Co., Ltd)	2,122,272,773	22.55
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0
Director	Ching-Hwa Juan (Delegate of Ministry of Finance)	(1,147,725,811)	(12.19)
Director	Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan)	258,818,927	2.75
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	92,822,247	0.99
Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd)	(2,122,272,773)	(22.55)
Independent Director	Jung-Chun Pan	0	0
Independent Director	Chi-Chang Yu	0	0
Total shares held by the entire body of directors		3,621,639,758	38.47

Appendix 4: 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 12, 2018

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2017 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 Titan Lee, 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, 2017 and the operation results and cash flows in 2017 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 : Jung-Chun Pan



Independent Director : Chi-Chang Yu



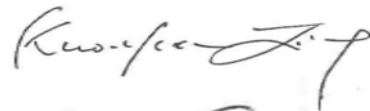
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 23, 2018

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2017 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 : Jung-Chun Pan



Independent Director : Chi-Chang Yu



2017 Business Report of Chang Hwa Commercial Bank, Ltd.

In January 2018, the International Monetary Fund (IMF) published its world economic outlook that revised global economic activities continually increased, especially in second half of year, major economies such as United States (US), Eurozone, and Japan recovered and grew, driving the global economic outlook to be optimistic, the 2017 global economic growth up to 3.7%. Among them, consumer confidence was boosted by improvement of labor market of US, and the consumption and real estate market were active, its annual economic growth rate was expected to reach 2.3%; the economic recovery of Eurozone was strengthened by loose monetary policy, its annual economic growth rate was expected to reach 2.4%; in Japan, its corporate profits, and corporate investment and domestic demand expenditure affected by the steady growth of global demand and the depreciation of the yen, continually expanding exports, its annual economic growth was expected approximately to be 1.8%; as for Mainland China, despite the support of increased internal and external demand, the economy growth was restricted in the second half of the year by local governments increased the strength of real estate regulation and control, and tightened financial supervision and other policies. its annual economic growth was expected to be 6.8%.

With regards to the domestic economy, the Directorate-General of Budget, Accounting, and Statistics (Executive Yuan) revised economic growth to 2.84% for 2017. (Jan. 31st, 2018 revised) As the global economy was stable and upward, the annual foreign trade performance was dazzling. It was estimated that the annual growth rate of imports and exports would increase by 5.24% and 7.54% respectively; consumer momentum was stimulated by the steady growth of wages and the stock market transactions, the annual growth rate of private consumption in 2017 was expected to increase to 2.37%; lagging industrial transformation, lack of innovation and technological growth, resulting in insufficient corporate investment confidence and limited private investment growth. It is estimated that the annual growth rate of private investment in 2017 was only 0.09%; the prices boosting momentum due to the rise in international raw materials was offset by the increase in food prices in 2017 was modest combined with the new Taiwan dollar (NTD) was strong in the first half of the year to keep domestic prices stable, the annual CPI was expected to rise by 0.62%; took into account the mild recovery of domestic economic recovery and maintained stable prices, the resolution of the third quarter of the Central Bank's Supervisory Board meeting still maintained discount rate of 1.375%; under the pressure of foreign capital remittances and US inclusion of Taiwan in the list of currency manipulators, the NTD was appreciated by more than 6%. The NTD was expected to back up due to the improvement of US economic data, the Fed maintain to raise interest rate, and the tax reform issues. Although the upward trend of NTD would slow down, the NTD against USD was appreciated by 8%.

The Bank managed to deliver exceptional results in 2017, owing to the contribution of all employees, with cumulative pre-tax earnings reaching NTD 14.184 billion, making 2017 the 8th consecutive year in which the Bank has earned more than NTD 10 billion in earnings. In

terms of asset quality, the Bank managed to maintain its non-performing loan ratio at 0.30% and loan loss coverage ratio at 390.41%. Furthermore, the Bank was selected a composition of the TWSE Corporate Governance 100 Index by Taiwan Stock Exchange, making 2017 the 2nd consecutive year, 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. In the future, the Bank will continue to strive for excellence.

A. 2017 Results of Operations

(a) Accomplishments

1. Lending:

(1) Corporate banking:

Launched new corporate lending solutions, including: developing green energy industries project loans sponsored by Taoyuan City Government and CHB, youth business start-up and small and medium enterprises (SME) loans sponsored by Taoyuan City Government, and loans under portfolio guarantee of Year 2017.

(2) Consumer banking:

Launched new personal lending solution, including: time savings deposits interest rate index loans, and agricultural credit guarantee loans.

(3) Syndicated loans:

A total of 66 syndicated loan cases were completed by domestic business units in 2017. CHB served as lead arranger in 3 of these cases, and co-arranger in 28 and ordinary participant in the 35 remaining cases.

2. Deposits:

Launched digital deposits; provided new services: acted as transferring to pay off checks agent, arrange with customers to transfer to owned account by ATM card, and cross-bank cardless withdrawals.

3. Foreign Exchange:

Launched foreign currency gold deposits and acted as foreign currency collecting and paying agent.

4. Credit card:

Launched mobile transaction acquisition services, provide special store QR code consumer deduction services.

5. Trust:

In 2017, the Bank added 94 new domestic funds, 131 new offshore funds, 10 foreign bonds and 28 overseas ETF to the product portfolio. As of the end of 2017, the Bank had a total of 838 domestic funds, 1,250 offshore funds, 49 foreign bonds and 59 overseas ETF, distributed to the market, giving investors a broad range of

selections to choose from.

6. Wealth Management:

Invited customers to participate eight investment seminars of distinctive themes were organized in 2017 to raise customers' satisfaction towards the Bank.

7. E-banking:

(1) Launched cloud pay (i.e. Taiwan-pay debit card) that offers useful features such as consumptions, transfers, withdrawals, payments for expenditures and taxes.

(2) Provided Taiwan-pay QR code payments service, launched collecting and paying by scanning QR code service.

8. New overseas branches:

(1) Yangon Representative Office in Myanmar was opened in August 8th, 2017.

(2) Set up a subsidiary, Chang Hwa Bank (China) Ltd. and a Nanjing Branch in China, Manila Branch in Philippines, and Chang Hwa Bank (Cambodia) Specialized Bank, Ltd. in Phnom Penh.

9. Corporate Social Responsibility:

Published the Bank's 2016 corporate social responsibility report and obtained the certification of British Standards Institute (BSI).

(b) Budget Execution

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,630,870,949 thousand or 101.91% of the original budget target.

2. The total loans volume was NT\$1,354,104,927 thousand or 98.41% of the original budget target.

3. The total investment business (securities) volume was NT\$322,270,060 thousand or 97.13% of the original budget target.

4. The foreign exchange transactions totaled US\$134,717,469 thousand amounting to 113.43% of the original budget target.

5. The securities brokerage transactions totaled NT\$92,103,189 thousand or 143.80% of the original budget target.

6. The wealth management business volume was NT\$77,832,630 thousand or 105.00% of the original budget target.

7. The assets under custody totaled NT\$147,246,671 thousand or 109.48% of the original budget target.

8. The total card transaction volume (retail spend) reached NT\$16,346,012 thousand representing 92.35% of the original target.

(c) Financial Highlights

1. Net interest income: NT\$22,656,870 thousand.

2. Net income other than net interest income : NT\$8,139,849 thousand.
3. Net revenue and gains: NT\$30,796,719 thousand.
4. Provisions for bad debts expenses and guarantee liability: NT\$791,185 thousand.
5. Total operating expenses: NT\$15,821,315 thousand.
6. Income before income Tax: NT\$14,184,219 thousand.
7. Income tax expenses: NT\$2,091,113 thousand.
8. Net income after income Tax: NT\$12,093,106 thousand.
9. Other comprehensive income (loss),net of Tax: NT\$-903,865 thousand.
10. Total comprehensive income: NT\$11,189,241 thousand.
11. After tax EPS: NT\$1.28.
12. Return on assets (ROA):0.60%.
13. Return on equity (ROE):8.56%.

(d) Research and Development

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

In 2017, the Bank has taken pro-active steps to develop financial technology (FinTech) : (1) In terms of patents, 23 new patents and 5 invention patents were proposed, of which 20 new patents had been approved. (2) In terms of banking services, launch overseas electronic payments (iPay), mobile payment and Taiwan Pay QR Code. (3) In terms of mobile communications, the Bank used mobile communications technology to support the rollout of personal mobile internet banking APP and mobile payment (cloud payment) services. (4) In terms of blockchain development, the “Corporate Finance Research Advisory Group” of the “Financial Blockchain Research and Application Development Committee” of the Financial Information Service Co., Ltd. conducts blockchain technology for corporate financial related business services.

- 2.Research on economic and industry dynamics:

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 29 studies were completed in 2017, 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) Attract corporate banking customers' demand deposits and promote collecting and paying solutions, actively introduce digital banking solutions to content customers' electronic cash management and be customers' the main fund scheduling bank.
- (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, JPY, etc. The expansion of the deposit pool will help the Bank capture foreign currency opportunities to a greater extent.

2. Lending:

- (1) Enhance the proportion of SME loans, provide diversity of integrated services to facilitate customers' fund scheduling, raise the added value of the Bank's services, avoid price contest of lower margin.
- (2) Grasp opportunity of the New Southbound Policy to promote cross-border banking services, and expand the lending basis.
- (3) Develop digital banking, improve online functions of personal lending for contenting customers' instant, convenient demands of banking services.

3. 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.

4. Foreign exchange:

- (1) Develop a multitude of foreign currency financial products as a means to growth volume of foreign exchange according to customers' requirements and attributes.
- (2) Improve services to Taiwanese companies, and give discounts on exchange rates for cross-border trade settlement remittance business in CNY.

5. 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.

6. Trust:

- (1) Select potential funds, offshore bonds and offshore ETFs 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.

7. 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.

8. Insurance agency service:

- (1) Intensify promotional efforts on installment protection-type and investment-linked insurance products of longer duration. Provide innovative life insurance products for specific customer groups.
- (2) Promote business of insuring through internet and mobile equipment, and conform to FinTech trend.

9. Cards:

Expand the card base, strengthen customers' faithfulness and improve customers' willingness to use credit cards by applying specific customer groups and implement segmented marketing.

10. E-commerce / Online banking:

- (1) Utilize automatic intelligence, intelligent robot system and biometrics to provide customers new practice of financial transaction.
- (2) Combine the Bank's advantage in financial technology and social media to develop mobile payment and optimize payment field.

(b) Business Operational Targets

1. Deposit Volume: NT\$1,701,123,371 thousand.
2. Loans Volume: NT\$1,407,412,957 thousand.
3. Investment Business (Securities): NT\$352,907,370 thousand.
4. Foreign Exchange Transactions: US\$137,588,884 thousand.
5. Securities Brokerage Transactions: NT\$90,900,000 thousand.
6. Trust fund purchasing: NT\$48,861,000 thousand.
7. Assets under custody: NT\$146,955,000 thousand.
8. Insurance agent Transactions: NT\$23,000,000 thousand.
9. Credit Card (Transaction Amount): NT\$17,000,000 thousand.

C. Future Development Strategy

(a) Deposits

1. Continually attract demand deposits and promote collecting and paying solutions, improve demand deposit ratio, decrease capital cost and expand the overall deposit size, strive for being the main dealing bank of corporate banking customers.
2. Develop a variety of deposit products for attracting young customer groups to be faithful to CHB in future.

(b) Lending

1. Support quality companies, place more emphasis on SME and foreign currency lending for higher margin, and provide a variety of integrated services.
2. Adjust the credit portfolio, promote consumer and financial lending as a means to grow the lending volume and market share.

(c) Investment

Improve the ability of fund scheduling, 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

Expand basis of foreign currency business. Due to changes in market, organize foreign currency promotion activities.

(e) Securities brokerage

Continually promote electronic orders of securities brokerage transactions to increase revenues of securities services and grow the securities brokerage business in market share.

(f) Trust

Promote civil engineering and urban renewal services with real estate trusts, and continue to promote real estate transaction price trusts, securities trusts, and advance receipt trusts; strive for the collection of high-quality funds, expand other custodian services, and increase service income.

(g) Wealth Management

1. Assemble a professional investment service team (with product, taxation, and asset planning specialists) that carries out quality services.
2. Plan financial products for consumers' needs by applying big data analysis; develop

corporate wealth management and private banking financing services.

(h) Insurance agency service

Launch customized products adequately for targeted customer groups, such as insurance policies suited to rich people, male and female exclusive insurance policies, and retirement planning insurance policies.

(i) Cards

Consolidate multiple services into mobile device by combining consumer payments and mobile payments as a means to provide more incentives for using the CHB card and for raising customer loyalty.

(j) E-commerce / Online Banking

Provide mobile corporate internet banking app services; develop store collecting app; create officer LINE account of the Bank.

(k) Overseas Business

Establish local presentation office, local branches or subsidiaries in potential ASEAN countries. Actively search for suitable merger targets or investees and use them to quickly enter to local financial markets.

(l) Operational Management

1. Providing diversified resources to nurture talents, motivate employees to innovate and learn. Actively train overall management talents to enrich the quality and quantity of the core talents of the Bank.
2. Implement the asset activation policies. 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, rebuilding of old buildings, and cooperation with professional developers to utilize the Bank's real estate.
3. Implement corporate governance, conduct various operating activities and disclose related information under robust management systems and monitoring mechanisms to ensure shareholders' equity and obtain good corporate governance evaluations.

(m) Risk Management Operations

1. Continue monitoring and management of credit exposure in China.
2. Monitor and manage overall information security risks, implement information security control measures, and propose improvements and enhancements to improve

the Bank's security protection capability.

(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.
2. Enforce risk assessments of anti-money laundering (AML) and countering terrorist financing (CTF) . Strengthen the implementation of client review obligations, related transaction monitoring mechanisms, and implement the Bank's internal control and related programs of AML and CTF.

(o) Auditing

Inspect the implementations of related regulations on AML and CTF, regulatory compliance, information security management, financial consumer protection and personal data protection, and digital banking services as key check items; Auditing nuclear quality, providing timely management improvement suggestions, and maintaining the effective operation of the internal control system.

Some of the most significant uncertainties presented to the world's economy in 2018 include: The monetary policy of the world's major central banks, including the United States and the euro zone, has gradually tightened. Countries turning to trade protectionism may trigger a global trade war, debt problems in China's mainland, political risks in North Korea, Iran, and Syria, as well as issues such as network security. All of these will affect financial market volatility. The Bank will continue monitoring the above developments and respond with caution, continue to deepen the Taiwan market, expand the global business landscape, and become the best bank trusted by customers with innovative and diversified financial services.

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the financial statements of the Bank for the year ended December 31, 2017.

Impairment Assessment of Loans and Receivables

Loans and receivables are the most important assets of the Bank. As of December 31, 2017, the total amount of loans and receivables was \$1,401,710,683 thousand, accounting for 69% of the Bank's total assets. Refer to Notes 4, 5, 8 and 9 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans and receivables depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans and receivables to be a key audit matter.

When assessing the appropriateness of the impairment of loans and receivables, we understood the internal controls for lending operations and determining provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a company may have objective evidence of impairment relating to the loans and receivables of the Bank but has not been included in the Bank's individual impairment assessment. We reviewed whether the Bank considered the value of the collateral appropriately when evaluating the impairment. For the collective impairment assessment, we evaluated the rationality of the assessment 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 12, 2018

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 74,835,132	4	\$ 45,199,330	2
Due from the Central Bank and call loans to banks	165,015,057	8	194,825,223	10
Financial assets at fair value through profit or loss	13,552,513	1	34,699,024	2
Derivative financial assets for hedging	243,372	-	86,265	-
Receivables, net	24,670,023	1	20,280,261	1
Current tax assets	135,714	-	56,689	-
Loans, net	1,377,040,660	68	1,367,259,890	68
Available-for-sale financial assets, net	73,175,886	3	76,824,866	4
Held-to-maturity financial assets, net	237,412,046	12	204,864,541	10
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost	4,167,009	-	4,167,009	-
Debt investments without active market	64,609	-	88,555	-
Other miscellaneous financial assets	<u>27,015,755</u>	<u>1</u>	<u>18,842,264</u>	<u>1</u>
Other financial assets, net	<u>31,247,373</u>	<u>1</u>	<u>23,097,828</u>	<u>1</u>
Property and equipment, net	20,639,732	1	20,801,823	1
Investment property, net	13,747,787	1	13,753,981	1
Intangible assets, net	436,176	-	423,465	-
Deferred tax assets	3,175,050	-	2,447,734	-
Other assets, net	<u>931,879</u>	<u>-</u>	<u>530,584</u>	<u>-</u>
TOTAL	<u>\$ 2,036,258,400</u>	<u>100</u>	<u>\$ 2,005,151,504</u>	<u>100</u>
LIABILITIES AND EQUITY				
Due to the Central Bank and banks	\$ 108,151,867	5	\$ 139,162,582	7
Financial liabilities at fair value through profit or loss	12,309,330	1	18,093,146	1
Securities sold under repurchase agreements	3,118,536	-	2,954,981	-
Payables	34,849,855	2	33,834,971	2
Current tax liabilities	954,609	-	550,984	-
Deposits and remittances	1,672,079,784	82	1,624,429,817	81
Bank note payables	41,739,657	2	31,375,226	2
Other financial liabilities	3,662,600	-	2,718,964	-
Reserve for liabilities	4,758,835	-	4,524,224	-
Deferred tax liabilities	7,019,970	1	6,672,201	-
Other liabilities	<u>2,665,793</u>	<u>-</u>	<u>3,310,883</u>	<u>-</u>
Total liabilities	<u>1,891,310,836</u>	<u>93</u>	<u>1,867,627,979</u>	<u>93</u>
EQUITY				
Capital stock				
Common stock	94,130,007	5	89,647,626	5
Retained earnings				
Legal reserve	27,410,736	1	23,784,945	1
Special reserve	12,080,950	1	12,020,521	1
Unappropriated earnings	11,779,842	-	11,970,239	-
Other equity				
Exchange differences on translation of foreign financial statements	(1,251,858)	-	(8,125)	-
Unrealized gains on available-for-sale financial assets	797,969	-	108,319	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	<u>(82)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>144,947,564</u>	<u>7</u>	<u>137,523,525</u>	<u>7</u>
TOTAL	<u>\$ 2,036,258,400</u>	<u>100</u>	<u>\$ 2,005,151,504</u>	<u>100</u>

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
INTEREST INCOME	\$ 34,602,915	113	\$ 32,589,526	105
INTEREST EXPENSES	<u>(11,946,045)</u>	<u>(39)</u>	<u>(10,862,757)</u>	<u>(35)</u>
NET INTEREST INCOME	<u>22,656,870</u>	<u>74</u>	<u>21,726,769</u>	<u>70</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commission income	4,798,618	15	5,411,772	17
Gain on financial assets and liabilities at fair value through profit or loss	2,342,942	7	2,071,330	7
Realized gains on available-for-sale financial assets	564,466	2	432,225	1
Foreign exchange gains (losses)	(76,604)	-	279,662	1
Other miscellaneous net income	<u>510,427</u>	<u>2</u>	<u>1,086,723</u>	<u>4</u>
Net income other than net interest income	<u>8,139,849</u>	<u>26</u>	<u>9,281,712</u>	<u>30</u>
NET REVENUE AND GAINS	<u>30,796,719</u>	<u>100</u>	<u>31,008,481</u>	<u>100</u>
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS	<u>(791,185)</u>	<u>(3)</u>	<u>(1,138,044)</u>	<u>(4)</u>
OPERATING EXPENSES				
Employee benefits expenses	(10,607,874)	(34)	(10,549,116)	(34)
Depreciation and amortization expenses	(718,826)	(2)	(717,900)	(2)
Other general and administrative expenses	<u>(4,494,615)</u>	<u>(15)</u>	<u>(4,520,380)</u>	<u>(15)</u>
Total operating expenses	<u>(15,821,315)</u>	<u>(51)</u>	<u>(15,787,396)</u>	<u>(51)</u>
INCOME BEFORE INCOME TAX	14,184,219	46	14,083,041	45
INCOME TAX EXPENSE	<u>(2,091,113)</u>	<u>(7)</u>	<u>(1,997,069)</u>	<u>(6)</u>
NET INCOME	<u>12,093,106</u>	<u>39</u>	<u>12,085,972</u>	<u>39</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (421,325)	(1)	\$ (243,501)	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(82)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	71,625	-	41,395	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,383,702)	(4)	(883,139)	(3)
Unrealized gains on available-for-sale financial assets	701,409	2	(127,868)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>128,210</u>	<u>-</u>	<u>135,770</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(903,865)</u>	<u>(3)</u>	<u>(1,077,343)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,189,241</u>	<u>36</u>	<u>\$ 11,008,629</u>	<u>36</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.28</u>		<u>\$ 1.28</u>	
Diluted	<u>\$ 1.28</u>		<u>\$ 1.28</u>	

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	
	Shares (Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2016	8,457,323	\$ 84,573,232	\$ 20,291,944	\$ 12,020,521	\$ 11,613,831	\$ 733,874	\$ 241,557	\$ -	\$ 129,474,959
Appropriation of 2015 earnings									
Legal reserve	-	-	3,493,001	-	(3,493,001)	-	-	-	-
Cash dividends	-	-	-	-	(2,960,063)	-	-	-	(2,960,063)
Stock dividends	507,439	5,074,394	-	-	(5,074,394)	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	12,085,972	-	-	-	12,085,972
Other comprehensive loss for the year ended December 31, 2016, net of tax	-	-	-	-	(202,106)	(741,999)	(133,238)	-	(1,077,343)
Total comprehensive income (loss) 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
Appropriation of 2016 earnings									
Legal reserve	-	-	3,625,791	-	(3,625,791)	-	-	-	-
Special reserve	-	-	-	60,429	(60,429)	-	-	-	-
Cash dividends	-	-	-	-	(3,765,202)	-	-	-	(3,765,202)
Stock dividends	448,239	4,482,381	-	-	(4,482,381)	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	12,093,106	-	-	-	12,093,106
Other comprehensive income (loss) for the year ended December 31, 2017, net of tax	-	-	-	-	(349,700)	(1,243,733)	689,650	(82)	(903,865)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	11,743,406	(1,243,733)	689,650	(82)	11,189,241
BALANCE, DECEMBER 31, 2017	9,413,001	\$ 94,130,007	\$ 27,410,736	\$ 12,080,950	\$ 11,779,842	\$ (1,251,858)	\$ 797,969	\$ (82)	\$ 144,947,564

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,184,219	\$ 14,083,041
Non-cash (income and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	791,185	1,138,044
Depreciation expenses	539,021	557,514
Amortization expenses	179,805	160,386
Interest income	(34,602,915)	(32,589,526)
Interest expenses	11,946,045	10,862,757
Dividends income	(366,054)	(789,842)
Net gain on financial assets and liabilities at fair value through profit or loss	(818,409)	(2,378,874)
Gain on disposal of investments	(434,481)	(288,460)
Unrealized foreign exchange (gains) losses	(1,524,533)	307,544
Other adjustments	(57,237)	(366,905)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	5,014,917	(12,866,982)
Decrease in financial assets at fair value through profit or loss	18,374,678	9,520,686
Increase in receivables	(4,320,831)	(1,037,630)
Increase in loans	(10,101,128)	(45,806,771)
Decrease (increase) in available-for-sale financial assets	6,473,481	(7,595,267)
(Increase) decrease in held-to-maturity financial assets	(32,547,505)	912,772
(Increase) decrease in other financial assets	(8,568,278)	8,626,729
Increase in other assets	(399,581)	(181,428)
Decrease in due to the Central Bank and banks	(39,852)	(3,121,308)
Increase in deposits and remittances	47,649,967	76,690,106
Increase in payables	621,026	10,837,328
Decrease in financial liabilities at fair value through profit or loss	(928,116)	(3,760,030)
Decrease in reserve for liabilities	(153,811)	(177,474)
Increase in other financial liabilities	943,636	1,643,768
(Decrease) increase in other liabilities	(614,310)	78,779
Cash flows generated from operations	11,240,939	24,458,957
Interest received	32,988,589	31,386,075
Dividends received	366,054	789,842
Interest paid	(11,553,981)	(11,030,981)
Income taxes refunded	31,183	-
Income taxes paid	(1,867,200)	(1,468,515)
Net cash flows generated from operating activities	<u>31,205,584</u>	<u>44,135,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(430,775)	(333,887)
Acquisition of investment property	(390)	(1,122)
Acquisition of intangible assets	(181,941)	(77,281)
Proceeds from disposal of property and equipment	4,287	38
Net cash used in investing activities	<u>(608,819)</u>	<u>(412,252)</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and call loans from banks	\$ (30,970,863)	\$ 14,378,822
Proceeds from issuance of bank notes	10,200,000	6,300,000
Repayment of bank notes	-	(9,624,000)
Cash dividends distributed	(3,765,202)	(2,960,063)
Increase (decrease) in securities sold under repurchase agreements	<u>163,555</u>	<u>(1,657,066)</u>
Net cash (used in) generated from financing activities	<u>(24,372,510)</u>	<u>6,437,693</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(1,383,702)</u>	<u>(883,139)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,840,553	49,277,680
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>167,977,705</u>	<u>118,700,025</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 172,818,258</u>	<u>\$ 167,977,705</u>
	December 31	
	2017	2016
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 74,835,132	\$ 45,199,330
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>97,983,126</u>	<u>122,778,375</u>
Cash and cash equivalents at end of period	<u>\$ 172,818,258</u>	<u>\$ 167,977,705</u>