



Chang Hwa Commercial Bank, Ltd.
Minutes 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.

Total outstanding shares of the Company: 9,413,000,718 shares

Total shares represented by shareholders present in person or by proxy :
6,831,313,814 shares (3,782,602,096 shares from E-Voting)

Percentage of shares held by shareholders present in person or by proxy :
72.57%

Chairman: Ming-Daw Chang, Chairman of the Board of Directors

Directors present:

Directors: Ching-Hwa Juan, Julius Chen

Independent Directors: Kuo-Yuan Liang, Jung-Chun Pan, Chi-Chang Yu

Nonvoting of delegate:

President Hong-Chi Chang, Giant Era International Law Office-Lawyer Wen-Peng Lin, Deloitte & Touche-CPA Jerry Gung, Mega Securities Registrar & Transfer Agency Dept.- Senior Vice Presidents Li-Shuang Kuo, Manager Ying-Lung Chu

Recorders: Shan-Pei Yang, Wei-Ting Chen

Chairman Remarks (omitted)

Report Items

Report No. 1:

2017 Business Report.

(Please refer to pages 36 to 44 of the handbook.)

Shareholder speech by ○-Chun Wu (Shareholder No. 2265007) were responded to by the chairman and others respectively.

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.

(Please refer to page 4 of the handbook.)

The aforementioned reports were acknowledged by all shareholders present.

Recognition Items

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

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.

The chairman had decided to submit an item for a vote.

6,831,001,892 shares were represented by the shareholders present in person or by proxy, accounting for 72.57% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 6,505,574,643 shares/95.23% (3,457,878,547 shares from E-voting)

Disapproval votes: 1,173,136 shares (1,173,136 shares from E-voting)

Abstention votes : 324,254,113 shares (323,550,413 shares from E-voting)

Resolution: voted and acknowledged as proposed.

Recognition Item No. 2: Adoption of the Bank's distribution of 2017 profit.

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.

Shareholder ○-Chun Wu (Shareholder No. 2265007) proposed an amendment suggesting that the distribution of dividend and bonus to common stock shareholders shall be all in the form of stock dividend NT\$0.85 per share.

The chairman decided to submit the items for votes. According to the Bank's Rules of Procedure for Shareholders Meetings, the original proposal shall be voted first.

6,831,260,361 shares were represented by the shareholders present in person or by proxy , accounting for 72.57% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 6,525,659,731 shares/95.52% (3,477,963,635 shares from E-voting)

Disapproval votes: 1,836,163 shares (1,836,163 shares from E-voting)

Abstention votes : 303,764,467 shares (302,802,298 shares from E-voting)

Resolution: voted and acknowledged as original proposed.

(According to Article 13, Paragraph 8 of The Bank's Rules of Procedure for Shareholders Meetings, 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.)

Chang Hwa Commercial Bank, Ltd.
2017 Profit Distribution Table

(Unit: NTD\$)

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.

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.

The chairman had decided to submit an item for a vote.

6,831,313,814 shares were represented by the shareholders present in person or by proxy, accounting for 72.57% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 6,526,599,568 shares/95.53% (3,478,905,472 shares from E-voting)

Disapproval votes: 860,013 shares (860,013 shares from E-voting)

Abstention votes : 303,854,233 shares (302,836,611 shares from E-voting)

Resolution: voted and approved as proposed.

Questions and Motions

Shareholder ○-Gong Chen (Attendance No.900046) suggested that the Bank should make an official reply for the shareholder's proposals after the meeting.

The adjournment: 10:00 a.m

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



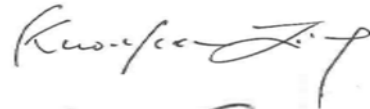
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 23, 2018

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>

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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>