



Stock Code: 2801

**Chang Hwa Commercial Bank, Ltd.**

**Handbook for the 2019 Annual Meeting of  
Shareholders**

**Meeting Time: 9: 00 a.m. on Friday, June 14, 2019**

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

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## **Notice to Readers**

In case of inconsistency between source language and target language version, the terms of the  
source language version shall prevail and apply.

In case of doubt, the source language version should always be refer to.

## **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) 2018 Business Report.
  - (2) Audit Committee review of 2018 audited Financial Statements.
  - (3) 2018 employee and director remuneration distribution status.
  - (4) Propaganda-Article 25 of the Banking Act of The Republic of China.
7. Recognition Items:
  - (1) The Bank's 2018 Business Report and Financial Statements.
  - (2) The Bank's distribution of 2018 profit.
8. Discussion Item:
  - (1) The issuance of new shares via capitalization of earnings.
  - (2) The amendment of the Bank's Rules for Director Elections.
  - (3) The amendment of the Bank's Rules of Procedure for Shareholders Meetings.
  - (4) The amendment of the Bank's Procedures for Acquisition and Disposal of Assets.
9. Questions and Motions
10. Adjournment

## **Report Items**

### **Report No. 1:**

2018 Business Report.

**Report No. 2:**

Audit Committee review of 2018 audited Financial Statements.

(Please refer to pages 97 to 98 of the handbook.)

**Report No. 3:**

The Bank's 2018 employee and director remuneration distribution status.

**Explanation:**

As adopted by the 22th board meeting of the 25th term held on March 15, 2019 for distribution of the Bank's 2018 employee and director remuneration, the employees' cash remuneration is NT\$777,326,700 and the directors' (independent directors not included) cash remuneration is NT\$62,186,136.

## **Report No. 4:**

Propaganda-Article 25 of the Banking Act of The Republic of China.

### **Explanation:**

1. It is handled in accordance with the Letter No.10060005191 dated Jan. 31, 2012 issued by the Financial Supervisory Commission (FSC).
2. Applicable laws and regulations are as following propaganda:
  - (1) In accordance with the Paragraph 2 and Paragraph 3 of Article 25 of the Banking Act, the same person or same concerned party who singly, jointly or collectively acquires more than five percent (5%) of CHB's outstanding voting shares shall report such fact to the FSC within ten (10) days from the day of acquisition; the preceding provision applies to each cumulative increase or decrease in the shares of the same person or same concerned party by more than one percent (1%) thereafter. The same person or same concerned party who intends to singly, jointly or collectively acquire more than ten percent (10%), twenty-five percent (25%) or fifty percent (50%) of CHB's outstanding voting shares shall apply for prior approval of the FSC. The definitions of the same person, same concerned party and the situation where the holding of shares is excluded are expressly defined in Article 25-1 of the Banking Act.
  - (2) Where the same person or same concerned party who holds voting shares issued by CHB without filing a report with the FSC or obtaining approval from the FSC in accordance with the relevant provisions prescribed, the excess shares held by such same person or same concerned party shall not have voting rights and shall be disposed of within the given period prescribed by the FSC in accordance with the Paragraph 7 of Article 25 of the Banking Act. Besides, according to Paragraph 3 of Article 128 of the Banking Act, such shareholder shall be imposed of an administrative fine of not less than Two Million New Taiwan Dollars (NT\$2,000,000) and not more than Ten Million New Taiwan Dollars (NT\$10,000,000). If such person is elected as a director or the responsible person of CHB, such person shall be considered to have dishonest or improper situations which may lead such person not to serve as a responsible person as set forth in Subparagraph 13 of Article 3 of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks".

## **Recognition Items**

### **Recognition Item No. 1: Adoption of the Bank's 2018 Business Report and Financial Statements.**

(Proposed by the Board of Directors.)

#### **Explanation:**

The Bank's 2018 Financial Statements, balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, etc. (including stand-alone and consolidated basis, please refer to pages 99 to 127 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 2018 profit.**

(Proposed by the Board of Directors.)

### **Explanation:**

1. The Bank's 2018 beginning retained earnings was NT\$90,394,695.01. After deducting the impact of adopting International Financial Reporting Standards No. 9 (IFRS 9), the amount was negative NT\$347,750,613.83, remeasurement of defined benefit plan, the amount was negative NT\$253,807,200, and loss on disposal of investments in equity instructions measured at fair value through other comprehensive income, the amount was NT\$44,022,649, the "adjusted retained earnings" was negative NT\$555,185,767.82.
2. The Bank's 2018 net profit after tax was NT\$12,646,534,574.42. After the Bank set aside 30% legal reserve of NT\$3,793,960,373 by law and 0.5% of net profit after tax as special reserve of NT\$63,232,673 in accordance with the May 25, 2016 letter No. 10510001510 (F.S.C.) Gin-Guan-Ying along with the "adjusted retained earnings" of negative NT\$555,185,767.82, the distributable net profit was NT\$8,234,155,760.60. The proposed distribution of profit is scheduled as below:
  - (1) Distribution of dividend and bonus to common stock shareholders – cash (NT\$0.64 per share): NT\$ 6,265,293,277.
  - (2) Distribution of dividend and bonus to common stock shareholders – stock (NT\$0.2per share): NT\$ 1,957,904,140.
  - (3) Unappropriated retained earnings are NT\$ 10,958,343.60.
3. 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.
4. The last annual surplus is assigned in priority order.
5. 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.
6. 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.
7. Attachment: 2018 Profit Distribution Table.

### **Resolution:**

Attachment

**Chang Hwa Commercial Bank, Ltd.**  
**2018 Profit Distribution Table**

(Unit: NTD\$)

Beginning retained earnings	90,394,695.01
Less: Impact of adopting IFRS 9	(347,750,613.83)
Less: Remeasurement of defined benefit plan	(253,807,200.00)
Less: Loss on disposal of investments in equity instructions measured at fair value through other comprehensive income	(44,022,649.00)
Adjusted retained earnings	(555,185,767.82)
Add: Net profit after tax	12,646,534,574.42
Less: 30% Legal reserve	(3,793,960,373.00)
Less: 0.5% Special reserve	(63,232,673.00)
Distributable net profit	8,234,155,760.60
Distributable items:	
Dividend to shareholders -Cash dividends: NT\$0.64 per share	6,265,293,277.00
Dividend to shareholders -Stock dividends: NT\$ 0.20 per share	1,957,904,140.00
Unappropriated retained earnings	10,958,343.60

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 Items**

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

(Proposed by the Board of Directors.)

#### **Explanation:**

1. In order to reinforce working capital, strengthen the financial structure and raise the capital adequacy ratio, the Bank plans to set aside NT\$1,957,904,140 from the stock dividends of distribution of 2018 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 195,790,414 shares of common stock and, after the capitalization of earnings, the Bank's capital will become NT\$99,853,111,600.
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 20 new shares for every 1,000 shares held by shareholders according to their respective shareholding as stated in shareholders' register book on the record date. Shareholders may, within 7 days from the stock dividend record date, apply to the stock affairs agent of the Bank to combine fractional shares into one share. Odd lots of less than one share thus collected by the Bank will be placed at its par value with specific parties as determined by the Chairman under the authorization of the AGM.
3. The rights and obligations of the newly issued shares will be the same as those of existing shares.
4. As a result of repurchase of the Bank's shares or assignment, conversion and deletion of the treasury stock. The Board of Directors is authorized to adjust the distribution terms if the number of outstanding shares is affected by an amendment to relevant laws or regulations, a request by the competent authorities, or other situations leading to change in shareholder's distribution ratios.

#### **Resolution:**

**Discussion Item No. 2: In conjunction with the amendment of Article 192-1 of the Company Act and the relevant laws and regulations of the competent authority, a part of the Rules for Director Elections of the Bank is proposed to be revised accordingly, and the revision is submitted for approval.**

(Proposed by the Board of Directors.)

**Explanation:**

1. The amended articles of the Company Act were promulgated on August 1, 2018 as per presidential decree with doc. No. Hua Tsung Yi Ching No. 10700083291, and ratified by Executive Yuan to enforce it since November 1, 2018; then the Financial Supervisory Commission R.O.C. (hereinafter referred to as “FSC”) Jin Guan Zheng Fa No. 1080307935 announced the advance notice of amending the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” on March 25, 2019. To comply with the laws and regulations, Article 3, Article 3-1 and Article 3-2 of the Rules for Director Elections (hereinafter referred to as the “Rules”) of the Company are amended accordingly.
2. It is proposed to amend Article 3 of the Rules, and eliminate Article 3-1, Article 3-2. The main points of the revision are explained as below:
  - (1) According to the reasons for amendment to Article 192-1 of the Company Act, it is made for simplifying the operation procedures of nomination for Director Election, by eliminating the Consent to Act as Director and other related certificates, the registered basic information of the juristic person shareholder and document verifying the number of holding shares. Further, the FSC announced the advance notice of draft amendment to the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, and in considering that the professional credentials and independence are required for the independent director, it is provided definitely that when the shareholder and Board of Director provide recommended name list of independent director, the relevant documents which verify that the independent director is qualified with the requirements of profession, independence and concurrent post regulation shall be attached.
  - (2) In considering Article 3-1 and Article 3-2 of the Rules are stipulated by employing Article 192-1 of the Company Act prior to its revision and the provision of Article 5 in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. The former section of paragraph 2 in Article 3 of the Rules is revised as “An independent director and non-independent director candidates nomination system is adopted by CHB, and it shall be processed under the procedures of candidates nomination system pursuant to the provisions of Article 192-1 of the Company Act and Article 18 of the Articles of Incorporation of CHB.” And paragraph 3 is supplemented as “The qualification and election of independent Director of CHB shall comply with the relevant provisions of Securities and Exchange Act and

“Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”” to prevent from constantly revise this Regulations with the amendments of laws and regulations. (The amendment of Article 3)

- (3) Based on the amendments of paragraph 2 and paragraph 3 in Article 3 of the Rules, the nominations procedure for non-independent director and independent director has been applied to the laws and regulations; therefore, Article 3-1 and Article 3-2 of the Rules are canceled.

- 3. Attachment: Comparison Table for the draft of pre- and post-amendments of Article 3, Article 3-1, Article 3-2 of the Rules for Director Elections of CHB.

## Chang Hwa Commercial Bank, Ltd.

### Rules for Director Elections

#### Comparison Table for the draft of pre and post amendments of Article 3, Article 3-1, Article 3-2

Amended in the regular shareholders meeting held on \_\_\_\_, 2019

Post-amendment	Pre-amendment	Explanations
<p>Article 3</p> <p>Except as otherwise provided by the Articles of Incorporation of CHB, each share will have voting rights for director elections of CHB in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.</p> <p>An independent director and non-independent director candidates nomination system is adopted by CHB, and <u>it shall be processed under the procedures of candidates nomination system pursuant to the provisions of Article 192-1 of the Company Act and Article 18 of the Articles of Incorporation of CHB.</u> The shareholders shall elect the independent directors and non-independent directors from among the nominees listed in the rosters of independent director and non-independent director candidates.</p> <p><u>An independent director and non-independent director candidates nomination system is adopted by CHB, and it shall be processed under the procedures of candidates nomination system pursuant to the provisions of Article 192-1</u></p>	<p>Article 3</p> <p>Except as otherwise provided by the Articles of Incorporation of CHB, each share will have voting rights for director elections of CHB in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.</p> <p>An independent director and non-independent director candidates nomination system is adopted by CHB, and the shareholders shall elect the independent directors and non-independent directors from among the nominees listed in the rosters of independent director and non-independent director candidates.</p>	<p>1. Amendment to this Article.</p> <p>2. The amended articles of the Company Act were promulgated on August 1, 2018 as per presidential decree with doc. No. Hua Tsung Yi Ching No. 10700083291, and ratified by Executive Yuan to enforce it since November 1, 2018; then the Financial Supervisory Commission R.O.C. Jin Guan Zheng Fa No. 1080307935 announced the advance notice of amending the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” on March 25, 2019. In considering that Article 3-1 and Article 3-2 of the Regulations are stipulated by respectively employing Article 192-1 of the Company Act prior to its revision and the provision of Article 5 in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. The former section of paragraph 2 in Article 3 of the Rules is revised and paragraph 3 is supplemented. Thus, the</p>

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p><u>of the Company Act and Article 18 of the Articles of Incorporation of CHB.</u></p> <p>Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. An independent director candidate or a non-independent director candidate to whom the ballots cast represent a prevailing number of votes shall be deemed an independent director or a non-dependent director elect.</p> <p>The provision of Article 178 of the Company Act shall not apply to the voting power referred to these Rules.</p>	<p>Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. An independent director candidate or a non-independent director candidate to whom the ballots cast represent a prevailing number of votes shall be deemed an independent director or a non-dependent director elect.</p> <p>The provision of Article 178 of the Company Act shall not apply to the voting power referred to these Rules.</p>	<p>nominations procedure for non-independent director and independent director is clearly applied to the laws and regulations to comply with such revisions.</p> <p>3. The other item numbers are adjusted in order.</p>
<p>(Delete)</p>	<p>Article 3-1</p> <p>Prior to the book closure date before a regular shareholders meeting is held, CHB shall publicly announce that it will receive the nomination of non-independent director candidates, and the location and time period for their submission; the period for submission of nomination may not be less than 10 days.</p> <p>A roster of non-independent director candidates of CHB may be submitted in one of the following ways:</p> <p>1. A shareholder holding 1% or more of the total number of outstanding shares issued by CHB may submit to the company in writing a roster of non-independent director candidates, provided that the</p>	<p>The original provisions of this Article were under Article 192-1 of the Company Act prior to its revision; continued from the preceding paragraph, after amending to paragraph 2 in Article 3 of the Rules, the application of this Article had been covered; therefore, this Article is canceled.</p>

Post-amendment	Pre-amendment	Explanations
	<p>total number of candidates nominated shall not exceed the quota to be elected.</p> <p>2. This restrictive condition as above shall also be applicable to the roster of non-independent director candidates nominated by the board of directors of CHB.</p> <p>The roster of non-independent director candidates submitted by a shareholder or the board of directors of CHB, as prescribed in the preceding Paragraph, shall be annexed with the name, education background and past work experience of the candidates, the letter of understanding issued by each candidate to consent to act as director after he/she/it has been elected as such, a written statement issued by each candidate assuring that he/she/it is not under any of the circumstances set forth in Article 30 of the Company Act, and other evidential documents executed and provided by each candidate. If any candidate is a juristic person shareholder or its representative, additional information and documents reflecting the basic registration information of the said juristic person shareholder and the document certifying the number of shares of the company in its possession.</p> <p>The board of directors or other authorized conveners of shareholders' meetings shall</p>	



Post-amendment	Pre-amendment	Explanations
	<p>examine and/or screen the data and information of each non-independent director candidate nominated; and shall, unless under any of the following circumstances, include all qualified candidates in the final roster of candidates accordingly:</p> <ol style="list-style-type: none"> <li>1. Where the roster of non-independent director candidates is submitted by the nominating shareholder beyond the deadline fixed and announced by CHB for accepting such candidates roster;</li> <li>2. Where the number of shares of CHB being held by the nominating shareholder is less than 1% of the total number of outstanding shares of CHB at the time when the share transfer registration is suspended by CHB in accordance with the provisions set out in Paragraph 2 or Paragraph 3, Article 165 of the Company Act;</li> <li>3. Where the number of candidates nominated exceeds the quota to be elected; or;</li> <li>4. Where the relevant evidential documents required in Paragraph 3 of this Article are not submitted along with the roster of candidates.</li> </ol> <p>The processes of the operation for examining and/or screening the non-independent director</p>	

Post-amendment	Pre-amendment	Explanations
	<p>candidates nominated shall be recorded in writing and such records shall be retained in the file for a period of at least 1 year, however, that if any shareholder has filed a lawsuit against the result of directors election, the foregoing records shall be retained in the file until the legal proceedings of the foregoing lawsuit have been concluded.</p>	
(Delete)	<p>Article 3-2 Prior to the book closure date before a regular shareholders meeting is held, CHB shall publicly announce that it will receive the nomination of independent director candidates, and the location and time period for their submission; the period for submission of nomination may not be less than 10 days. A roster of independent director candidates of CHB may be submitted in one of the following ways, and qualification of all candidates shall be examined and/or screened by the board of directors of CHB before the election held by the shareholders' meeting:</p> <ol style="list-style-type: none"> <li>1. A shareholder holding 1% or more of the total number of outstanding shares issued by CHB may submit to the company in writing a roster of independent director candidates, provided that the total number of candidates</li> </ol>	<p>The original provisions of this Article were under Article 5 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies; continued from the preceding paragraph, after amending to paragraph 2 and paragraph 3 in Article 3 of the Rules, the application of this Article had been covered; therefore, this Article is canceled.</p>

Post-amendment	Pre-amendment	Explanations
	<p>nominated shall not exceed the quota to be elected.</p> <p>2. This restrictive condition as above shall also be applicable to the roster of independent director candidates nominated by the board of directors of CHB.</p> <p>3. Any other ways under the regulations of competent authority.</p> <p>The roster of independent director candidates submitted by a shareholder or the board of directors of CHB, as prescribed in the preceding Paragraph, shall be annexed with the name, education background and past work experience of the candidates, the letter of understanding issued by each candidate to consent to act as director after he/she/it has been elected as such, a written statement issued by each candidate assuring that he/she/it is not under any of the circumstances set forth in Article 30 of the Company Act, and other evidential documents executed and provided by each candidate (including but not limited to the nominees and his/her relatives).</p> <p>The board of directors or other authorized conveners of shareholders' meetings shall examine and/or screen the data and information of each independent director candidate nominated; and shall, unless under any of the following</p>	

Post-amendment	Pre-amendment	Explanations
	<p>circumstances, include all qualified candidates in the final roster of candidates accordingly:</p> <ol style="list-style-type: none"> <li>1. Where the roster of independent director candidates is submitted by the nominating shareholder beyond the deadline fixed and announced by CHB for accepting such candidates roster;</li> <li>2. Where the number of shares of CHB being held by the nominating shareholder is less than 1% of the total number of outstanding shares of CHB at the time when the share transfer registration is suspended by CHB in accordance with the provisions set out in Paragraph 2 or Paragraph 3, Article 165 of the Company Act;</li> <li>3. Where the number of candidates nominated exceeds the quota to be elected; or;</li> <li>4. Where the relevant evidential documents required in Paragraph 3 of this Article are not submitted along with the roster of candidates.</li> </ol>	

**Discussion Item No. 3: In conjunction with the amendment of the Company Act, Article 3 and Article 13 of CHB's Rules of Procedure for Shareholders Meetings is proposed to be revised accordingly. Hence, the revision is submitted for approval.**

(Proposed by the Board of Directors.)

**Explanation:**

1. Given that parts of the articles of the Company Act were amended and promulgated on August 1, 2018 as per presidential decree with doc. No. Hua Tsung Yi Ching No. 10700083291 and ratified by Executive Yuan to enforce them since November 1, 2018, two articles (Article 3 and Article 13) of CHB's Rules of Procedure for Shareholders Meetings are to be revised with the main points of the revision listed as below:

- (1) In conjunction with the requirements of Paragraph 5 of Article 172 of the Company Act, matters added to Paragraph 5 of this amended article that pertain to reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, etc., shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene the shareholders' meeting, and shall not be brought up as extemporary motions. In addition, the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or CHB and such website shall be indicated in the above notice (Paragraph 5 of Article 3 of the amended Article).
- (2) By referring to Paragraph 1 and Paragraph 2 of Article 172-1 of the Company Act and the following explanation for the amendment to Paragraph 4 of the same Article: "to protect shareholders' rights and interests for proposal submission, the text of the preface of Paragraph 4 is amended to specifically indicate that, unless any of the circumstances listed in respective subparagraphs is satisfied, the board of directors shall include the proposal submitted by a shareholder in the list of proposals to be discussed at a regular meeting of shareholders", the relevant text in the second half of Paragraph 6 of Article is revised accordingly, and the regulation allowing shareholders to submit proposals in writing is moved to Paragraph 7, whereas electronic transmission to submit proposal is also added as one of the ways that CHB receives shareholders' proposals, for which CHB may determine whether it will adopt the method by considering the feasibility of its equipment, and specify the way(s) to receive proposals in its announcement to facilitate shareholders' use (Paragraph 6 and Paragraph 7 of Article 3 of the amended Article).
- (3) In view of the requirement of "no proposal containing more than 300 words will be included in the meeting agenda" prescribed by Paragraph 3 of Article 172-1 of the

Company Act before amendment being moved to Subparagraph 4 of Paragraph 4 of the same Article, the relevant text of Paragraph 8 of Article is deleted accordingly (Paragraph 8 of Article 3 of the amended Article).

- (4) By referring to Paragraph 5 of Article 172-1 of the Company Act, a paragraph is added that a shareholder proposal proposed for urging CHB to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. (Paragraph 9 of Article 3 of the amended Article)
  - (5) By referring to Article 177-1 of the Company Act, the text for the way to exercise the voting rights in a shareholders meeting is slightly modified (Paragraph 2 of Article 13 of the amended Article)
2. Attachment: Comparison table for the draft of pre- and post-amendments of Article 3 and Article 13 of CHB's Rules of Procedure for Shareholders Meetings.

## Attachment

### **Chang Hwa Commercial Bank, Ltd.** **Rules of Procedure for Shareholders Meetings** **Comparison Table for the draft of pre- and post-amendments of Article 3** **and Article 13**

Amended by the regular shareholders meeting on \_\_\_\_\_, 2019

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p>Article 3 (Convening shareholders meetings and shareholders meeting notices)</p> <p>Unless otherwise provided by law or regulation, CHB's shareholders meetings shall be convened by the board of directors.</p> <p>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</p>	<p>Article 3 (Convening shareholders meetings and shareholders meeting notices)</p> <p>Unless otherwise provided by law or regulation, CHB's shareholders meetings shall be convened by the board of directors.</p> <p>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</p>	<p>1. Amendment to this Article.</p> <p>2. In conjunction with the requirements of Paragraph 5 of Article 172 of the Company Act, matters added to Paragraph 5 of this article that pertain to reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, etc., shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene the shareholders' meeting, and shall not be brought up as extemporary motions. In addition, the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or CHB, and such website shall be indicated in the above notice.</p> <p>3. By referring to Paragraph 1 and Paragraph 2 of Article</p>

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p>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.</p> <p>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.</p> <p>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.</p> <p><u>Matters pertaining to election</u></p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Election or dismissal of</p>	<p>172-1 of the Company Act, Paragraph 6 of this Article for allowing shareholders to submit proposals in writing is moved to Paragraph 7, whereas electronic transmission to submit proposal is also added as one of the ways that CHB receives shareholders' proposals, for which CHB may determine whether it will adopt the method by considering the feasibility of its equipment, and specify the way(s) to receive proposals in its announcement to facilitate shareholders' use.</p> <p>4. By referring to the following explanation for the amendment to Paragraph 4 of Article 172-1 of the Company Act: "to protect shareholders' rights and interests for proposal submission, the text of the preface of Paragraph 4 is amended to specifically indicate that, unless any of the circumstances listed in respective subparagraphs is satisfied, the board of directors shall include the proposal submitted by a shareholder in the list of proposals to be discussed at a regular meeting of shareholders", the relevant text in the second half of Paragraph 6 is revised accordingly.</p>



Post-amendment	Pre-amendment	Explanations
<p>or dismissal of directors, amendments to the articles of incorporation, <u>reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares</u> , the dissolution, merger or demerger of the corporation, or any matter under Article 185, Paragraph 1 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act or Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be <u>itemized in the causes or subjects to be described and the essential contents shall be explained</u> in the notice <u>to convene</u> the shareholders' meeting. None of the above matters may be raised by an extraordinary motion. <u>The essential contents may be posted on the website designated by the competent authority in charge of securities affairs or CHB, and such website shall be indicated in the above notice.</u></p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to CHB a proposal for discussion at a regular</p>	<p>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 <u>set out</u> in the notice <u>of the reasons for convening</u> the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to CHB a <u>written</u> proposal for discussion at a</p>	<p>5. In view of the requirement of “no proposal containing more than 300 words will be included in the meeting agenda” prescribed by Paragraph 3 of Article 172-1 of the Company Act before amendment being moved to Subparagraph 4 of Paragraph 4 of the same Article, the relevant text of Paragraph 8 is deleted accordingly.</p> <p>6. By referring to Paragraph 5 of Article 172-1 of the Company Act, add Paragraph 9 of this article that a shareholder proposal proposed for urging CHB to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.</p> <p>7. The number of the existing Paragraph 9 is changed to be Paragraph 10.</p>

Post-amendment	Pre-amendment	Explanations
<p>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. <u>Unless</u> 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 <u>shall include it in the agenda.</u></p> <p>Prior to the book closure date before a regular shareholders meeting is held, CHB shall publicly announce that it will receive shareholder proposals <u>in writing or by way of electronic transmission</u>, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words. 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.</p> <p><u>A shareholder proposal</u></p>	<p>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. <u>In addition, when the circumstances of any</u> subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors <u>may exclude it from the agenda.</u></p> <p>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.</p> <p>Shareholder-submitted proposals are limited to 300 words, <u>and no proposal containing more than 300 words will be included in the meeting agenda.</u> 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.</p>	

Post-amendment	Pre-amendment	Explanations
<p><u>proposed under Paragraph Six for urging CHB to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.</u></p> <p>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.</p>	<p>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.</p>	
<p>Article 13 (Voting, Scrutinizing and Calculation for Proposals)</p> <p>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.</p> <p>When CHB holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. The method of exercise shall be specified in the</p>	<p>Article 13 (Voting, Scrutinizing and Calculation for Proposals)</p> <p>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.</p> <p>When CHB holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. <u>When voting rights are exercised by correspondence</u></p>	<p>1. Amendment to this Article. 2. By referring to Article 177-1 of the Company Act, the text is slightly modified.</p>

Post-amendment	Pre-amendment	Explanations
<p>shareholders meeting notice.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p><u>or electronic means</u>, the method of exercise shall be specified in the shareholders meeting notice.</p> <p>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.</p> <p>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.</p> <p>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</p>	

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p>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.</p> <p>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.</p> <p>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</p>	<p>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.</p> <p>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.</p> <p>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</p>	

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	

**Discussion Item No. 4:**        **In conjunction with the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” set up by the Financial Supervisory Commission, the Bank’s handling procedure for asset acquisition and disposal is proposed for revision.**

(Proposed by the Board of Directors.)

**Explanation:**

1. To be processed in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (hereafter referred to as the “Regulations”) amended, promulgated and enforced in accordance with the doc. No. Chin-Kuan-Cheng-Fa-Tzu-Ti-1070341072 issued by the Financial Supervisory Commission on November 26, 2018.
2. In conjunction with International Financial Reporting Standards (IFRS) No. 16 leases, the scope of right-of-use assets is expanded; the cost rationality evaluation of transactions between the Bank and its subsidiaries for acquisition of real property’s right-of-use assets in business-use is exempted, and the rule for allowing the use of non-related person’s lease transaction cases occurring in the neighboring regions within one year as the reference to calculate and estimate the price rationality of the transaction for acquisition of real property’s right-of-use assets from the Bank’s related party is relaxed (Subparagraph 5 of Paragraph 1 of Article 3, Article 8, Paragraph 1 of Article 10, Article 12, Article 16, Article 17, Article 18, Article 19 and Subparagraph 1 of Paragraph 1 of Article 32 of the amended Articles).
3. In conjunction with IFRS No. 9 definition of financial instruments, the scope of derivatives is specifically defined (Subparagraph 1 of Paragraph 1 of Article 4 of the amended Articles).
4. To elevate the quality of information disclosure, the scope of investment professionals is specifically defined, and the act conducted by investment professionals to subscribe ordinary corporate bonds in a foreign primary market is considered as regular with simplicity of commodity characteristics. In addition, domestic securities investment trust enterprises and futures trust enterprises are supervised and managed by the Financial Supervisory Commission (FSC) and subscription or repurchase of the funds placed by them is also the regular act of investment professionals. Hence, the announcement requirements of the trading of the preceding securities are relaxed (Subparagraph 7 of Paragraph 1 of Article 4 and Subparagraph 6 of Paragraph 1 of Article 32 of the amended Articles).

5. To confirm the responsibilities of external experts, external experts' passive qualifications, evaluation of appraisal reports or opinion statements issued by external experts, audit and declaration items are specifically defined by referring to Article 5 of the Regulations. (Article 5 of the amended Articles).
6. In conjunction with the purpose of the Regulations and unified terms, the scope of securities exchanges and securities firms' business outlets is specifically defined, and the underlying objects and agencies referred to in the Procedures, in principle, cover those within and without Taiwan. Any exception shall be additionally explained (Subparagraphs 8 and 9 of Paragraph 1 of Article 4, Paragraph 1 of Article 10, Article 12, Paragraph 1 of Article 16, and Subparagraph 1 and Item 1 of Subparagraph 6 of Paragraph 1 of Article 32 of the amended Articles).
7. Attachment: Comparison Table for the Draft of Pre and Post Amendment to the Article for the Procedure of the Bank's Acquisition and Disposal of Assets.



## Attachment

### **Chang Hwa Commercial Bank, Ltd.** **Procedure for Acquisition and Disposal of Assets** **Comparison Table for the draft of pre- and post-amendments**

Amended by the regular shareholders meeting on \_\_\_\_\_, 2019

Post-amendment	Pre-amendment	Explanations
<p>Article 3</p> <p>The applicable scope of the assets referred to in the Disposition Procedure is as follows:</p> <ol style="list-style-type: none"> <li>Investments in stocks, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, etc.</li> <li>Real property (including land, houses and buildings and investment property) and equipment.</li> <li>Membership certificates</li> <li>Intangible assets such as patent rights, copyrights, trademark rights, franchises, etc.</li> <li><u>Right-of-use assets.</u></li> <li><u>Claims of the Bank</u> (including receivables, foreign exchange purchase and discount and loans as well as overdue receivables).</li> <li><u>Derivatives</u></li> <li><u>Assets acquired or disposed of through merger, split, acquisition or transfer of shares by law.</u></li> </ol>	<p>Article 3</p> <p>The applicable scope of the assets referred to in the Disposition Procedure is as follows:</p> <ol style="list-style-type: none"> <li>Investments in stocks, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, etc.</li> <li>Real property (including land, houses and buildings, investment property and <u>land-access rights</u>) and equipment.</li> <li>Membership certificates</li> <li>Intangible assets such as patent rights, copyrights, trademark rights, franchises, etc.</li> <li><u>Claims of the Bank</u> (including receivables, foreign exchange purchase and discount and loans as well as overdue receivables).</li> <li><u>Derivatives</u></li> <li><u>Assets acquired or disposed of through merger, split, acquisition or transfer of shares by law.</u></li> </ol>	<ol style="list-style-type: none"> <li>In conjunction with IFRS No. 16 Leases (hereafter referred to as IFRS No. 16) applicable to our country, the scope of the use of the right-of-use assets is expanded. Hence Subparagraph 2 of this Article for land-access rights is moved to Subparagraph 5 of the same Article in accordance with Article 3 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereafter referred to as the Regulations).</li> <li>The existing Subparagraphs 5 to 8 are moved to Subparagraphs 6 to 9.</li> </ol>

Post-amendment	Pre-amendment	Explanations
9. Other major assets.	8. Other major assets.	
<p>Article 4</p> <p>Terms used in the Disposal Procedure are defined as follows:</p> <p>1. Derivatives: They refer to forward contracts, option contracts, futures contracts, leverage contracts and swap contracts whose value is derived from <u>specified interest rates, financial instrument prices, commodity prices, forex rates, indexes of prices or rates, credit ratings or credit indexes or other variables</u>, hybrid contracts combining the above contracts or <u>hybrid contracts or structured commodities containing embedded derivatives</u>. The term “forward contracts” referred to above does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed of through merger, split, acquisition or transfer of shares by law: They refer to the assets acquired or disposed of through merger, split, acquisition or transfer of shares in accordance with the Business Mergers and Acquisitions Act, Financial</p>	<p>Article 4</p> <p>Terms used in the Disposal Procedure are defined as follows:</p> <p>1. Derivatives: They refer to forward contracts, option contracts, futures contracts, leverage contracts and swap contracts whose value is derived from <u>assets, interest rates, forex rates, indexes or other interests, and compound contracts combined by the preceding commodities</u>. The term “forward contracts” referred to above does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed of through merger, split, acquisition or transfer of shares by law: They refer to the assets acquired or disposed of through merger, split, acquisition or transfer of shares in accordance with the Business Mergers and Acquisitions Act, Financial</p>	<p>1. Amend the scope of derivatives set forth in Subparagraph 1 of this Article in accordance of Article 4 of the Regulations.</p> <p>2. In conjunction with the Company Act enforced on November 1, 2018, Subparagraph 2 of this Article is amended by referring to the article order of the Company Act.</p> <p>3. Specifically define the scope of investment professionals, as well as domestic and foreign securities exchanges and securities firms’ business outlets in accordance with Subparagraphs 7 to 9 of Article 4 of the Regulations, so the concerned parties can comply with accordingly.</p>

Post-amendment	Pre-amendment	Explanations
<p>Holding Company Act, Financial Institution Merger Act or other laws, or the transfer of shares from another company through issuance of new shares of its own as the consideration (hereafter referred to as the transfer of shares) in accordance with Article 156-<u>3</u> of the Company Act.</p> <p>3. Related parties and subsidiaries: They shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraisers: They refer to real property appraisers or those who, by law, may engage in appraisal of real property or equipment. °</p> <p>5. Fact occurrence date: It refers to the contract signing date, payment date, date fixing a consigned order, ownership transfer date, board meeting resolution date or any other date that can confirm the transaction counterparty and the trading amount, whichever date is earlier. However, for the investment required to be approved by the competent authority, the fact occurrence date shall be determined according to the earlier of the above dates or</p>	<p>Holding Company Act, Financial Institution Merger Act or other laws, or the transfer of shares from another company through issuance of new shares of its own as the consideration (hereafter referred to as the transfer of shares) in accordance with <u>Paragraph 8 of</u> Article 156 of the Company Act.</p> <p>3. Related parties and subsidiaries: They shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraisers: They refer to real property appraisers or those who, by law, may engage in appraisal of real property or equipment. °</p> <p>5. Fact occurrence date: It refers to the contract signing date, payment date, date fixing a consigned order, ownership transfer date, board meeting resolution date or any other date that can confirm the transaction counterparty and the trading amount, whichever date is earlier. However, for the investment required to be approved by the competent authority, the fact occurrence date shall be determined according to the earlier of the above dates or</p>	

Post-amendment	Pre-amendment	Explanations
<p>the date of receiving the approval from the competent authority. For the assets acquired from court statement or auction, the fact occurrence date shall be determined according to the earlier of the date that can confirm the transaction counterparty and the trading amount or the date receiving the court's approval document.</p> <p>6. Mainland China investment: It refers to the investments made in the mainland China area in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area enacted by Economic Affairs Investment Commission, MOEA.</p> <p>7. Investment professionals: <u>They refer to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises and fund management companies established by law and governed by their local financial competent</u></p>	<p>the date of receiving the approval from the competent authority. For the assets acquired from court statement or auction, the fact occurrence date shall be determined according to the earlier of the date that can confirm the transaction counterparty and the trading amount or the date receiving the court's approval document.</p> <p>6. Mainland China investment: It refers to the investments made in the mainland China area in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area enacted by Economic Affairs Investment Commission, MOEA.</p>	

Post-amendment	Pre-amendment	Explanations
<p><u>authorities.</u></p> <p>8. <u>Securities exchanges: The domestic securities exchange refers to Taiwan Stock Exchange Corporation (TSEC), whereas the foreign securities exchange refers to any organized securities exchange market governed by the securities competent authorities of the foreign country in question.</u></p> <p>9. <u>Securities firms' business outlets: The domestic securities firm' business outlet refers to the counter specifically set up by a securities firm for trading in accordance with the Regulations Governing Securities Trading on the Taipei Exchange, whereas the foreign securities firm's business outlet refers to any financial institution's business outlet governed and permitted by the foreign competent authority for engaging in the securities business.</u></p>		
<p>Article 5 The professional appraisers and their appraisal personnel, certified public accountants, attorneys and securities underwriters providing the Bank with appraisal reports or opinion statements shall <u>meet the following requirements:</u></p> <p>1. <u>They have never been sentenced to imprisonment</u></p>	<p>Article 5 The professional appraisers and their appraisal personnel, certified public accountants, attorneys and securities underwriters providing the Bank with appraisal reports or opinion statements shall not be <u>the related party of the transaction concerned party.</u></p>	<p>External experts' passive qualifications, evaluation of appraisal reports or opinion statements issued by external experts, audit and declaration items are specifically defined by referring to Article 5 of the Regulations.</p>

Post-amendment	Pre-amendment	Explanations
<p><u>of more than one year in final and conclusive judgment for violation of the Securities and Exchange Act, Company Act, Banking Act, Insurance Act, Financial Holding Company Act, Business Entity Accounting Act, or offense of fraud, breach of trust, embezzlement, document forgery or commitment of any business crime.</u></p> <p><u>However, it is not limited to the circumstance where three years has already passed since the sentence was fully served, the suspended sentence expired or the amnesty was granted.</u></p> <p><u>2. They shall not be the related party or de facto related party of the concerned transaction party</u></p> <p><u>3. In the event that the Bank is required to acquire appraisal reports from two or more than two professional appraisal firms, the different professional appraisal firms or appraisers shall not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion statement, the preceding concerned parties shall comply with the following:</u></p> <p><u>1. Prior to undertaking the case, they shall prudently assess their own professional capacity,</u></p>		

Post-amendment	Pre-amendment	Explanations
<p><u>practice experience and independence.</u></p> <p>2. <u>When examining the case, they shall have appropriate planning and execute the adequate operation process to reason the conclusion and issue the report or opinion statement with the conclusion. They shall also literally detail their execution procedure, data collection and conclusion in the case's work sheet.</u></p> <p>3. <u>They shall evaluate the integrity, accuracy and rationality item by item of the used data sources, parameters and information, and the results shall be used as the basis for issuance of the appraisal report or opinion statement.</u></p> <p>4. <u>The statement shall cover the items including that the relevant personnel are all equipped with professionalism and independence, rationality and accuracy of the information used in appraisal has been assessed and relevant laws and regulations are complied with, etc.</u></p>		
<p>Article 6 Establishment of or amendment to the Disposition Procedures shall be approved by a majority of the entire body of audit committee members and adopted by the</p>	<p>Article 6 Establishment of or amendment to the Disposition Procedures shall be approved by a majority of the entire body of audit committee members and adopted by the</p>	<p>According to the opinion from the Bank's legal compliance division, in practice, the Bank currently does not send director's objection information to the audit committee; moreover,</p>

Post-amendment	Pre-amendment	Explanations
<p>board of directors before being submitted to the board of shareholders for approval. Where the approval from a majority of the entire body of audit committee members as required in the preceding paragraph is not obtained, the Procedures may still be implemented if adopted by more than two thirds of the entire body of directors, and the resolution adopted by the audit committee shall be recorded in the board meeting minutes.</p> <p>The entire body of audit committee members referred to in the preceding 1<sup>st</sup> paragraph and the entire body of directors referred to in the preceding 2<sup>nd</sup> paragraph shall be counted according to the actual number of incumbent persons.</p> <p>When the Disposition Procedures are submitted to the board of directors for discussion, each independent director's opinions shall be fully taken into account. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.</p>	<p>board of directors before being submitted to the board of shareholders for approval. Where the approval from a majority of the entire body of audit committee members as required in the preceding paragraph is not obtained, the Procedures may still be implemented if adopted by more than two thirds of the entire body of directors, and the resolution adopted by the audit committee shall be recorded in the board meeting minutes.</p> <p>The entire body of audit committee members referred to in the preceding 1<sup>st</sup> paragraph and the entire body of directors referred to in the preceding 2<sup>nd</sup> paragraph shall be counted according to the actual number of incumbent persons.</p> <p>When the Disposition Procedures are submitted to the board of directors for discussion, each independent director's opinions shall be fully taken into account. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes. <u>In case of any objection from any director and which has been recorded or with written statement, the Bank shall send the information of the director's objection to the</u></p>	<p>independent directors have participated in board meetings, any objection from a director would be learned by independent directors in the meeting. As such, it is not necessary to separately send the objection information to the audit committee. Hence, the text in the second half of Paragraph 4 of this Article is deleted.</p>



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	<u>audit committee.</u>	
<p>Article 7</p> <p>Where the assets acquired or disposed of by the Bank shall be adopted by the board of directors as required by the Disposition Procedures or other laws, each independent director's opinions shall be fully taken into account when the case is submitted to the board of directors for discussion. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.</p> <p>Any transaction involving major assets or derivatives shall be approved by a majority of the entire body of audit committee members, submitted to the board of directors for a resolution and subject to mutatis mutandis application of Paragraph 2 and Paragraph 3 of Article 6.</p>	<p>Article 7</p> <p>Where the assets acquired or disposed of by the Bank shall be adopted by the board of directors as required by the Disposition Procedures or other laws. <u>In case of any objection from any director and which has been recorded or with written statement, the Bank shall send the information of the director's objection to the audit committee.</u></p> <p>When the case is submitted to the board of directors for discussion <u>to the preceding paragraph,</u> each independent director's opinions shall be fully taken into account when the case is submitted to the board of directors for discussion. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.</p> <p>Any transaction involving major assets or derivatives shall be approved by a majority of the entire body of audit committee members, submitted to the board of directors for a resolution and subject to mutatis mutandis application of Paragraph 2 and Paragraph 3 of Article 6.</p>	<p>Consolidate Paragraphs 1 and 2 of the current Article into Paragraph 1 of the amended Article; the amendment reason is same as that of Article 6.</p>
<p>Article 8</p> <p>The total amount of the non-business-use real property and <u>its right-of-use assets</u> or</p>	<p>Article 8</p> <p>The total amount of the non-business-use real property or securities acquired by the</p>	<p>In conjunction with IFRS No. 16, right-of-use assets are incorporated into this Article.</p>

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securities acquired by the Bank and its subsidiaries and limits on individual securities shall comply with statutory laws and regulation as well as the regulations enacted by the competent authorities.	Bank and its subsidiaries and limits on individual securities shall comply with statutory laws and regulation as well as the regulations enacted by the competent authorities.	
<p>Article 9</p> <p>For the acquisition and disposal of assets acquired by its subsidiaries, the Bank's control procedures shall include the following:</p> <ol style="list-style-type: none"> <li>1. Push its subsidiaries to set up and execute their own asset acquisition or disposal disposition procedures.</li> <li>2. Push its subsidiaries to self-inspect if the established asset acquisition or disposal disposition procedures meets stipulated regulations and if the transactions regarding asset acquisition or disposal are processed in accordance with the established disposition procedures.</li> <li>3. Matters regarding the response given by the internal auditor to subsidiary's preceding self-inspection reports.</li> <li>4. Process announcement and declaration related matters on behalf of the subsidiary which is not a domestic public company.</li> </ol> <p>With regard to the requirement of the subsidiary referred to in the preceding subparagraph 4 for making announcement and</p>	<p>Article 9</p> <p>For the acquisition and disposal of assets acquired by its subsidiaries, the Bank's control procedures shall include the following:</p> <ol style="list-style-type: none"> <li>1. Push its subsidiaries to set up and execute their own asset acquisition or disposal disposition procedures.</li> <li>2. Push its subsidiaries to self-inspect if the established asset acquisition or disposal disposition procedures meets stipulated regulations and if the transactions regarding asset acquisition or disposal are processed in accordance with the established disposition procedures.</li> <li>3. Matters regarding the response given by the internal auditor to subsidiary's preceding self-inspection reports.</li> <li>4. Process announcement and declaration related matters on behalf of the subsidiary which is not a domestic public company.</li> </ol> <p>With regard to the requirement of the subsidiary referred to in the preceding subparagraph 4 for making announcement and</p>	<p>In conjunction with the amended Article 13 for change of the order of Articles, the Article No. referred to in this Article is adjusted.</p>

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declaration when reaching 20% of the paid-in capital or 10% of the total assets as set forth in Paragraph 1 of <u>Article 32</u> , the Bank's paid-in capital or total assets shall prevail.	declaration when reaching 20% of the paid-in capital or 10% of the total assets as set forth in Paragraph 1 of <u>Article 31</u> , the Bank's paid-in capital or total assets shall prevail.	
<p>Article 10</p> <p>Where the Bank acquires or disposes of real property, equipment or <u>its right-of-use assets</u> and the transaction amount reaches 20% of the Bank's paid-in capital or NT\$300 million or more, unless trading with <u>domestic</u> government agencies, engaging in the construction assigned by the land owner, construction assigned for the leased land or acquiring or disposing of business-use equipment or <u>its right-of-use assets</u>, it shall obtain an appraisal report prior to the fact occurrence date from a professional appraiser and comply with the following:</p> <p>1. Where the specified price, specific price or special price is used as the reference for the transaction price due to special circumstances, the transaction shall be first put forth to the board of directors for adoption. <u>The same</u> shall also apply in case of any change in the transaction terms <u>afterwards</u>.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two</p>	<p>Article 10</p> <p>Where the Bank acquires or equipment and the transaction amount reaches 20% of the Bank's paid-in capital or NT\$300 million or more, unless trading with government agencies, engaging in the construction assigned by the land owner, construction assigned for the leased land or acquiring or disposing of business-use equipment, it shall obtain an appraisal report prior to the fact occurrence date from a professional appraiser and comply with the following:</p> <p>1. Where the specified price, specific price or special price is used as the reference for the transaction price due to special circumstances, the transaction shall be first put forth to the board of directors for adoption. In case of any change in the <u>future</u> transaction terms, <u>the preceding procedure shall also be followed</u>.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two</p>	<p>1. According to Paragraph 1 of Article 9 of the Regulations, the government agencies refer to our central and local government agencies. Given that the transactions with our central and local government agencies require auction or bidding according to relevant regulations, price manipulation is less likely, so expert's opinion can be exempted. As for transactions with foreign government agencies, since the relevant stipulations and price negotiation mechanism are still unclear, this part of transactions has not been covered in the range of exemption referred to in this Article. Hence, Paragraph 1 of this Article is amended that the exemption is limited to domestic government only.</p> <p>2. In conjunction with IFRS No. 16, right-of-use assets are incorporated into this Article.</p> <p>3. Modify the text of Subparagraph 1 of Paragraph 1 of this Article in order to meet the legal operation.</p>

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<p>or more than two professional appraisers are required.</p> <p>3. Where professional appraisal results show any of the following circumstances, unless that all the appraisal results for assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant (CPA) shall be engaged to perform the appraisal in accordance with the Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereafter referred to as the ARDF) and render a specific opinion on the discrepancy and the adequacy of the of transaction price:</p> <p>(1) Where the discrepancy between the appraisal result and the transaction amount is 20% of the transaction amount or more.</p> <p>(2) Where the discrepancy between the appraisal result from two or more than professional appraisers is 10% of the transaction amount or more.</p> <p>4. Professional appraiser's report issuance date and contract establishment date</p>	<p>or more than two professional appraisers are required.</p> <p>3. Where professional appraisal results show any of the following circumstances, unless that all the appraisal results for assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant (CPA) shall be engaged to perform the appraisal in accordance with the Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereafter referred to as the ARDF) and render a specific opinion on the discrepancy and the adequacy of the of transaction price:</p> <p>(1) Where the discrepancy between the appraisal result and the transaction amount is 20% of the transaction amount or more.</p> <p>(2) Where the discrepancy between the appraisal result from two or more than professional appraisers is 10% of the transaction amount or more.</p> <p>4. Professional appraiser's report issuance date and contract establishment date</p>	

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shall be no more than three months apart. However, if the government assessed present value in the same period is applicable and within six months, the original professional appraiser shall issue an opinion statement.	shall be no more than three months apart. However, if the government assessed present value in the same period is applicable and within six months, the original professional appraiser shall issue an opinion statement.	
Article 12 Where the transaction amount of the intangible assets or <u>their right-of-use assets or the membership certificate</u> acquired or disposed of by the Bank is 20% of the Bank's paid-in capital or more, or NT\$300 million or more, except the transaction with <u>domestic government agencies</u> , the Bank shall engage a CPA prior to the fact occurrence date to render an opinion on the rationality of the transaction price, whereas the CPA shall comply with the Statement of Auditing Standards No. 20 published by the ARDF to provide their opinion.	Article 12 Where the transaction amount of <u>the membership certificate</u> or the intangible assets acquired or disposed of by the Bank is 20% of the Bank's paid-in capital or more, or NT\$300 million or more, except the transaction with government agencies, the Bank shall engage a CPA prior to the fact occurrence date to render an opinion on the rationality of the transaction price, whereas the CPA shall comply with the Statement of Auditing Standards No. 20 published by the ARDF to provide their opinion.	In conjunction with IFRS No. 16, right-of-use assets are incorporated into this Article.
<u>Article 13</u> The transaction amount referred to in the preceding three articles shall be calculated in accordance with Paragraph 2 of <u>Article 32</u> , and the "within the previous year" thereof refers to the year preceding the date that the transaction actually occurs. Those that have already acquired the appraisal report	<u>Article 12-1</u> The transaction amount referred to in the preceding three articles shall be calculated in accordance with Paragraph 2 of <u>Article 31</u> , and the "within the previous year" thereof refers to the year preceding the date that the transaction actually occurs. Those that have already acquired the appraisal report	Change the number of the Article and adjust the citation of the article.

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from a professional appraiser or a CPA's opinion statement in accordance with the Disposition Procedures can be exempted from the calculation.	from a professional appraiser or a CPA's opinion statement in accordance with the Disposition Procedures can be exempted from the calculation.	
<u>Article 14</u> In case of any of the circumstances below, the Bank shall replace the appraisal report or CPA's opinion statement with the certificate issued by the court: 1. The assets have been acquired or disposed of through the court auction procedure. 2. The assets acquired through the court action procedure due to exercise of the real property mortgage are re-disposed of within three months after the date that the court undertaking or auctioning the real property has finalized the auction and there is no change in the government assessed present value or assessed value in the period between the court auction being finalized and re-disposal.	<u>Article 13</u> In case of any of the circumstances below, the Bank shall replace the appraisal report or CPA's opinion statement with the certificate issued by the court: 1. The assets have been acquired or disposed of through the court auction procedure. 2. The assets acquired through the court action procedure due to exercise of the real property mortgage are re-disposed of within three months after the date that the court undertaking or auctioning the real property has finalized the auction and there is no change in the government assessed present value or assessed value in the period between the court auction being finalized and re-disposal.	Change the number of the Article.
<u>Article 15</u> For the assets that the Bank acquires from or disposes of with a related party, in addition to complying with the requirements of the preceding and this sections for relevant resolution procedures and assessing the rationality of the transaction terms, if the transaction amount reaches	<u>Article 14</u> For the assets that the Bank acquires from or disposes of with a related party, in addition to complying with the requirements of the preceding and this sections for relevant resolution procedures and assessing the rationality of the transaction terms, if the transaction amount reaches	Change the number of the Article and adjust the citation of the article.

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<p>10% of the Bank's total assets or more, the Bank shall also obtain an appraisal report from a professional appraiser or a CPA's opinion statement as required by the preceding section.</p> <p>The preceding transaction amount shall be calculated in accordance with <u>Article 13</u>.</p> <p>When judging whether a transaction counterparty is a related party, other than its legal formality, the substantive relationship shall also be considered.</p>	<p>10% of the Bank's total assets or more, the Bank shall also obtain an appraisal report from a professional appraiser or a CPA's opinion statement as required by the preceding section.</p> <p>The preceding transaction amount shall be calculated in accordance with <u>Article 12-1</u>.</p> <p>When judging whether a transaction counterparty is a related party, other than its legal formality, the substantive relationship shall also be considered.</p>	
<p><u>Article 16</u></p> <p>When the Bank acquires real property or <u>its right-of-use assets</u> from a related party or disposes of a related party's real property or its <u>right-of-use assets</u>, or when it acquires other assets beyond the real property or its right-of-use assets from a related party or disposes of a related party's aforesaid other assets and the transaction amount is 20% of its paid-in capital or more, 10% of its total assets or more, or NT\$300 million or more, except for trading of <u>domestic government bonds</u> or bonds under repurchase, reverse repurchase agreement and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Bank shall not sign any transaction contracts or make any</p>	<p><u>Article 15</u></p> <p>When the Bank acquires or disposes of real property from its related party, or when it acquires or disposes of other assets beyond the real property from a related party, and the transaction amount is 20% of its paid-in capital or more, 10% of its total assets or more, or NT\$300 million or more, except for trading of government bonds, bonds under repurchase or reverse repurchase agreement, and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Bank shall not sign any transaction contracts or make any payments until the following information is submitted to the audit committee and board of directors and adopted by them:</p>	<ol style="list-style-type: none"> <li>1. Change the number of the Article.</li> <li>2. According to Paragraph 1 of Article 15 of the Regulations, the government bonds refer to domestic government bonds. Given that the credit of our central and local governments is very specific and easy for inquiry, the procedure to submit the information to the audit committee and board of directors for adoption can therefore be exempted. On the other hand, the credit of foreign government bonds varies, so foreign government bonds shall not be covered in the exemption scope of this Article. Thus, the bonds specifically defined in Paragraph 1 of this Article are limited to domestic bonds.</li> </ol>

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<p>payments until the following information is submitted to the audit committee and board of directors and adopted by them:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and expected effects of the asset acquisition and disposal.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. The data related to the rationality assessment of the expected transaction terms required by <u>Article 17</u> and <u>Article 18</u> for the real property or <u>its right-of-use assets</u> acquired from a related party.</li> <li>4. The matters regarding related party's original acquisition date and price, transaction counterparties, the relationship between the transaction counterparty and the Bank as well as the Bank's related party, etc.</li> <li>5. Monthly cash receipt and expenditure forecasts for the year after the month expected to sign the contract, and assessment of transaction necessity and rationality of capital utilization.</li> <li>6. The appraisal report issued by a professional appraiser or CPA's opinion statement and acquired according to the requirement of the preceding Article.</li> <li>7. Restriction terms and other important matters associated</li> </ol>	<ol style="list-style-type: none"> <li>1. The purpose, necessity and expected effects of the asset acquisition and disposal.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. The data related to the rationality assessment of the expected transaction terms required by <u>Article 16</u> and <u>Article 17</u> for the real property acquired from a related party.</li> <li>4. The matters regarding related party's original acquisition date and price, transaction counterparties, the relationship between the transaction counterparty and the Bank as well as the Bank's related party, etc.</li> <li>5. Monthly cash receipt and expenditure forecasts for the year after the month expected to sign the contract, and assessment of transaction necessity and rationality of capital utilization.</li> <li>6. The appraisal report issued by a professional appraiser or CPA's opinion statement and acquired according to the requirement of the preceding Article.</li> <li>7. Restriction terms and other important matters associated</li> </ol>	



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<p>with this transaction. The preceding transaction amount shall be calculated in accordance with Paragraph 2 of <u>Article 32</u>, and the “within the previous year” thereof refers to the year preceding the date that the transaction actually occurs. Those that have already been submitted to the audit committee and board of directors and adopted by them can be exempted from the calculation.</p> <p>Each independent director’s opinions shall be fully taken into account when discussing the matters submitted to the board of directors in accordance with above paragraph 1 and the preceding paragraph. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.</p> <p>The matters referred to in above paragraph 1 shall be approved by a majority of the entire body of audit committee members, submitted to the board of directors for a resolution and subject to mutatis mutandis application of Paragraph 2 and Paragraph 3 of Article 6.</p>	<p>with this transaction. The preceding transaction amount shall be calculated in accordance with Paragraph 2 of <u>Article 31</u>, and the “within the previous year” thereof refers to the year preceding the date that the transaction actually occurs. Those that have already been submitted to the audit committee and board of directors and adopted by them can be exempted from the calculation.</p> <p>Each independent director’s opinions shall be fully taken into account when discussing the matters submitted to the board of directors in accordance with above paragraph 1 and the preceding paragraph. In case of any objection or qualified opinion from an independent director, it shall be recorded in the board meeting minutes.</p> <p>The matters referred to in above paragraph 1 shall be approved by a majority of the entire body of audit committee members, submitted to the board of directors for a resolution and subject to mutatis mutandis application of Paragraph 2 and Paragraph 3 of Article 6.</p>	
<p><u>Article 17</u> The rationality of the transaction cost of the real property <u>or its right-of-use assets</u> acquired by the Bank from its related parties shall be</p>	<p><u>Article 16</u> The rationality of the transaction cost of the real property acquired by the Bank from its related parties shall be assessed according to the</p>	<ol style="list-style-type: none"> <li>1. Change the number of the Article.</li> <li>2. In conjunction with IFRS No. 16, right-of-use assets are incorporated into this Article.</li> </ol>

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<p>assessed according to the methods below:</p> <ol style="list-style-type: none"> <li>1. Required capital interest and the cost required to be borne by the buyer shall be added to the related party's transaction price. The "required capital interest" cost referred to above shall be calculated according to the average weighted interest rate of the loan borrowed in the year that the Bank purchases the assets; however, the interest rate shall not be higher than the non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. If a related party once encumbered the underlying property to a financial institution for a loan, the total value of the underlying property assessed by the financial institution for the loan shall be considered; however, the accumulated value of the loan actually released by the financial institution for the underlying property shall be 70% or more than 70% of the total appraised value and the term of the loan shall have been over one year. Nevertheless, it is not applicable to the circumstance where the financial institution and the transaction counterparty are related parties of each other.</li> </ol>	<p>methods below:</p> <ol style="list-style-type: none"> <li>1. Required capital interest and the cost required to be borne by the buyer shall be added to the related party's transaction price. The "required capital interest" cost referred to above shall be calculated according to the average weighted interest rate of the loan borrowed in the year that the Bank purchases the assets; however, the interest rate shall not be higher than the non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. If a related party once encumbered the underlying property to a financial institution for a loan, the total value of the underlying property assessed by the financial institution for the loan shall be considered; however, the accumulated value of the loan actually released by the financial institution for the underlying property shall be 70% or more than 70% of the total appraised value and the term of the loan shall have been over one year. Nevertheless, it is not applicable to the circumstance where the financial institution and the transaction counterparty are related parties of each other.</li> </ol>	<ol style="list-style-type: none"> <li>3. According to Article 16 of the Regulations, Subparagraph 4 of Paragraph 3 of this Article is added.</li> </ol>

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<p>Those that merge, purchase or <u>lease</u> of a same underlining land and house shall assess the transaction cost in accordance with either of the methods listed in the preceding paragraphs for the land and house respectively.</p> <p>Where the Bank acquires real property <u>or its right-of-use</u> assets from a related party, it shall follow the requirements of the preceding two paragraphs to assess the cost of the real property <u>or its right-of-use assets</u> and engage a CPA to re-review the cost and provide their specific opinion.</p> <p>In case that any of the following circumstances occurs in the Bank's acquisition of real property <u>or its right-of-use assets</u> from a related party, the acquisition shall be processed in accordance with the <u>preceding</u> Article and the preceding three paragraphs are not applicable:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired the real property <u>or its right-of-use assets</u> through inheritance or bestowal.</li> <li>2. Where the period between the date that the related party signed the contract to acquire the real property <u>or its right-of-use assets</u> and the time that this transaction was signed is over five years apart.</li> <li>3. Where the real property was</li> </ol>	<p>Those that merge, purchase of a same underlining land and house shall assess the transaction cost in accordance with either of the methods listed in the preceding paragraphs for the land and house respectively.</p> <p>Where the Bank acquires real property from a related party, it shall follow the requirements of the <u>Paragraph 1 and Paragraph 2</u> to assess the cost of the real property, and engage a certified public accountant to re-review the cost and provide their specific opinion.</p> <p>In case that any of the following circumstances occurs in the Bank's acquisition of real property from a related party, the acquisition shall be processed in accordance with the <u>Article 15</u> and the preceding three paragraphs are not applicable:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired the real property through inheritance or bestowal.</li> <li>2. Where the period between the date that the related party signed the contract to acquire the real property and the time that this transaction was signed is over five years apart.</li> <li>3. Where the real property was</li> </ol>	

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<p>acquired by engaging a related party to construct the real property through a joint construction contract, the construction assigned by the land owner, or the construction assigned for the leased land.</p> <p>4. <u>Where the real property right-of-use assets for the business use are acquired by the Bank with any of its subsidiaries, or with the subsidiary where the Bank directly or indirectly holds 100% of the subsidiary's issued shares or total capital amount.</u></p>	<p>acquired by engaging a related party to construct the real property through a joint construction contract, the construction assigned by the land owner, or the construction assigned for the leased land.</p>	
<p><u>Article 18</u> Where the results of the assessment conducted by the Bank in accordance with Paragraph 1 and Paragraph 2 of the preceding Article all show a price lower than the transaction price, the matter shall be processed in accordance with <u>Article 19</u>. However, it shall be excluded if there is any of following circumstances and the objective evidence as well as concrete rational opinion from a real property professional appraiser and CPA has been submitted:</p> <p>1. The related party acquiring undeveloped land or leased land for construction shall provide the evidence to prove compliance with any of the following terms:</p>	<p><u>Article 17</u> Where the results of the assessment conducted by the Bank in accordance with Paragraph 1 and Paragraph 2 of the preceding Article all show a price lower than the transaction price, the matter shall be processed in accordance with <u>Article 18</u>. However, it shall be excluded if there is any of following circumstances and the objective evidence as well as concrete rational opinion from a real property professional appraiser and CPA has been submitted:</p> <p>1. The related party acquiring undeveloped land or leased land for construction shall provide the evidence to prove compliance with any of the following terms:</p>	<p>1. Change the number of the Article and adjust the citation of the article.</p> <p>2. According to Article 17 of the Regulations, the regulation for acquisition of real estate's right-of-use assets from related parties is relaxed, in which non-related party's lease transactions in the neighboring regions within the previous year can be used as the reference for calculating and estimating the rationality of a transaction price. In addition, Item 3 of Subparagraph 1 of Paragraph 1 of the existing Article is integrated into Item 2, and the use of lease cases as the transaction cases is also added.</p>

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<p>(1) The undeveloped land is assessed in accordance with the method set forth in the preceding Article and the total value of the house calculated by adding the rational construction profit to the related party's construction cost exceeds the actual transaction price. The rational construction profit shall refer to the lower of the average gross profit margin of the related party's construction division over the past three years or the construction industry's gross profit margin announced by the Ministry of Finance in the latest period.</p> <p>(2) Other <u>transactions</u> of non-related parties made for other floors of the same underlying real estate or in the neighboring regions within the previous year, in which the area size is close and the transaction terms are consistent in terms of the price differentiation assessed according to real property trading <u>or leasing</u> practices for the similar rational floor or region.</p>	<p>(1) The undeveloped land is assessed in accordance with the method set forth in the preceding Article and the total value of the house calculated by adding the rational construction profit to the related party's construction cost exceeds the actual transaction price. The rational construction profit shall refer to the lower of the average gross profit margin of the related party's construction division over the past three years or the construction industry's gross profit margin announced by the Ministry of Finance in the latest period.</p> <p>(2) <u>Successful</u> transactions of non-related parties made for other floors of the same underlying real estate or in the neighboring regions within the previous year, in which the area size is close and the transaction terms are consistent in terms of the rational price differentiation assessed according to real property trading practices for the similar floor or region.</p> <p>(3) <u>Lease transactions of non-related parties made for other floors of the same underlying real estate within the previous year, and the transaction terms are consistent according to</u></p>	<p>Therefore, Item 2 of Subparagraph 1, Subparagraph 2, and Paragraph 2 of this Article are amended accordingly.</p>

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<p>2. The Bank provides the evidence to prove that the transaction terms of its purchase of real property <u>or lease of the real property's right-of-use assets</u> from its related party are similar to the <u>transactions</u> of its non-related parties made in the neighboring regions with approximate area sizes within the previous year.</p> <p>The <u>transactions</u> made in the neighboring regions referred to in the preceding paragraph shall be based on the principle where the real property is located within 500 meters from the same street or neighboring streets of the underlying transaction property or the announced present value is close. The approximate area sizes referred to above shall be based on the principle where the area size of the transaction of a non-related party is not lower than 50% of the transaction underlying property's area. The "within the previous year" referred to above shall be the year preceding the date that the acquisition of the real property <u>or its right-of-use assets</u></p>	<p><u>the assessment made with real property lease practices and based on the rational price differentiation from the floors.</u></p> <p>2. The Bank provides the evidence to prove that transaction terms of its purchase of real property from its related party are similar to the <u>successful</u> transactions of its non-related parties made in the neighboring regions with approximate area sizes within the previous year.</p> <p>The <u>successful</u> transactions made in the neighboring regions as referred to in the preceding paragraph shall be based on the principle where the real property is located within 500 meters from the same street or neighboring streets of the underlying transaction property or the announced present value is close. The approximate area size referred to above shall be based on the principle where the area size of the <u>successful</u> transaction of a non-related party not being lower than 50% of the transaction underlying property's area. The "within the previous year" referred above shall be the year preceding the date that the acquisition of the real property actually occurs.</p>	

Post-amendment	Pre-amendment	Explanations
actually occurs.		
<p><u>Article 19</u></p> <p>Where the Bank acquires real property <u>or its right-of-use assets</u> from a related party and, compared with results of the assessment required by <u>the preceding two Articles</u>, the assessed price is lower than the transaction price is lower, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. For the difference between the transaction price of the real property <u>or its right-of-use assets</u> and the assessed cost, a special surplus reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and the reserve shall not be distributed or used as the stock dividend from capital increase. Where an investor adopting the equity method for their investment is a public company, it shall follow the pro-rata entitlement to set aside a special surplus reserve from the appropriated amount in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act.</li> <li>2. Independent directors of the audit committee shall comply with Article 218 of the Company Act.</li> <li>3. The handling status of the <u>preceding two</u></li> </ol>	<p><u>Article 18</u></p> <p>Where the Bank acquires real property from a related party and, compared with results of the assessment required by <u>the Article16 and Article 17</u>, the assessed price is lower than the transaction price is lower, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. For the difference between the transaction price of the real property and the assessed cost, a special surplus reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and the reserve shall not be distributed or used as the stock dividend from capital increase. Where an investor adopting the equity method for their investment is a public company, it shall follow the pro-rata entitlement to set aside a special surplus reserve from the appropriated amount in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act.</li> <li>2. Independent directors of the audit committee shall comply with Article 218 of the Company Act.</li> <li>3. The handling status of <u>Subparagraph 1 and</u></li> </ol>	<ol style="list-style-type: none"> <li>1. Change the number of the Article.</li> <li>2. According to Article 18 of the Regulations, this Article is amended to define the requirements under the circumstance where the evaluation cost of the real property ‘s right-of-use assets leased from related parties is lower than the transaction cost.</li> </ol>

Post-amendment	Pre-amendment	Explanations
<p>subparagraphs shall be reported to the board of shareholders and the transaction detailed content shall be disclosed in the annual report and prospectus.</p> <p>Where a special surplus reserve is set aside in accordance with the preceding paragraph, the Bank shall not use the special surplus reserve until the loss on market value for the assets purchased <u>or leased</u> with a high price has been recognized, the assets have been disposed of, <u>the lease has been terminated</u>, proper compensation has been made, the assets have been restituted, or there is evidence confirming no irrationality and the use of the reserve has been approved by the competent authority.</p> <p>In the case that the Bank acquires real property <u>or its right-of-use assets</u> from its related party, if there is any other evidence showing a non-arm's length transaction, the preceding two paragraphs shall be complied with.</p>	<p><u>Subparagraph 2</u> shall be reported to the board of shareholders and the transaction detailed content shall be disclosed in the annual report and prospectus.</p> <p>Where a special surplus reserve is set aside in accordance with the preceding paragraph, the Bank shall not use the special surplus reserve until the loss on the market value for the assets purchased with a high price has been recognized, the assets have been disposed of, proper compensation has been made, the assets have been restituted, or there is evidence confirming no irrationality and the use of the reserve has been approved by the competent authority.</p> <p>In the case that the Bank acquires real property from its related party, if there is any other evidence showing a non-arm's length transaction, the preceding two paragraphs shall be complied with.</p>	
<p><u>Article 20</u></p> <p>The Bank shall separately set up disposition procedures in accordance with the provisions set forth in this section for its trading of derivatives and incorporate the items below in the procedures:</p> <p>1. Trading principles and</p>	<p><u>Article 19</u></p> <p>The Bank shall separately set up disposition procedures in accordance with the provisions set forth in this section for its trading of derivatives and incorporate the items below in the procedures:</p> <p>1. Trading principles and</p>	<p>Change the number of the Article.</p>



Post-amendment	Pre-amendment	Explanations
<p>guidelines: They shall include the types of derivatives trading to be engaged in, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total contract amount for the derivatives allowed to be traded, and upper-limit amount of the loss on either total trading or individual contracts.</p> <p>2. Risk management measures.</p> <p>3. Internal audit system.</p> <p>4. Regular evaluation method and handling of irregular circumstances.</p>	<p>guidelines: They shall include the types of derivatives trading to be engaged in, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total contract amount for the derivatives allowed to be traded, and upper-limit amount of the loss on either total trading or individual contracts.</p> <p>2. Risk management measures.</p> <p>3. Internal audit system.</p> <p>4. Regular evaluation method and handling of irregular circumstances.</p>	
<p><u>Article 21</u></p> <p>The Bank shall adopt the risk management measures below when engaging in transactions of derivatives:</p> <p>1. The scope of risk management shall cover credit, market prices, liquidity, cash flows, operational and legal risks, etc.</p> <p>2. The personnel engaging in the trading of derivatives shall not concurrently serve as the confirmation and settlement personnel.</p> <p>3. Risk measurement, monitoring and control personnel and the preceding personnel shall not be in a same division, and they shall report to the board of directors or the high-rank management personnel not</p>	<p><u>Article 21</u></p> <p>The Bank shall adopt the risk management measures below when engaging in transactions of derivatives:</p> <p>1. The scope of risk management shall cover credit, market prices, liquidity, cash flows, operational and legal risks, etc.</p> <p>2. The personnel engaging in the trading of derivatives shall not concurrently serve as the confirmation and settlement personnel.</p> <p>3. Risk measurement, monitoring and control personnel and the preceding personnel shall not be in a same division, and they shall report to the board of directors or the high-rank management personnel not</p>	<p>1. Change the number of the Article.</p> <p>2. According to Article 20 of the Regulations, the text is slightly modified.</p>

Post-amendment	Pre-amendment	Explanations
<p>responsible for determination of transactions or positions.</p> <p>4. The position held for transactions of derivatives shall be evaluated at least once a week. However, hedge transactions required by business shall be evaluated at least twice a month. The evaluation report shall be sent to the high-rank management personnel authorized by the board of directors.</p> <p>5. Other important risk management measures.</p>	<p>responsible for determination of transactions or positions.</p> <p>4. The position held for transactions of derivatives shall be evaluated at least once a week. However, hedge transactions required by business shall be evaluated at least twice a month. The evaluation report shall be <u>submitted</u> to the high-rank management personnel authorized by the board of directors.</p> <p>5. Other important risk management measures.</p>	
<p><u>Article 22</u></p> <p>Where the Bank engages in trading of derivatives, its board of directors shall follow the principles below to literally supervise and manage the transactions:</p> <p>1. Designate high-rank management personnel to keep an eye out for supervising and controlling derivatives trading risk at any time.</p> <p>2. Periodically evaluate whether derivatives trading performance is consistent with established operating strategy, and whether the undertaking risk is within the Bank's tolerance limit.</p> <p>The high-rank management personnel authorized by the board of directors shall following the principles below to manage transactions of</p>	<p><u>Article 21</u></p> <p>Where the Bank engages in trading of derivatives, its board of directors shall follow the principles below to literally supervise and manage the transactions:</p> <p>1. Designate high-rank management personnel to keep an eye out for supervising and controlling derivatives trading risk at any time.</p> <p>2. Periodically evaluate whether derivatives trading performance is consistent with established operating strategy, and whether the undertaking risk is within the Bank's tolerance limit.</p> <p>The high-rank management personnel authorized by the board of directors shall following the principles below to manage transactions of</p>	<p>1. Change the number of the Article.</p> <p>2. According to Article 21 of the Regulations, the text is slightly modified.</p>

Post-amendment	Pre-amendment	Explanations
<p>derivatives:</p> <p>1. Periodically evaluate whether the risk management measures adopted currently are appropriate and literally follow this Disposition Procedures and the ones set up by the Bank to process the trading of derivatives.</p> <p>2. When any irregularity is found in the course of a transaction and gain/ loss supervision, required coping measures shall be taken and the board of directors shall be promptly reported, while independent director(s) shall be present at the board meeting and express their opinions.</p> <p>Where the Bank authorizes its personnel to handle derivatives trading in accordance with its disposition procedures for engaging in derivatives trading, the handling status shall be reported to the nearest next board meeting afterwards.</p>	<p>derivatives:</p> <p>1. Periodically evaluate whether the risk management measures adopted currently are appropriate and literally follow the Disposition Procedures and the disposition procedures <u>formulated</u> by the Bank to process its trading of derivatives.</p> <p>2. When any irregularity is found in the course of a transaction and gain/ loss supervision, required coping measures shall be taken and the board of directors shall be promptly reported, while independent director(s) shall be present at the board meeting and express their opinions.</p> <p>Where the Bank authorizes its personnel to handle derivatives trading in accordance with its disposition procedures for engaging in derivatives trading, the handling status shall be reported to the nearest next board meeting afterwards.</p>	
<p><u>Article 23</u></p> <p>For engaging in derivatives trading, the Bank shall establish its memorandum book, in which the details regarding types and amounts of its transactions of derivatives, board meeting bill adoption dates and the items to be prudently evaluated in accordance with Subparagraph</p>	<p><u>Article 22</u></p> <p>For engaging in derivatives trading, the Bank shall establish its memorandum book, in which the details regarding types and amounts of its transactions of derivatives, board meeting bill adoption dates and the items to be prudently evaluated in accordance with Subparagraph</p>	<p>Change the number of the Article and adjust the citation of the article.</p>

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<p>4 of <u>Article 21</u>, Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of the <u>preceding</u> Article shall be recorded in the memorandum book for future reference.</p> <p>The Bank's internal audit personnel shall periodically come to understand the adequacy of the internal control of derivatives trading, and the compliance with the disposition procedures for engaging in derivatives trading audited by the transaction audit division shall be included in the monthly audit items of the annual audit plan to come up with an audit report. In case of any material violation, the audit committee shall be notified in writing.</p>	<p>4 of <u>Article 20</u>, Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of the <u>Article 21</u> shall be recorded in the memorandum book for future reference.</p> <p>The Bank's internal audit personnel shall periodically come to understand the adequacy of the internal control of derivatives trading, and the compliance with the disposition procedures for engaging in derivatives trading audited by the transaction audit division shall be included in the monthly audit items of the annual audit plan to come up with an audit report. In case of any material violation, the audit committee shall be notified in writing.</p>	
<p><u>Article 24</u></p> <p>When processing merger, split, acquisition or transfer of shares, the Bank shall engage its CPA, attorney or securities underwriter to provide opinions on the rationality of the share swap ratio, acquisition price or distribution of cash or other property to shareholders prior to holding the board meeting for resolution. The opinions shall be submitted to the board of directors for discussion and adoption. Nevertheless, the opinions on rationality issued by the preceding experts can be exempted under the</p>	<p><u>Article 23</u></p> <p>When processing merger, split, acquisition or transfer of shares, the Bank shall engage its CPA, attorney or securities underwriter to provide opinions on the rationality of the share swap ratio, acquisition price or distribution of cash or other property to shareholders prior to holding the board meeting for resolution. The opinions shall be submitted to the board of directors for discussion and adoption. Nevertheless, the opinions on rationality issued by the preceding experts can be exempted under the</p>	<p>Change the number of the Article.</p>

Post-amendment	Pre-amendment	Explanations
<p>circumstance where the Bank merges its subsidiaries, of which it directly or indirectly holds 100% of their issued shares or total capital amount, or merges with its subsidiaries, of which it directly or indirectly holds 100% of their issued shares or total capital amount.</p>	<p>circumstance where the Bank merges its subsidiaries, of which it directly or indirectly holds 100% of their issued shares or total capital amount, or merges with its subsidiaries, of which it directly or indirectly holds 100% of their issued shares or total capital amount.</p>	
<p><u>Article 25</u></p> <p>In case of participation in merger, split or acquisition, the Bank shall incorporate the major contents of the merger, split or acquisition and relevant items into an open report to shareholders which shall be produced prior to the shareholders' meeting, and deliver the details together with the expert opinions referred to in the preceding Article and meeting notice for the upcoming shareholders' meeting to shareholders as the reference for whether they agree to the merger, split or acquisition case. However, it is not limited to the circumstance where the shareholders' meeting for resolution of merger, split or acquisition can be exempted as prescribed by other laws.</p> <p>Where the shareholders' meeting of any party of a company participating in merger, split or acquisition fails to be convened, the resolution in the shareholder's meeting is not able to be</p>	<p><u>Article 24</u></p> <p>In case of participation in merger, split or acquisition, the Bank shall incorporate the major contents of the merger, split or acquisition and relevant items into an open report to shareholders which shall be produced prior to the shareholders' meeting, and deliver the details together with the expert opinions referred to in the preceding Article and meeting notice for the upcoming shareholders' meeting to shareholders as the reference for whether they agree to the merger, split or acquisition case. However, it is not limited to the circumstance where the shareholders' meeting for resolution of merger, split or acquisition can be exempted as prescribed by other laws.</p> <p>Where the shareholders' meeting of any party of a company participating in merger, split or acquisition fails to be convened, the resolution in the shareholder's meeting is not able to be</p>	<p>Change the number of the Article.</p>

Post-amendment	Pre-amendment	Explanations
adopted or the proposal is vetoed by the shareholders' meeting due to deficiency in the number of attending shareholders or required votes or other legal restrictions, the company participating in merger, split or acquisition shall immediately externally explain the reason for what has happened, the follow-up handling operation and the date expected to hold the shareholders' meeting.	adopted or the proposal is vetoed by the shareholders' meeting due to deficiency in the number of attending shareholders or required votes or other legal restrictions, the company participating in merger, split or acquisition shall immediately externally explain the reason for what has happened, the follow-up handling operation and the date expected to hold the shareholders' meeting.	
<p><u>Article 26</u></p> <p>Unless otherwise stated by law or a special factor which is required to be reported to and approved by the competent authority in advance, the company participating in merger, split or acquisition shall also convene a board meeting and shareholders' meeting on the same day to resolve merger, split or acquisition related matters.</p> <p>Unless otherwise stated by law or a special factor which is required to be reported to and approved by the competent authority in advance, the company participating in the transfer of shares shall convene a board meeting on the same day.</p> <p>The Bank shall compile the following data into an intergraded written record, and retain the record for five years for future reference:</p> <p>1. Personnel's basic</p>	<p><u>Article 25</u></p> <p>Unless otherwise stated by law or a special factor which is required to be reported to and approved by the competent authority in advance, the company participating in merger, split or acquisition shall also convene a board meeting and shareholders' meeting on the same day to resolve merger, split or acquisition related matters.</p> <p>Unless otherwise stated by law or a special factor which is required to be reported to and approved by the competent authority in advance, the company participating in the transfer of shares shall convene a board meeting on the same day.</p> <p>The Bank shall compile the following data into an intergraded written record, and retain the record for five years for future reference:</p> <p>1. Personnel's basic</p>	<p>1. Change the number of the Article.</p> <p>2. According to Article 25 of the Regulations, the text is slightly modified.</p>

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p>information: Including the occupational title, name, ID certificate No. (or passport number in case of a foreign national) of all the persons participating in the plan of merger, split, acquisition or transfer of shares or executing the plan prior to the information being made public.</p> <p>2. Dates of important events: Including the dates signing the letters of intent and memorandums, appointing financial or legal consultants, signing contracts, holding board meetings, etc.</p> <p>3. Important documents and meeting minutes: Including the paper-form documents regarding the plans of merger, split, acquisition or transfer of shares, letters of intent or memorandums, important contracts, minutes of board meetings, etc.</p> <p>The TSEC or OTC-listed company participating in merger, split, acquisition or transfer of shares shall declare the data required by subparagraph 1 and subparagraph 2 of the preceding paragraph to the competent authority for future reference via the internet information system with the prescribed format within two days as of the date that the resolution is adopted by the</p>	<p>information: Including the occupational title, name, ID certificate No. (or passport number in case of a foreign national) of all the persons participating in the plan of merger, split, acquisition or transfer of shares or executing the plan prior to the information being made public.</p> <p>2. Dates of important events: Including the dates signing the letters of intent and memorandums, appointing financial or legal consultants, signing contracts, holding board meetings, etc.</p> <p>3. Important documents and meeting minutes: Including the paper-form documents regarding the plans of merger, split, acquisition or transfer of shares, letters of intent or memorandums, important contracts, minutes of board meetings, etc.</p> <p>The TSEC or OTC-listed company participating in merger, split, acquisition or transfer of shares shall declare the data required by subparagraph 1 and subparagraph 2 of the preceding paragraph to the competent authority for future reference via the internet information system with the prescribed format within two days as of the date that the resolution is adopted by the</p>	

Post-amendment	Pre-amendment	Explanations
<p>board of directors. Where the company participating in merger, split, acquisition or transfer of shares is neither a TSEC-listed nor an OTC-listed company, the Bank shall sign an agreement with the company by complying with the <u>preceding two paragraphs</u>.</p>	<p>board of directors. Where the company participating in merger, split, acquisition or transfer of shares is neither a TSEC-listed nor an OTC-listed company, the Bank shall sign an agreement with the company by complying with <u>Paragraph 3 and Paragraph 4</u>.</p>	
<p><u>Article 27</u> All the persons participating in or learning the company's plan for merger, split, acquisition or transfer of shares shall issue a written confidentiality commitment, with which they shall neither divulge the plan content to others nor trade the stock of the company related to the merger, split, acquisition or shares transfer case and other equity-type securities in their own names or under the names of other persons prior to public disclosure of the information.</p>	<p><u>Article 26</u> All the persons participating in or learning the company's plan for merger, split, acquisition or transfer of shares shall issue a written confidentiality commitment, with which they shall neither divulge the plan content to others nor trade the stock of the company related to the merger, split, acquisition or shares transfer case and other equity-type securities in their own names or under the names of other persons prior to public disclosure of the information.</p>	<p>Change the number of the Article.</p>
<p><u>Article 28</u> Where the Bank participates in merger, split, acquisition or transfer of share, the share swap ratio or acquisition price shall not discretionarily change except under the circumstances below in which the circumstances allowed for change shall be indicated in the contract of merger, split, acquisition or transfer of shares: 1. Seasoned equity offering, issuance of convertible</p>	<p><u>Article 27</u> Where the Bank participates in merger, split, acquisition or transfer of share, the share swap ratio or acquisition price shall not discretionarily change except under the circumstances below in which the circumstances allowed for change shall be indicated in the contract of merger, split, acquisition or transfer of shares: 1. Seasoned equity offering, issuance of convertible</p>	<p>Change the number of the Article.</p>



Post-amendment	Pre-amendment	Explanations
<p>corporate bonds, scrip issue, issuance of bonds with warrants, preferred shares with warrants, stock warrants or other equity-type securities.</p> <p>2. The conduct, such as disposal of the Bank's major assets which affects the Bank's financial businesses.</p> <p>3. Occurrence of grave disasters or important technology reform which affects the Bank's shareholders' equity and prices of securities.</p> <p>4. Repurchase of treasury stock by law for adjustment by any party of a company participating in merger, split, acquisition or transfer of shares.</p> <p>5. Increase or decrease in the number of entities or companies participating in merger, split, acquisition or transfer of shares.</p> <p>6. Other terms for allowing change have been set forth in the contract and it has been made public.</p>	<p>corporate bonds, scrip issue, issuance of bonds with warrants, preferred shares with warrants, stock warrants or other equity-type securities.</p> <p>2. The conduct, such as disposal of the Bank's major assets which affects the Bank's financial businesses.</p> <p>3. Occurrence of grave disasters or important technology reform which affects the Bank's shareholders' equity and prices of securities.</p> <p>4. Repurchase of treasury stock by law for adjustment by any party of a company participating in merger, split, acquisition or transfer of shares.</p> <p>5. Increase or decrease in the number of entities or companies participating in merger, split, acquisition or transfer of shares.</p> <p>6. Other terms for allowing change have been set forth in the contract and it has been made public.</p>	
<p><u>Article 29</u></p> <p>Where the Bank participates in merger, split, acquisition or transfer of shares, the contract shall record the rights and interests of its participation in merger, split, acquisition or transfer of shares and state the following matters:</p> <p>1. Default handling.</p> <p>2. The principle to handle the</p>	<p><u>Article 28</u></p> <p>Where the Bank participates in merger, split, acquisition or transfer of shares, the contract shall record the rights and interests of its participation in merger, split, acquisition or transfer of shares and state the following matters:</p> <p>1. Default handling.</p> <p>2. The principle to handle the</p>	<p>Change the number of the Article.</p>

Post-amendment	Pre-amendment	Explanations
<p>equity-type securities or treasury stock issued or repurchased by a company before it was extinguished or divided due to merger.</p> <p>3. The quantity of the treasury stock which can be repurchased by law by a participating company after the share swap ratio calculation base day and its handling principle.</p> <p>4. The method to handle increase or decrease in the number of participating entities or companies.</p> <p>5. Plan's execution schedule and expected completion days.</p> <p>6. The handling procedures regarding the date slated for a shareholders' meeting which shall be held by law when the plan is not finished after the due time.</p>	<p>equity-type securities or treasury stock issued or repurchased by a company before it was extinguished or divided due to merger.</p> <p>3. The quantity of the treasury stock which can be repurchased by law by a participating company after the share swap ratio calculation base day and its handling principle.</p> <p>4. The method to handle increase or decrease in the number of participating entities or companies.</p> <p>5. Plan's execution schedule and expected completion days.</p> <p>6. The handling procedures regarding the date slated for a shareholders' meeting which shall be held by law when the plan is not finished after the due time.</p>	
<p><u>Article 30</u></p> <p>Where any party of a company participating in merger, split, acquisition or transfer of shares plans to proceed with merger, split, acquisition or transfer of shares with another company after the information is externally disclosed, unless that the number of participating companies decreases, the resolution has been adopted by the shareholders' meeting for authorizing the board of directors to alter its authority, of which the participating</p>	<p><u>Article 29</u></p> <p>Where any party of a company participating in merger, split, acquisition or transfer of shares plans to proceed with merger, split, acquisition or transfer of shares with another company after the information is externally disclosed, unless that the number of participating companies decreases, the resolution has been adopted by the shareholders' meeting for authorizing the board of directors to alter its authority, of which the participating</p>	<p>Change the number of the Article.</p>

Post-amendment	Pre-amendment	Explanations
company can be exempted from holding a shareholders' meeting again to resolve on the matter, all of the participating companies shall reprocess the procedure or legal action which was completed for the case of original merger, split, acquisition or transfer of shares.	company can be exempted from holding a shareholders' meeting again to resolve on the matter, all of the participating companies shall reprocess the procedure or legal action which was completed for the case of original merger, split, acquisition or transfer of shares.	
<u>Article 31</u> Article 31 In the event that a company participating in merger, split, acquisition or transfer of shares is a non-publicly listed company, the Bank shall sign an agreement with it in accordance with <u>Article 26, Article 27 and the preceding Article.</u>	<u>Article 30</u> Article 31 In the event that a company participating in merger, split, acquisition or transfer of shares is a non-publicly listed company, the Bank shall sign an agreement with it in accordance with <u>Article 25, Article 26 and Article 29.</u>	1. Change the number of the Article. 2. According to Article 31 of the Regulations, the text is slightly modified.
<u>Article 32</u> In case of any of the following circumstances occurring to the Bank's asset acquisition or disposal, the Bank shall announce and declare the relevant information with stipulated format on the website specified by the competent authority according to the characteristics of the information within two days after the day that the fact occurs: 1. The Bank acquires real property or <u>its right-of-use assets</u> from a related parties or disposes of a related party's real property <u>or its right-of-use assets</u> , or it acquires other assets beyond	<u>Article 31</u> In case of any of the following circumstances occurring to the Bank's asset acquisition or disposal, the Bank shall announce and declare the relevant information with stipulated format on the website specified by the competent authority according to the characteristics of the information within two days after the day that the fact occurs: 1. The Bank acquires real property from a related party or disposes of a related party's real property, or it acquires other assets beyond the real property from a related party or disposes of a	1. Change the number of the Article. 2. According to Article 31 of the Regulations, Subparagraph 1 of Paragraph 1 of this Article is amended, in which the reason for the amendment is same as that of Article 16 3. In conjunction with IFRS No. 16, right-of-use assets are incorporated into this Article. 4. Item 2 of Subparagraph 6 of Paragraph 1 of this Article takes into account the fact that the act conducted by investment professionals to subscribe ordinary corporate bonds in a foreign primary market is considered as

Post-amendment	Pre-amendment	Explanations
<p>the real property <u>or its right-of-use assets</u> from a related party or disposes of a related party's aforesaid other assets, and the transaction amount is 20% of its paid-in capital or more, 10% of its total assets or more, or NT\$300 million or more. However, it is not limited to the trading of <u>domestic</u> government bonds or bonds under repurchase or reverse repurchase agreements and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Proceed with merger, split, acquisition or transfer of shares.</p> <p>3. The loss resulting from engaging in transactions of derivatives reaches the upper limit set forth in the disposition procedures for the loss of total or individual contracts.</p> <p>4. The acquired or disposed assets are the equipment <u>or its right-of-use assets</u> for the business use, the transaction counterparty is not a related party and the transaction amount is over NT\$100 million or more.</p> <p>5. The real property is acquired by the method of construction assigned by the land owner, construction assigned for the leased land,</p>	<p>related party's aforesaid other assets, and transaction amount is 20% of its paid-in capital or more, 10% of its total assets or more, or NT\$300 million or more. However, it is not limited to the trading of government bonds or bonds under repurchase or reverse repurchase agreements and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Proceed with merger, split, acquisition or transfer of shares.</p> <p>3. The loss resulting from engaging in transactions of derivatives reaches the upper limit set forth in the disposition procedures for the loss of total or individual contracts.</p> <p>4. The acquired or disposed assets are the equipment for the business use, the transaction counterparty is not a related party and the transaction amount is over NT\$100 million or more.</p> <p>5. The real property is acquired by the method of construction assigned by the land owner, construction assigned for the leased land,</p>	<p>regular behavior with simplicity of commodity characteristics. In addition, domestic securities investment trust enterprises and futures trust enterprises are supervised and managed by the Financial Supervisory Commission (FSC) and subscription or repurchase of the funds placed by them is also the regular act of investment professionals. Hence, in conjunction with the amendment to exemption of the requirement of announcement prior to trading of the preceding securities and by considering the higher risk of subordinated debentures, it is also specifically prescribed that the ordinary corporate bonds and the general financial debentures not involving equity are not included in subordinated debentures.</p>

Post-amendment	Pre-amendment	Explanations
<p>joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, <u>the transaction counterparty is not a related party</u> and the transaction amount expected to be put in by the Bank is NT\$500 million or more.</p> <p>6. Except for the asset transactions beyond those that are referred to in the preceding five subparagraphs, the transaction amount of the Bank's claim disposal or investment in the mainland China area reaches 20% of its paid-in capital or more, or NT\$300 million or more. However, it is not limited to the circumstances below:</p> <p>(1) Trading of <u>domestic</u> bonds.</p> <p>(2) Securities trading made by investment professionals in securities exchanges or securities firms' business outlets, subscription, offering and issuance of ordinary corporate bonds and general financial debentures without involving equity (<u>not including second junior subordinated debentures</u>) in the primary market, <u>subscription or repurchase of securities investment</u></p>	<p>joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, <u>the transaction counterparty is not a related party</u> and the transaction amount expected to be put in by the Bank is NT\$500 million or more.</p> <p>6. Except for the asset transactions beyond those that are referred to in the preceding five subparagraphs, the transaction amount of the Bank's claim disposal or investment in the mainland China area reaches 20% of its paid-in capital or more, or NT\$300 million or more. However, it is not limited to the circumstances below:</p> <p>(1) Trading of <u>government</u> bonds.</p> <p>(2) Securities trading made by investment professionals in <u>domestic or foreign</u> securities exchanges or securities firms' business outlets, subscription, offering, and issuance of ordinary corporate bonds and general financial debentures without involving equity in the <u>domestic</u> primary market, or securities subscription made in accordance with the rules of Taipei</p>	

Post-amendment	Pre-amendment	Explanations
<p><u>trust funds or futures trust funds</u>, or securities subscription made in accordance with the rules of the Taipei Exchange by a securities firm acting as an emerging-listed company's securities consulting advisor as required by its underwriting business need.</p> <p>(3) Trading of the bonds under the repurchase or reverse repurchase agreement, and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises</p> <p>The preceding transaction amount shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of each transaction.</li> <li>2. The accumulated amount of transactions with a same counterparty for acquisition or disposal of a same type of underling objects within one year.</li> <li>3. The accumulated amount of the real property <u>or its right-of-use assets</u> acquired or disposed of (accumulation of acquisition and disposal respectively) for a same development plan within one year.</li> <li>4. The accumulated amount of the same securities acquired or disposed of</li> </ol>	<p>Exchange by a securities firm acting as an emerging listed-company's securities consulting advisor as required by its underwriting business need.</p> <p>(3) Trading of the bonds under the repurchase or reverse repurchase agreement, and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises</p> <p>The preceding transaction amount shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of each transaction.</li> <li>2. The accumulated amount of transactions with a same counterparty for acquisition or disposal of a same type of underling objects within one year.</li> <li>3. The accumulated amount of the real property acquired or disposed of (accumulation of acquisition and disposal respectively) for a same development plan within one year.</li> <li>4. The accumulated amount of the same securities acquired or disposed of</li> </ol>	

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
<p>(accumulation of acquisition and disposal respectively) within one year.</p> <p>The “within one year” used in the previous paragraphs refers to the year preceding the date that the transaction actually occurs. The part which has already been announced in accordance with the Disposition Procedure can be exempted from being counted in again.</p> <p>The Bank shall monthly post the status of its transactions of derivatives made as of the end of the previous month according to the required format on the information declaration website designated by the competent authority before the 10<sup>th</sup> of each month.</p> <p>In the event that any error or omission occurs in the announcement of the items required to be announced as stipulated and correction is required to be made, the Bank shall announce and declare all the items again on the website within two days as of the day that the error or omission is learned.</p> <p>Where the Bank acquires or disposes of its assets, the documents regarding relevant contracts, minutes books, memorandum books, appraisal reports, opinion statements provided by CPAs, attorneys or securities underwriters, etc.</p>	<p>(accumulation of acquisition and disposal respectively) within one year.</p> <p>The “within one year” used in the previous paragraphs refers to the year preceding the date that the transaction actually occurs. The part which has already been announced in accordance with the Disposition Procedure can be exempted from being counted in again.</p> <p>The Bank shall monthly post the status of its transactions of derivatives made as of the end of the previous month according to the required format on the information declaration website designated by the competent authority before the 10<sup>th</sup> of each month.</p> <p>In the event that any error or omission occurs in the announcement of the items required to be announced as stipulated and correction is required to be made, the Bank shall announce and declare all the items again on the website within two days as of the day that the error or omission is learned.</p> <p>Where the Bank acquires or disposes of its assets, the documents regarding relevant contracts, minutes books, memorandum books, appraisal reports, opinion statements provided by CPAs, attorneys or securities underwriters, etc.</p>	

<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
shall be retained in the Bank for at least five years unless otherwise stated by law.	shall be retained in the Bank for at least five years unless otherwise stated by law.	
<u>Article 33</u> In case that any of the following circumstances occurs after the Bank announces and declares its transactions according to the preceding Article, the Bank shall announce and declare the relevant information on the website designated by the competent authority within two days as of the day that the fact occurs: <ol style="list-style-type: none"> <li>1. Any change, termination or discharge of the contracts related to the original transaction.</li> <li>2. Merger, split, acquisition or transfer of shares fails to be completed within the contract scheduled date.</li> <li>3. Any change in the originally announced and declared content.</li> </ol>	<u>Article 32</u> In case that any of the following circumstances occurs after the Bank announces and declares its transactions according to the preceding Article, the Bank shall announce and declare the relevant information on the website designated by the competent authority within two days as of the day that the fact occurs: <ol style="list-style-type: none"> <li>1. Any change, termination or discharge of the contracts related to the original transaction.</li> <li>2. Merger, split, acquisition or transfer of shares fails to be completed within the contract scheduled date.</li> <li>3. Any change in the originally announced and declared content.</li> </ol>	Change the number of the Article.
<u>Article 34</u> The 10% of total assets set forth in the Disposition Procedures shall be calculated according to the total asset amount indicated in the latest entity or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.	<u>Article 33</u> The 10% of total assets set forth in the Disposition Procedures shall be calculated according to the total asset amount indicated in the latest entity or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.	Change the number of the Article.
<u>Article 35</u> In the case that the personnel in charge of asset acquisition or disposal fail to follow the	<u>Article 34</u> In the case that the personnel in charge of asset acquisition or disposal fail to follow the	Change the number of the Article.



<b>Post-amendment</b>	<b>Pre-amendment</b>	<b>Explanations</b>
Disposition Procedures, the Bank shall send them to its personnel appraisal committee for discussion of the punishment to them according to the degree of their violation.	Disposition Procedures, the Bank shall send them to its personnel appraisal committee for discussion of the punishment to them according to the degree of their violation.	
<u>Article 36</u> The Disposition Procedures shall first be reviewed by the audit committee, followed by being put forth to the board of directors for adoption. After being adopted by the board of directors, it shall be proposed to the shareholders' meeting for adoption. After being adopted by the shareholders' meeting, it can then be enacted and enforced accordingly. The same also applies in case of any revision.	<u>Article 35</u> The Disposition Procedures shall first be reviewed by the audit committee, followed by being put forth to the board of directors for adoption. After being adopted by the board of directors, it shall be proposed to the shareholders' meeting for adoption. After being adopted by the shareholders' meeting, it can then be enacted and enforced accordingly. The same also applies in case of any revision.	Change the number of the Article.

## **Questions and Motions**

## **II. Appendices**

### **Appendix 1: Rules of Procedure for Shareholders Meetings**

#### **Chang Hwa Commercial Bank, Ltd.**

Established on September 19<sup>th</sup> 1972 by AGM

Revised on September 27<sup>th</sup> 1986 by AGM

Revised on October 17<sup>th</sup> 1998 by AGM

Revised on May 18<sup>th</sup> 2001 by AGM

Revised on June 22<sup>th</sup> 2012 by AGM

Revised on June 12<sup>th</sup> 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 organised 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 9,789,520,746 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 156,632,331 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. 16, 2019

Title	Name	Shares held as of the day suspending the stock transfer before this time of shareholders' meeting	
		Shareholding (shares)	Shareholding Ratio(%)
Chairman	Joanne Ling (Delegate of Ministry of Finance)	1,193,634,843	12.19
Managing Director	Cheng-Ching Wu (Delegate of Taishin Financial Holding Co., Ltd)	2,207,163,683	22.55
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0
Director	Chia-Chi Hsiao (Delegate of Ministry of Finance)	(1,193,634,843)	(12.19)
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	269,171,684	2.75
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	96,535,136	0.99
Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd)	(2,207,163,683)	(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		3,766,505,346	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 26, 2019**

**To: Shareholders of Chang Hwa Commercial Bank, Ltd.**

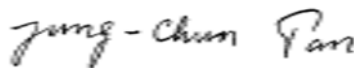
The Board of Directors has prepared the 2018 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements (including consolidated basis) have been certified 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, 2018 and the operation results and cash flows in 2018 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.

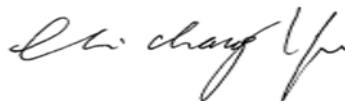
Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang



**Chang Hwa Commercial Bank, Ltd.**  
**Audit Report of Audit Committee**  
**April 26, 2019**

**To: Shareholders of Chang Hwa Commercial Bank, Ltd.**

The Board of Directors has prepared the 2018 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.

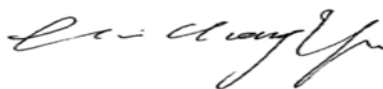
Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



## **2018 Business Report of Chang Hwa Commercial Bank, Ltd.**

Although the global economy continued to expand in 2018, the growth momentum in major economies such as United States, Eurozone, Japan and China has gradually slowed down due to aggravating global debt risk, trade protectionism, emerging market currency crisis and geopolitical risks. In domestic economy, benefited by stable growth of domestic employment, the positive wage adjustment in corporations and increase in basic wages, it was still able to maintain the growth momentum of domestic demand; as for foreign trade, affected by the factors such as cooling of overseas machinery investment demand and being conservative in traditional industry orders, foreign net requirements has been dragging down the economic growth. As the global economy slowed down and trade tension heated up, the overall economy has shown signs of weakening since the second half of the year.

The Bank managed to deliver exceptional results in 2018, owing to the contribution of all employees, with cumulative pre-tax earnings amounting to TWD 14.71 billion, making 2018 the 9th consecutive year in which the Bank has earned more than TWD 10 billion, increasing year by year. In terms of asset quality, the Bank managed to maintain its non-performing loan ratio at 0.32% and loan loss coverage ratio at 378.07%. The Bank has been selected as part of the TWSE Corporate Governance 100 Index by Taiwan Stock Exchange for the past three years which represented the recognition to the Bank's sound management practices in a number of aspects including corporate governance, finance, business growth, and solid operation. We would like to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.

### **A. 2018 Results of Operations**

#### **a. Organization Changes**

“Legal Affairs and Compliance Division” was restructured as “Compliance Division”; “E-Business Division” was restructured as “Digital Banking Division”; “Information Security Center” was established; six Commercial Regional Centers were consolidated into four.

#### **b. Accomplishments**

##### **1. Deposit:**

Launched financial blockchain confirmations inquiry service; optimized digital deposit products to provide diversified digital financial services for customers.

##### **2. Lending:**

Launched project loans for Taiwanese entrepreneurs who returned to Taiwan to purchase and build factory plants, and reconstruction loans of unsafe and old housing. Positively activated the syndicated loan cases; a total of 87 syndicated loan cases were completed by domestic business units in 2018.

3. Foreign Exchange:

Launched digital foreign currency deposit business and promoted international accounts receivable linked to credit insurance business.

4. Wealth Management:

(1) Eight investment seminars of distinctive themes were organized in 2018 to raise customers' satisfaction towards the Bank. (2) Set up the high asset team to assist high-end customers in family wealth succession and asset allocation planning.

5. Trust:

In 2018, the Bank added 94 new domestic funds, 64 new offshore funds, 16 foreign bonds and 15 overseas ETF to the product portfolio. As of the end of 2018, the Bank had a total of 910 domestic funds, 1,216 offshore funds, 63 foreign bonds and 74 overseas ETF, distributed to the market, giving investors a broad range of selections.

6. Credit Card:

Launched Google Pay mobile credit card service and added QR code payment service.

7. E-banking:

Actively promoted Taiwan Pay service; added new mobile App for enterprises and ChatBot customer service, used biometrics to provide the Bank's digital wallet service on its mobile App and created the Bank's LINE official account.

8. New Overseas Branches:

Opened Mainland China subsidiary on December 11, 2018 and Manila branch in the Philippines on July 9, 2018; prepared for establishment of a Houston branch in Texas, the United States.

**c. Budget Execution**

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,679,003,402 thousand or 98.70% of the original budget target.
2. The total loans volume was NT\$1,373,828,076 thousand or 97.61% of the original budget target.
3. The total investment business (securities) volume was NT\$355,412,697 thousand or 100.71% of the original budget target.
4. The foreign exchange transactions totaled US\$139,533,282 thousand amounting to 101.41% of the original budget target.

5. The securities brokerage transactions totaled NT\$99,180,816 thousand or 109.11% of the original budget target.
6. Trust fund subscription business totaled 36,274,998 thousand or 74.24% of the original budget target.
7. The assets under custody totaled NT\$146,108,922 thousand or 99.42% of the original budget target.
8. The insurance agency transactions totaled NT\$27,886,778 thousand or 121.25% of the original budget target.
9. The total card transaction volume (retail spend) reached NT\$17,129,456 thousand representing 100.76% of the original target.

**d. Financial Highlights(Consolidated basis)**

1. Net interest income: NT\$23,189,644 thousand.
2. Net income other than net interest income: NT\$9,918,545 thousand.
3. Net revenue and gains: NT\$33,108,189 thousand.
4. Provisions for bad debts expenses, commitment and guarantee liability: NT\$2,203,252 thousand.
5. Total operating expenses: NT\$16,194,853 thousand.
6. Income before income tax: NT\$14,710,084 thousand.
7. Income tax expenses: NT\$2,063,549 thousand.
8. Net income after income tax: NT\$12,646,535 thousand.
9. Other comprehensive income (loss), net of tax: NT\$109,534 thousand.
10. Total comprehensive income: NT\$12,756,069 thousand.
11. After tax EPS: NT\$1.29.
12. Return on Assets (ROA): 0.61%.
13. Return on Equity (ROE): 8.39%.

**e. Research and Development**

1. Active development of digital finance service with patent registration:

In 2018, the Bank has taken pro-active steps to develop Fin-Tech: (1) In terms of patented proprietary, applications of 24 utility model patents and 5 invention patents were filed, of which 20 utility model patents have been approved. (2) In respect to customer services, the Bank provided digital service application functions on ATM, launching ChatBot customer service, and reward points program by Boa-Coin. (3) In respect of digital finance, the Bank built a brand new mobile App for enterprises, used biometrics to

provide its digital wallet service and added Google Pay mobile credit card service. (4)As for blockchain applications, the Bank had established a confirmation system, which was officially launched afterwards.

2. Business research with the idea of innovation:

In order to encourage the innovation and development of the Bank's business, the Bank identified subjects on the current business operations and financial related issues, studied by all employees. In 2018, a total of 22 business research reports were completed as reference for units' business operation.

**B. 2019 Highlights of Business Plans**

**a. Business Directions and Operational Policies**

1. Deposits:

Through digitalization and technology applications, continue to develop cloud financial products, and promote various types of payment platform services to strengthen customer willingness in business.

2. Lending:

Following government policy, deepen the cultivation of small and medium enterprises loan, develop high-quality industries, foster innovative key industries, creative industries and green industries to assist their developments and fulfill social responsibilities.

3. Investment:

Make use of the product line, weigh the risks and rewards for financial operations, coordinate the investment portfolio in a timely manner, and effectively manage and allocate funds of the Bank.

4. Foreign Exchange:

Provide diversified foreign exchange financial products, implement cross-marketing and increase market share.

5. Securities Brokerage:

Explore opportunities in the securities market by increasing market share of the Bank's online securities trading service. Strive for high quality customer underwriting opportunities.

6. Wealth Management:

Wealth management with more comprehensive financial products through integration; implement the well customer-oriented business model for serving customers via the high asset team.

7. Trust:



Build a stock system to offer customers to purchase foreign stocks and ETFs; provide customers with trust services including senior nursing trust and disability trust.

8. Insurance Agency Business:

Introduce diversified insurance products to different target groups.

9. Cards:

Raise the card issued volume and collaborate with acquiring authorized stores of distinction. Promote mobile payment products.

10. E-commerce/Online Banking:

Utilize AI (Artificial Intelligence) to know about customer needs through data analysis so as to strengthen digital service innovation. Run the social media platform to deepen customer relationships.

**b. Business Operational Targets**

1. Deposit Volume: NT\$1,737,420,500 thousand.

2. Loans Volume: NT\$1,423,376,620 thousand.

3. Investment Business (Securities):

NT\$378,949,001 thousand.

4. Foreign Exchange Transactions:

US\$144,502,513 thousand.

5. Securities Brokerage Transactions: NT\$101,000,000 thousand.

6. Trust Fund Application Transactions: NT\$40,924,739 thousand.

7. Assets under Custody:

NT\$146,500,000 thousand.

8. Insurance Agency Transactions:

NT\$28,654,867 thousand.

9. Credit Card (Transaction Amount): NT\$18,002,621 thousand.

**C. Future Development Strategy**

a. Deepen customer service

Following government policy, develop five-plus-two innovative industries, green finance and long-term care industry chain products. Continue to support small and medium enterprises, and provide active capital channels. Make use of financial technology to improve customer experience and enhance digital financial competitiveness.

b. Sound financial allocation

On the basis of national economic development policies and industrial strategies, enhance relevant investment to pursue long-term remuneration, and dynamically adjust bond

investment positions according to economic situation to create interest income with balance of liquidity and stability as well as follow-up capital gains.

**c. Expand Overseas Operation Scale**

Expand overseas operational locations in line with diversified layout. Enter local financial markets rapidly through setting up offices, local branches and subsidiaries. Newly establish a Houston branch in Texas, the United States, planned to act as the regional integrated risk management and syndicated loan coordination centers in the United States.

**d. Strengthen the Foundation of Sustainable Development**

Strengthen internal control, risk management and information security protection mechanism ; develop digital finance and international finance talent and improve the quality of employees' core training to accumulate human capital ; advance corporate governance, fulfill social responsibility, and enhance brand value.

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

**a. External Competitive Environment**

1. Financial Supervisory Commission (FSC) announced the allowance of applying internet-only banks license, and the team that intended to compete for qualification was composed of e-commerce, social community platform or telecommunications company combined with financial industry, with non-traditional business model and establishment of a new-type financial ecosystem, making already approaching saturated domestic financial market more competitive.
2. The European Union revised the Payment Service Directive2 (PSD2) in 2016, stipulating that the European banking industry, with the consent of the client, have had to disclosure the transaction data to specific participants from payment markets (Open Banking) since January 13, 2018. Countries such as Australia, Singapore, and the United Kingdom, are also planning to launch financial data sharing plans. In the future, the third-party service providers will be able to directly participate in financial services. Banks will face the risk of losing some of their existing customers under the trend of promoting "customer data portability" mechanism.

**b. Regulatory Environment**

1. On March 31, 2018, FSC amended the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," emphasizing the dedicated responsibility of the compliance office, clearly stated that the bank with total assets reaching or above a certain scale should establish a bank-

wide risk-based management and supervision framework for legal compliance and set up the whistleblower system.

2. “Money Laundering Control Act” was amended and promulgated on November 7, 2018. In accordance with Article 6 of the said Act, FSC enacted “Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission” on November 9, 2018 to require financial institutions to set up internal audit and internal control system of anti-money laundering and countering terrorism financing on the basis of risks of money laundering and financing terrorism and the scale of business.
3. In response to the mutual evaluation by the Asia/Pacific Group on Money Laundering (APG) and being fully compatible with the FATF 40 Recommendations, FSC revised “Regulations Governing Anti-Money Laundering of Financial Institutions” and “Regulations Governing Reporting on the Properties or Property Interests and Locations of Designated Sanctioned Individuals or Entities by Financial Institutions,” including provisions in undertaking customer due diligence measures, as well as relating to the method of identifying PEPs and the filing schedule for suspicious activity of money laundering or financing terrorism transactions.

#### **c. Macroeconomic Environment**

An outlook for the world’s economy in 2019, due to the rising global trade protectionism and debt risks, the comprehensive leading indicators from OECD shows that all major economies are facing the risk of slowing economic growth, while emerging market countries face not only pressure of currency depreciation but economic problems such as huge amount of dollar debt repayment and deterioration of imported inflation. Economic outlook still confronts many uncertainties in the future.

In view of the global economy, many challenges will arise this year. The Bank will be continuing to monitor the market trend and respond with caution, deeply engage in four main operation directions of “Focus on legal compliance and information security at first with continuous internal control reinforcement,” “Intensive corporate governance enhances brand value,” “Solid capital preparation as well as asset quality optimization” and “Accumulation of human capital and fulfillment of social responsibility” while maintaining a sound business philosophy, and become one of the best trusted banks with providing customers more innovative and diversified financial services.

**E. Latest Credit Ratings**

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2018/12	-	-	twAA	twA-1+	Positive
S&P	2018/12	BBB+	A-2	-	-	Positive
Moody's	2019/2	A2	P-1	-	-	Stable

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements of the Group for the year ended December 31, 2018.

#### Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2018, the Bank's total amount of loans was \$1,320,077,226 thousand, accounting for 63% of the Group's total assets. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information. In addition, evaluating the impairment of loans depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter.

When assessing the appropriateness of the impairment of loans, we understood and tested the internal controls for lending operations and determined the provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a counterparty 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 tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor, credit risk level and collateral and evaluated the rationality of the input value used by the Bank. Finally, we checked the Group's compliance with regulations on assessment of impairment.

#### **Other Matter**

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 IFRS, IAS, IFRIC, and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements for the year ended December 31, 2018 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 26, 2019

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

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



# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 51,073,179	2	\$ 74,835,132	4
Due from the Central Bank and call loans to banks	197,942,600	10	165,015,057	8
Financial assets at fair value through profit or loss	10,917,490	1	13,552,513	1
Financial assets at fair value through other comprehensive income	91,938,199	4	-	-
Financial assets for hedging	244,763	-	-	-
Derivative financial assets for hedging	-	-	243,372	-
Investments in debt instruments at amortized cost	268,059,805	13	-	-
Receivables, net	29,933,985	1	24,670,023	1
Current tax assets	289,771	-	135,714	-
Discounts and loans, net	1,336,701,095	64	1,377,040,660	68
Available-for-sale financial assets, net	-	-	73,175,886	3
Held-to-maturity financial assets, net	-	-	237,412,046	12
OTHER FINANCIAL ASSETS, NET				
Financial assets at cost	-	-	4,167,009	-
Investments in debt instruments without active market	-	-	64,609	-
Other miscellaneous financial assets	<u>55,045,230</u>	<u>3</u>	<u>27,015,755</u>	<u>1</u>
Other financial assets, net	<u>55,045,230</u>	<u>3</u>	<u>31,247,373</u>	<u>1</u>
Property and equipment, net	21,071,298	1	20,639,732	1
Investment property, net	13,742,376	1	13,747,787	1
Intangible assets, net	731,364	-	436,176	-
Deferred tax assets	3,120,664	-	3,175,050	-
Other assets, net	<u>999,851</u>	<u>-</u>	<u>931,879</u>	<u>-</u>
TOTAL	<u>\$ 2,081,811,670</u>	<u>100</u>	<u>\$ 2,036,258,400</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks	\$ 113,038,541	6	\$ 108,151,867	5
Financial liabilities at fair value through profit or loss	11,047,488	1	12,309,330	1
Securities sold under repurchase agreements	5,285,890	-	3,118,536	-
Payables	36,677,779	2	34,849,855	2
Current tax liabilities	241,285	-	954,609	-
Deposits and remittances	1,689,581,112	81	1,672,079,784	82
Bank notes payable	49,549,055	2	41,739,657	2
Other financial liabilities	4,387,078	-	3,662,600	-
Reserve for liabilities	5,296,332	-	4,758,835	-
Deferred income tax liabilities	7,352,277	-	7,019,970	1
Other liabilities	<u>2,793,202</u>	<u>-</u>	<u>2,665,793</u>	<u>-</u>
Total liabilities	<u>1,925,250,039</u>	<u>92</u>	<u>1,891,310,836</u>	<u>93</u>
EQUITY				
Capital stock				
Common stock	97,895,207	5	94,130,007	5
Retained earnings				
Legal reserve	31,038,668	1	27,410,736	1
Special reserve	12,141,416	1	12,080,950	1
Unappropriated earnings	12,091,349	1	11,779,842	-
Other equity	<u>3,394,991</u>	<u>-</u>	<u>(453,971)</u>	<u>-</u>
Total equity	<u>156,561,631</u>	<u>8</u>	<u>144,947,564</u>	<u>7</u>
TOTAL	<u>\$ 2,081,811,670</u>	<u>100</u>	<u>\$ 2,036,258,400</u>	<u>100</u>

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME	\$ 38,422,200	116	\$ 34,602,915	113	11
INTEREST EXPENSE	<u>(15,232,556)</u>	<u>(46)</u>	<u>(11,946,045)</u>	<u>(39)</u>	28
NET INCOME OF INTEREST	<u>23,189,644</u>	<u>70</u>	<u>22,656,870</u>	<u>74</u>	2
NET NON-INTEREST INCOME (LOSS)					
Net service fee income	4,867,954	15	4,798,618	15	1
Gain on financial assets or liabilities measured at fair value through profit or loss	2,711,956	8	2,342,942	7	16
Realized gain on available-for-sale financial assets	-	-	564,466	2	(100)
Realized gain on financial assets at fair value through other comprehensive income	781,888	2	-	-	-
Loss arising from derecognition of financial assets at amortized cost	(101,029)	-	-	-	-
Foreign exchange gain (loss)	1,181,591	4	(76,604)	-	-
Net other non-interest income	<u>476,185</u>	<u>1</u>	<u>510,427</u>	<u>2</u>	(7)
Net non-interest income	<u>9,918,545</u>	<u>30</u>	<u>8,139,849</u>	<u>26</u>	22
NET REVENUE AND GAINS	<u>33,108,189</u>	<u>100</u>	<u>30,796,719</u>	<u>100</u>	8
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(2,203,252)</u>	<u>(7)</u>	<u>(791,185)</u>	<u>(3)</u>	178 (Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2018</b>		<b>2017</b>		<b>Percentage Increase (Decrease)</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
OPERATING EXPENSES					
Employee benefits expenses	\$ (10,796,961)	(33)	\$ (10,607,874)	(34)	2
Depreciation and amortization expenses	(716,163)	(2)	(718,826)	(2)	-
Other general and administrative expenses	<u>(4,681,729)</u>	<u>(14)</u>	<u>(4,494,615)</u>	<u>(15)</u>	4
Total operating expenses	<u>(16,194,853)</u>	<u>(49)</u>	<u>(15,821,315)</u>	<u>(51)</u>	2
INCOME BEFORE INCOME TAX	14,710,084	44	14,184,219	46	4
INCOME TAX EXPENSE	<u>(2,063,549)</u>	<u>(6)</u>	<u>(2,091,113)</u>	<u>(7)</u>	(1)
NET INCOME	<u>12,646,535</u>	<u>38</u>	<u>12,093,106</u>	<u>39</u>	5
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans	(317,259)	(1)	(421,325)	(1)	(25)
Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	(237,132)	-	-	-	-
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	900	-	(82)	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	63,452	-	71,625	-	(11)

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation	\$ 657,497	2	\$ (1,383,702)	(4)	-
Unrealized gains on valuation of available-for-sale financial assets	-	-	701,409	2	(100)
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(46,579)	-	-	-	-
Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(26,306)	-	-	-	-
Income tax related to items that will be reclassified to profit or loss	<u>14,961</u>	<u>-</u>	<u>128,210</u>	<u>-</u>	(88)
Other comprehensive income (loss), net of income tax	<u>109,534</u>	<u>1</u>	<u>(903,865)</u>	<u>(3)</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,756,069</u>	<u>39</u>	<u>\$ 11,189,241</u>	<u>36</u>	14
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 12,646,535</u>	<u>38</u>	<u>\$ 12,093,106</u>	<u>39</u>	5
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 12,756,069</u>	<u>39</u>	<u>\$ 11,189,241</u>	<u>36</u>	14
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
EARNINGS PER SHARE					
Basic	<u>\$ 1.29</u>		<u>\$ 1.24</u>		
Diluted	<u>\$ 1.28</u>		<u>\$ 1.23</u>		

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank									
						Other Equity				Total Equity
						Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	
	Capital Stock		Retained Earnings							
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2017	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 appropriated	-	-	3,625,791	-	(3,625,791)	-	-	-	-	-
Special reserve appropriated	-	-	-	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
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412
Appropriation of 2017 earnings										
Legal reserve appropriated	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-
Special reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)
Stock dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE, DECEMBER 31, 2018	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ -	\$ 4,008,966	\$ 818	\$ 156,561,631

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 14,710,084	\$ 14,184,219
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,203,252	-
Provision for bad debt expenses and guarantee liabilities	-	791,185
Depreciation expense	514,203	539,021
Amortization expense	201,960	179,805
Interest income	(38,422,200)	(34,602,915)
Dividend income	(464,340)	(366,054)
Interest expense	15,232,556	11,946,045
Net gain on financial assets or liabilities at fair value through profit or loss	(3,505,054)	(818,409)
Gain on disposal of investments	(324,537)	(434,481)
Unrealized foreign exchange losses (gains)	793,098	(1,524,533)
Other adjustments	(2,625)	(57,237)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(2,341,880)	5,014,917
Decrease in financial assets at fair value through profit or loss	1,206,800	18,374,678
Increase in receivables	(3,949,093)	(4,320,831)
Decrease (increase) in discounts and loans	38,661,627	(10,101,128)
Increase in financial assets at fair value through other comprehensive income	(15,912,118)	-
Decrease in available-for-sale financial assets	-	6,473,481
Increase in investments in debt instruments at amortized cost	(21,311,578)	-
Increase in held-to-maturity financial assets	-	(32,547,505)
Increase in other financial assets	(28,029,476)	(8,568,278)
Increase in other assets	(35,330)	(399,581)
Decrease in deposits from the Central Bank and banks	(430,887)	(39,852)
Increase in deposits and remittances	17,501,328	47,649,967
Increase in payables	1,211,122	621,026
Decrease in financial liabilities at fair value through profit or loss	(2,133,537)	(928,116)
Decrease in reserve for liabilities	(233,675)	(153,811)
Increase in other financial liabilities	724,478	943,636
Increase (decrease) in other liabilities	234,690	(614,310)
Cash flows (used in) generated from operations	(23,901,132)	11,240,939
Interest received	37,023,809	32,988,589
Dividends received	464,340	366,054
Interest paid	(14,648,505)	(11,553,981)
Income taxes paid	(2,394,598)	(1,867,200)
Income tax refunded	-	31,183
Net cash flows (used in) generated from operating activities	<u>(3,456,086)</u>	<u>31,205,584</u>
		(Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	\$ (1,079,159)	\$ (430,775)
Acquisition of investment property	(1,281)	(390)
Proceeds from disposal of property and equipment	1,061	4,287
Acquisition of intangible assets	<u>(347,387)</u>	<u>(181,941)</u>
Net cash flows used in investing activities	<u>(1,426,766)</u>	<u>(608,819)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to the Central Bank and banks	5,317,561	(30,970,863)
Proceeds from issuing bank notes	10,000,000	10,200,000
Repayments of bank notes	(2,200,000)	-
Cash dividends paid	(4,235,850)	(3,765,202)
Increase in securities sold under repurchase agreement	<u>2,167,354</u>	<u>163,555</u>
Net cash flows generated from (used in) financing activities	<u>11,049,065</u>	<u>(24,372,510)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>657,497</u>	<u>(1,383,702)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,823,710	4,840,553
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>172,818,258</u>	<u>167,977,705</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 179,641,968</u>	<u>\$ 172,818,258</u>
	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents in balance sheet	\$ 51,073,179	\$ 74,835,132
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>128,568,789</u>	<u>97,983,126</u>
Cash and cash equivalents at end of period	<u>\$ 179,641,968</u>	<u>\$ 172,818,258</u>

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
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, 2018 and 2017, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms.

### **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, 2018. 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, 2018.



### Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2018, the Bank's total amount of loans was \$1,320,077,226 thousand, accounting for 64% of the Bank's total assets. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter.

When assessing the appropriateness of the impairment of loans, we understood and tested the internal controls for lending operations and determined the provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a counterparty 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 tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor, credit risk level and collateral and evaluated the rationality of the input value used by the Bank. Finally, we checked the Bank's compliance with regulations on assessment of impairment.

### **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 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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, 2018 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 26, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 50,278,750	2	\$ 74,835,132	4
Due from the Central Bank and call loans to banks	196,829,214	10	165,015,057	8
Financial assets at fair value through profit or loss	10,917,490	1	13,552,513	1
Financial assets at fair value through other comprehensive income	90,390,520	4	-	-
Financial assets for hedging	244,763	-	-	-
Derivative financial assets for hedging	-	-	243,372	-
Investments in debt instruments at amortized cost	268,059,805	13	-	-
Receivables, net	28,984,785	1	24,670,023	1
Current tax assets	289,771	-	135,714	-
Discounts and loans, net	1,320,077,226	64	1,377,040,660	68
Available-for-sale financial assets, net	-	-	73,175,886	3
Held-to-maturity financial assets, net	-	-	237,412,046	12
Investments accounted for using the equity method, net	12,536,866	1	-	-
OTHER FINANCIAL ASSETS, NET				
Financial assets at cost	-	-	4,167,009	-
Investments in debt instruments without active market	-	-	64,609	-
Other miscellaneous financial assets	<u>51,821,709</u>	<u>2</u>	<u>27,015,755</u>	<u>1</u>
Other financial assets, net	<u>51,821,709</u>	<u>2</u>	<u>31,247,373</u>	<u>1</u>
Property and equipment, net	20,200,024	1	20,639,732	1
Investment property, net	13,742,376	1	13,747,787	1
Intangible assets, net	714,842	-	436,176	-
Deferred tax assets	3,001,405	-	3,175,050	-
Other assets, net	<u>990,474</u>	<u>-</u>	<u>931,879</u>	<u>-</u>
TOTAL	<u>\$ 2,069,080,020</u>	<u>100</u>	<u>\$ 2,036,258,400</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks	\$ 110,858,179	5	\$ 108,151,867	5
Financial liabilities at fair value through profit or loss	11,047,488	1	12,309,330	1
Securities sold under repurchase agreements	5,285,890	-	3,118,536	-
Payables	35,699,603	2	34,849,855	2
Current tax liabilities	218,866	-	954,609	-
Deposits and remittances	1,680,087,976	81	1,672,079,784	82
Bank notes payable	49,549,055	3	41,739,657	2
Other financial liabilities	4,387,078	-	3,662,600	-
Reserve for liabilities	5,272,477	-	4,758,835	-
Deferred income tax liabilities	7,350,045	-	7,019,970	1
Other liabilities	<u>2,761,732</u>	<u>-</u>	<u>2,665,793</u>	<u>-</u>
Total liabilities	<u>1,912,518,389</u>	<u>92</u>	<u>1,891,310,836</u>	<u>93</u>
EQUITY				
Capital stock				
Common stock	97,895,207	5	94,130,007	5
Retained earnings				
Legal reserve	31,038,668	1	27,410,736	1
Special reserve	12,141,416	1	12,080,950	1
Unappropriated earnings	12,091,349	1	11,779,842	-
Other equity	<u>3,394,991</u>	<u>-</u>	<u>(453,971)</u>	<u>-</u>
Total equity	<u>156,561,631</u>	<u>8</u>	<u>144,947,564</u>	<u>7</u>
TOTAL	<u>\$ 2,069,080,020</u>	<u>100</u>	<u>\$ 2,036,258,400</u>	<u>100</u>

# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
INTEREST INCOME	\$ 38,335,813	116	\$ 34,602,915	113
INTEREST EXPENSE	<u>(15,210,271)</u>	<u>(46)</u>	<u>(11,946,045)</u>	<u>(39)</u>
NET INCOME OF INTEREST	<u>23,125,542</u>	<u>70</u>	<u>22,656,870</u>	<u>74</u>
NET NON-INTEREST INCOME (LOSS)				
Net service fee income	4,862,338	15	4,798,618	15
Gain on financial assets or liabilities measured at fair value through profit or loss	2,711,956	8	2,342,942	7
Realized gain on available-for-sale financial assets	-	-	564,466	2
Realized gain on financial assets at fair value through other comprehensive income	781,888	2	-	-
Loss arising from derecognition of financial assets at amortized cost	(101,029)	-	-	-
Foreign exchange gain (loss)	745,536	2	(76,604)	-
Share of profit or loss of associates and joint ventures	394,394	1	-	-
Net other non-interest income	<u>475,471</u>	<u>2</u>	<u>510,427</u>	<u>2</u>
Net non-interest income	<u>9,870,554</u>	<u>30</u>	<u>8,139,849</u>	<u>26</u>
NET REVENUE AND GAINS	<u>32,996,096</u>	<u>100</u>	<u>30,796,719</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(2,213,028)</u>	<u>(7)</u>	<u>(791,185)</u>	<u>(3)</u>
OPERATING EXPENSES				
Employee benefits expenses	(10,731,285)	(33)	(10,607,874)	(34)
Depreciation and amortization expenses	(714,083)	(2)	(718,826)	(2)
Other general and administrative expenses	<u>(4,631,166)</u>	<u>(14)</u>	<u>(4,494,615)</u>	<u>(15)</u>
Total operating expenses	<u>(16,076,534)</u>	<u>(49)</u>	<u>(15,821,315)</u>	<u>(51)</u>
INCOME BEFORE INCOME TAX	14,706,534	44	14,184,219	46
INCOME TAX EXPENSE	<u>(2,059,999)</u>	<u>(6)</u>	<u>(2,091,113)</u>	<u>(7)</u>
NET INCOME	<u>12,646,535</u>	<u>38</u>	<u>12,093,106</u>	<u>39</u>

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss, net of tax:				
Remeasurement of defined benefit plans	(317,259)	(1)	(421,325)	(1)
Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	(237,132)	-	-	-
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	900	-	(82)	-
Income tax related to items that will not be reclassified to profit or loss	63,452	-	71,625	-
Items that will be reclassified to profit or loss, net of tax:				
Exchange differences on translation	657,497	2	(1,383,702)	(4)
Unrealized gains on valuation of available-for-sale financial assets	-	-	701,409	2
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method related to items that will be reclassified to profit or loss	7,338	-	-	-
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(55,506)	-	-	-
Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(26,948)	-	-	-
Income tax related to items that will be reclassified to profit or loss	17,192	-	128,210	-
Other comprehensive income (loss), net of income tax	109,534	1	(903,865)	(3)
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,756,069</u>	<u>39</u>	<u>\$ 11,189,241</u>	<u>36</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.29</u>		<u>\$ 1.24</u>	
Diluted	<u>\$ 1.28</u>		<u>\$ 1.23</u>	

# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank									
						Other Equity				Total Equity
						Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	
	Capital Stock		Retained Earnings							
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2017	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 appropriated	-	-	3,625,791	-	(3,625,791)	-	-	-	-	-
Special reserve appropriated	-	-	-	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
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412
Appropriation of 2017 earnings										
Legal reserve appropriated	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-
Special reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)
Stock dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE, DECEMBER 31, 2018	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ -	\$ 4,008,966	\$ 818	\$ 156,561,631

# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 14,706,534	\$ 14,184,219
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,213,028	-
Provision for bad debt expenses and guarantee liabilities	-	791,185
Depreciation expense	512,577	539,021
Amortization expense	201,506	179,805
Share of (profit) loss of subsidiaries	(394,394)	-
Interest income	(38,335,813)	(34,602,915)
Dividend income	(464,340)	(366,054)
Interest expense	15,210,271	11,946,045
Net gain on financial assets or liabilities at fair value through profit or loss	(3,505,054)	(818,409)
Gain on disposal of investments	(324,537)	(434,481)
Unrealized foreign exchange losses (gains)	793,098	(1,524,533)
Other adjustments	(5,694)	(57,237)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(1,542,799)	5,014,917
Decrease in financial assets at fair value through profit or loss	1,206,800	18,374,678
Increase in receivables	(3,893,701)	(4,320,831)
Decrease (increase) in discounts and loans	38,228,187	(10,101,128)
Increase in financial assets at fair value through other comprehensive income	(14,418,844)	-
Decrease in available-for-sale financial assets	-	6,473,481
Increase in investments in debt instruments at amortized cost	(21,311,579)	-
Increase in held-to-maturity financial assets	-	(32,547,505)
Increase in other financial assets	(24,805,955)	(8,568,278)
Increase in other assets	(25,953)	(399,581)
Increase (decrease) in deposits from the Central Bank and banks	1,148,580	(39,852)
Increase in deposits and remittances	16,530,545	47,649,967
Increase in payables	478,135	621,026
Decrease in financial liabilities at fair value through profit or loss	(2,133,537)	(928,116)
Decrease in reserve for liabilities	(233,785)	(153,811)
Increase in other financial liabilities	724,478	943,636
Increase (decrease) in other liabilities	143,773	(614,310)
Cash flows (used in) generated from operations	(19,298,473)	11,240,939
Interest received	37,023,453	32,988,589
Dividends received	464,340	366,054
Interest paid	(14,617,359)	(11,553,981)
Income taxes paid	(2,428,163)	(1,867,200)
Income tax refunded	-	31,183
Net cash flows from operating activities	<u>1,143,798</u>	<u>31,205,584</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

(Continued)



# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of investment accounted for using the equity method	(11,235,849)	-
Acquisition of property and equipment	(492,646)	(430,775)
Acquisition of investment property	(1,281)	(390)
Proceeds from disposal of property and equipment	1,061	4,287
Acquisition of intangible assets	<u>(347,039)</u>	<u>(181,941)</u>
Net cash flows used in investing activities	<u>(12,075,754)</u>	<u>(608,819)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to the Central Bank and banks	10,973,906	(30,970,863)
Proceeds from issuing bank notes	10,000,000	10,200,000
Repayments of bank notes	(2,200,000)	-
Cash dividends paid	(4,235,850)	(3,765,202)
Increase in securities sold under repurchase agreement	<u>2,167,354</u>	<u>163,555</u>
Net cash flows generated from (used in) financing activities	<u>16,705,410</u>	<u>(24,372,510)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>1,207,986</u>	<u>(1,383,702)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,981,440	4,840,553
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>172,818,258</u>	<u>167,977,705</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 179,799,698</u>	<u>\$ 172,818,258</u>
	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents in balance sheet	\$ 50,278,750	\$ 74,835,132
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>129,520,948</u>	<u>97,983,126</u>
Cash and cash equivalents at end of period	<u>\$ 179,799,698</u>	<u>\$ 172,818,258</u>