

## Chang Hwa Commercial Bank, Ltd. Minutes for the 2019 Annual Meeting of Shareholders

(Summary Translation)

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

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

**Total outstanding shares of the Company:** 9,789,520,746 shares

Total shares represented by shareholders present in person or by proxy:

7,297,708,236 shares (3,914,030,744 shares from E-Voting)

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

74.54%

**Chairperson:** Joanne Ling, Chairperson of the Board of Directors

**Directors present:** 

Directors: Cheng-Ching Wu, Chien-Yi Chang

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

**Attendees:** 

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

**Recorders:** Shan-Pei Yang, Steven Chang

Announcement: The aggregate shareholding of the shareholders present constituted a quorum; therefore, the meeting began.

Chairperson Remarks (omitted)

#### **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.

(Please refer to page 4 of the handbook.)

#### Report No. 4:

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

(Please refer to page 5 of the handbook.)

The aforementioned reports were acknowledged by all shareholders present.

#### **Recognition Items**

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

Statements.

#### **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.

The chairperson had decided to submit the item for a vote.

7,297,425,409 shares were represented by the shareholders present in person or by proxy, accounting for 74.54% of the total number of voting shares issued by the Bank.

#### **Voting results:**

Approval votes: 6,915,906,888 shares/ 94.77% (3,534,165,986 shares from E-voting)

Disapproval votes: 674,904 shares (674,901 shares from E-voting)

Abstention votes: 380,843,617 shares (379,189,854 shares from E-voting)

**Resolution:** voted and acknowledged as proposed.

**Recognition Item No. 2:** Adoption of the Bank's distribution of 2018 profit.

#### **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.

Shareholder O-Chun, Wu (Shareholder No. 2265007), O-Tung, Hsu(Shareholder No.

2867193) speaking, explained by the chairperson and related personnel.

The chairperson had decided to submit the item for a vote.

7,297,504,786 shares were represented by the shareholders present in person or by proxy,

accounting for 74.54% of the total number of voting shares issued by the Bank.

**Voting results:** 

Approval votes: 6,934,106,906 shares/ 95.02% (3,552,505,406 shares from E-voting)

Disapproval votes: 1,376,211 shares (1,376,211 shares from E-voting)

Abstention votes: 362,021,669 shares (360,149,127 shares from E-voting)

**Resolution:** voted and acknowledged as proposed.

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#### 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.

**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.

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7,297,511,433 shares were represented by the shareholders present in person or by proxy, accounting for 74.54% of the total number of voting shares issued by the Bank.

#### **Voting results:**

Approval votes: 6,912,570,236 shares/ 94.72% (3,530,966,840 shares from E-voting)

Disapproval votes: 1,567,951 shares (1,567,951 shares from E-voting)

Abstention votes: 383,373,246 shares (381,495,953 shares from E-voting)

**Resolution:** voted and approved as proposed.

Discussion Item No. 2: In conjunction

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.

#### **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.

7,297,708,236 shares were represented by the shareholders present in person or by proxy, accounting for 74.54% of the total number of voting shares issued by the Bank.

#### **Voting results:**

Approval votes: 6,913,202,707 shares/ 94.73% (3,531,600,942 shares from E-voting)

Disapproval votes: 913,080 shares (913,080 shares from E-voting)

Abstention votes: 383,592,449 shares (381,516,722 shares from E-voting)

**Resolution:** voted and approved as proposed.

# 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 June 14, 2019

Post-amendment	Pre-amendment	Explanations
Article 3	Article 3	1. Amendment to this Article.
Except as otherwise provided	Except as otherwise provided	2. The amended articles of the
by the Articles of Incorporation	by the Articles of Incorporation	Company Act were
of CHB, each share will have	of CHB, each share will have	promulgated on August 1,
voting rights for director	voting rights for director	2018 as per presidential
elections of CHB in number	elections of CHB in number	decree with doc. No. Hua
equal to the directors to be	equal to the directors to be	Tsung Yi Ching No.
elected, and may be cast for a	elected, and may be cast for a	10700083291, and ratified by
single candidate or split among	single candidate or split among	Executive Yuan to enforce it
multiple candidates.	multiple candidates.	since November 1, 2018;
An independent director and	An independent director and	then the Financial
non-independent director	non-independent director	Supervisory Commission
candidates nomination system	candidates nomination system	R.O.C. Jin Guan Zheng Fa
is adopted by CHB, and it shall	is adopted by CHB, and the	No. 1080307935 announced
be processed under the	shareholders shall elect the	the advance notice of
procedures of candidates	independent directors and non-	amending the "Regulations

Post-amendment	Pre-amendment	Explanations
nomination system pursuant to	independent directors from	Governing Appointment of
the provisions of Article 192-1	among the nominees listed in	Independent Directors and
of the Company Act and Article	the rosters of independent	Compliance Matters for
18 of the Articles of	director and non-independent	Public Companies" on March
<u>Incorporation of CHB.</u> The	director candidates.	25, 2019.In considering that
shareholders shall elect the		Article 3-1 and Article 3-2 of
independent directors and non-		the Regulations are stipulated
independent directors from		by respectively employing
among the nominees listed in		Article 192-1 of the
the rosters of independent		Company Act prior to its
director and non-independent		revision and the provision of
director candidates.		Article 5 in the Regulations
An independent director and		Governing Appointment of
non-independent director		Independent Directors and
candidates nomination system		Compliance Matters for
is adopted by CHB, and it shall		Public Companies. The
be processed under the		former section of paragraph
procedures of candidates		2 in Article 3 of the Rules is
nomination system pursuant to		revised and paragraph 3 is
the provisions of Article 192-1		supplemented. Thus, the
of the Company Act and Article		nominations procedure for
18 of the Articles of	Independent and non-	non-independent director and
Incorporation of CHB.	independent directors shall be	independent director is
Independent and non-	elected at the same time, but in	clearly applied to the laws
independent directors shall be	separately calculated numbers.	and regulations to comply
elected at the same time, but in	An independent director	with such revisions.
separately calculated numbers.	candidate or a non-independent	3. The other item numbers are
An independent director	director candidate to whom the	adjusted in order.
candidate or a non-independent	ballots cast represent a	
director candidate to whom the	prevailing number of votes	
ballots cast represent a	shall be deemed an independent	
prevailing number of votes	director or a non-dependent	

Post-amendment	Pre-amendment	Explanations
shall be deemed an independent	director elect.	
director or a non-dependent	The provision of Article 178 of	
director elect.	the Company Act shall not	
The provision of Article 178 of	apply to the voting power	
the Company Act shall not	referred to these Rules.	
apply to the voting power		
referred to these Rules.		
	Article 3-1	The original provisions of this
(Delete)	Prior to the book closure date	Article were under Article 192-
	before a regular shareholders	1 of the Company Act prior to
	meeting is held, CHB shall	its revision; continued from the
	publicly announce that it will	preceding paragraph, after
	receive the nomination of non-	amending to paragraph 2 in
	independent director	Article 3 of the Rules, the
	candidates, and the location and	application of this Article had
	time period for their	been covered; therefore, this
	submission; the period for	Article is canceled.
	submission of nomination may	
	not be less than 10 days.	
	A roster of non-independent	
	director candidates of CHB	
	may be submitted in one of the	
	following ways:	
	1. A shareholder holding 1% or	
	more of the total number of	
	outstanding shares issued by	
	CHB may submit to the	
	company in writing a roster	
	of non-independent director	
	candidates, provided that the	
	total number of candidates	
	nominated shall not exceed	

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

Post-amendment	Pre-amendment	Explanations
	information of the said juristic	
	person shareholder and the	
	document certifying the number	
	of shares of the company in its	
	possession.	
	The board of directors or other	
	authorized conveners of	
	shareholders' meetings shall	
	examine and/or screen the data	
	and information of each non-	
	independent director candidate	
	nominated; and shall, unless	
	under any of the following	
	circumstances, include all	
	qualified candidates in the final	
	roster of candidates	
	accordingly:	
	1.Where the roster of non-	
	independent director	
	candidates is submitted by	
	the nominating shareholder	
	beyond the deadline fixed	
	and announced by CHB for	
	accepting such candidates	
	roster;	
	2. Where the number of shares	
	of CHB being held by the	
	nominating shareholder is	
	less than 1% of the total	
	number of outstanding shares	
	of CHB at the time when the	
	share transfer registration is	

Post-amendment	Pre-amendment	Explanations
	suspended by CHB in	
	accordance with the	
	provisions set out in	
	Paragraph 2 or Paragraph 3,	
	Article 165 of the Company	
	Act;	
	3. Where the number of	
	candidates nominated	
	exceeds the quota to be	
	elected; or;	
	4. Where the relevant evidential	
	documents required in	
	Paragraph 3 of this Article	
	are not submitted along with	
	the roster of candidates.	
	The processes of the operation	
	for examining and/or screening	
	the non-independent director	
	candidates nominated shall be	
	recorded in writing and such	
	records shall be retained in the	
	file for a period of at least 1	
	year, however, that if any	
	shareholder has filed a lawsuit	
	against the result of directors	
	election, the foregoing records	
	shall be retained in the file until	
	the legal proceedings of the	
	foregoing lawsuit have been	
	concluded.	
	Article 3-2	The original provisions of this
(Delete)	Prior to the book closure date	Article were under Article 5 of

Post-amendment	Pre-amendment	Explanations
	before a regular shareholders	Regulations Governing
	meeting is held, CHB shall	Appointment of Independent
	publicly announce that it will	Directors and Compliance
	receive the nomination of	Matters for Public Companies;
	independent director	continued from the preceding
	candidates, and the location and	paragraph, after amending to
	time period for their	paragraph 2 and paragraph 3 in
	submission; the period for	Article 3 of the Rules, the
	submission of nomination may	application of this Article had
	not be less than 10 days.	been covered; therefore, this
	A roster of independent director	Article is canceled.
	candidates of CHB may be	
	submitted in one of the	
	following ways, and	
	qualification of all candidates	
	shall be examined and/or	
	screened by the board of	
	directors of CHB before the	
	election held by the	
	shareholders' meeting:	
	1. A shareholder holding 1% or	
	more of the total number of	
	outstanding shares issued by	
	CHB may submit to the	
	company in writing a roster	
	of independent director	
	candidates, provided that the	
	total number of candidates	
	nominated shall not exceed	
	the quota to be elected.	
	2. This restrictive condition as	
	above shall also be	

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

Post-amendment	Pre-amendment	Explanations
	shareholders' meetings shall	
	examine and/or screen the data	
	and information of each	
	independent director candidate	
	nominated; and shall, unless	
	under any of the following	
	circumstances, include all	
	qualified candidates in the final	
	roster of candidates	
	accordingly:	
	1. Where the roster of	
	independent director	
	candidates is submitted by	
	the nominating shareholder	
	beyond the deadline fixed	
	and announced by CHB for	
	accepting such candidates	
	roster;	
	2. Where the number of shares	
	of CHB being held by the	
	nominating shareholder is	
	less than 1% of the total	
	number of outstanding shares	
	of CHB at the time when the	
	share transfer registration is	
	suspended by CHB in	
	accordance with the	
	provisions set out in	
	Paragraph 2 or Paragraph 3,	
	Article 165 of the Company	
	Act;	
	3. Where the number of	

Post-amendment	Pre-amendment	Explanations
	candidates nominated	
	exceeds the quota to be	
	elected; or;	
	4. Where the relevant evidential	
	documents required in	
	Paragraph 3 of this Article	
	are not submitted along with	
	the roster of candidates.	

#### **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.

#### **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.

7,297,708,236 shares were represented by the shareholders present in person or by proxy, accounting for 74.54% of the total number of voting shares issued by the Bank.

#### **Voting results:**

Approval votes: 6,913,620,483 shares/ 94,73% (3,531,821,915 shares from E-voting)

Disapproval votes: 706,674 shares (706,674 shares from E-voting)

Abstention votes: 383,381,079 shares (381,502,155 shares from E-voting)

**Resolution:** voted and approved as proposed.

#### 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 June 14, 2019

Post-amendment	Pre-amendment	Explanations
Article 3 (Convening	Article 3 (Convening	1. Amendment to this Article.
shareholders meetings and	shareholders meetings and	2. In conjunction with the
shareholders meeting notices)	shareholders meeting notices)	requirements of Paragraph 5
		of Article 172 of the
Unless otherwise provided by	Unless otherwise provided by	Company Act, matters
law or regulation, CHB's	law or regulation, CHB's	added to Paragraph 5 of this
shareholders meetings shall be	shareholders meetings shall be	article that pertain to
convened by the board of	convened by the board of	reduction of capital,
directors.	directors.	application for the approval
		of ceasing its status as a
CHB shall prepare electronic	CHB shall prepare electronic	public company, approval of
versions of the shareholders	versions of the shareholders	competing with the
meeting notice and proxy	meeting notice and proxy	company by directors,
forms, and the origins of and	forms, and the origins of and	surplus profit distributed in
explanatory materials relating	explanatory materials relating	the form of new shares,

**Post-amendment** 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

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

**Pre-amendment** 

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.

**Explanations** 

3. By referring to Paragraph 1 and Paragraph 2 of Article 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

Post-amendment	Pre-amendment	Explanations
supplemental materials shall	supplemental materials shall	will adopt the method by
also be displayed at CHB and	also be displayed at CHB and	considering the feasibility of
its professional shareholder	its professional shareholder	its equipment, and specify
services agent designated	services agent designated	the way(s) to receive
thereby as well as being	thereby as well as being	proposals in its
distributed on-site at the	distributed on-site at the	announcement to facilitate
meeting place.	meeting place.	shareholders' use.
		4. By referring to the
CHB shall inform all	CHB shall inform all	following explanation for
shareholders before 30 days	shareholders before 30 days	the amendment to Paragraph
before the date of a regular	before the date of a regular	4 of Article 172-1 of the
shareholders meeting or before	shareholders meeting or before	Company Act: "to protect
15 days before the date of a	15 days before the date of a	shareholders' rights and
special shareholders meeting;	special shareholders meeting;	interests for proposal
as to shareholders who own	as to shareholders who own	submission, the text of the
less than 1,000 shares of	less than 1,000 shares of	preface of Paragraph 4 is
nominal stocks may be given	nominal stocks may be given	amended to specifically
in the form of a public	in the form of a public	indicate that, unless any of
announcement via MOPS.	announcement via MOPS.	the circumstances listed in
		respective subparagraphs is
The reasons for convening a	The reasons for convening a	satisfied, the board of
shareholders meeting shall be	shareholders meeting shall be	directors shall include the
specified in the meeting notice	specified in the meeting notice	proposal submitted by a
and public announcement.	and public announcement.	shareholder in the list of
With the consent of the	With the consent of the	proposals to be discussed at
addressee, the meeting notice	addressee, the meeting notice	a regular meeting of
may be given in electronic	may be given in electronic	shareholders", the relevant
form.	form.	text in the second half of
		Paragraph 6 is revised
Matters pertaining to election	Election or dismissal of	accordingly.
or dismissal of directors,	directors, amendments to the	5. In view of the requirement
amendments to the articles of	articles of incorporation, the	of "no proposal containing

Post-amendment	Pre-amendment	Explanations
incorporation, reduction of	dissolution, merger, or	more than 300 words will be
capital, application for the	demerger of the corporation,	included in the meeting
approval of ceasing its status	or any matter under Article	agenda" prescribed by
as a public company, approval	185, paragraph 1 of the	Paragraph 3 of Article 172-1
of competing with the	Company Act, Articles 26-1	of the Company Act before
company by directors, surplus	and 43-6 of the Securities and	amendment being moved to
profit distributed in the form	Exchange Act, or Articles 56-1	Subparagraph 4 of
of new shares, reserve	and 60-2 of the Regulations	Paragraph 4 of the same
distributed in the form of new	Governing the Offering and	Article, the relevant text of
shares, the dissolution, merger	Issuance of Securities by	Paragraph 8 is deleted
or demerger of the	Securities Issuers shall be <u>set</u>	accordingly.
corporation, or any matter	out in the notice of the reasons	6. By referring to Paragraph 5
under Article 185, Paragraph 1	for convening the shareholders	of Article 172-1 of the
of the Company Act, Article	meeting. None of the above	Company Act, add
26-1 and 43-6 of the Securities	matters may be raised by an	Paragraph 9 of this article
and Exchange Act or Article	extraordinary motion.	that a shareholder proposal
56-1 and 60-2 of the		proposed for urging CHB to
Regulations Governing the		promote public interests or
Offering and Issuance of		fulfill its social
Securities by Securities Issuers		responsibilities may still be
shall be <u>itemized in the causes</u>		included in the list of
or subjects to be described and		proposals to be discussed at
the essential contents shall be		a regular meeting of
explained in the notice to		shareholders by the board of
convene the shareholders'		directors.
meeting. None of the above		7. The number of the existing
matters may be raised by an		Paragraph 9 is changed to
extraordinary motion. The		be Paragraph 10.
essential contents may be		
posted on the website		
designated by the competent		
authority in charge of		

Post-amendment	Pre-amendment	Explanations
securities affairs or CHB, and		
such website shall be indicated		
in the above notice.		
A shareholder holding 1	A shareholder holding 1	
percent or more of the total	percent or more of the total	
number of issued shares may	number of issued shares may	
submit to CHB a proposal for	submit to CHB a written	
discussion at a regular	proposal for discussion at a	
shareholders meeting. Such	regular shareholders meeting.	
proposals, however, are	Such proposals, however, are	
limited to one item only, and	limited to one item only, and	
no proposal containing more	no proposal containing more	
than one item will be included	than one item will be included	
in the meeting agenda. <u>Unless</u>	in the meeting agenda. In	
any subparagraph of Article	addition, when the	
172-1, Paragraph 4 of the	<u>circumstances of</u> any	
Company Act apply to a	subparagraph of Article 172-1,	
proposal put forward by a	paragraph 4 of the Company	
shareholder, the board of	Act apply to a proposal put	
directors shall include it in the	forward by a shareholder, the	
agenda.	board of directors may exclude	
	it <u>from</u> the agenda.	
Prior to the book closure date	Prior to the book closure date	
before a regular shareholders	before a regular shareholders	
meeting is held, CHB shall	meeting is held, CHB shall	
publicly announce that it will	publicly announce that it will	
receive shareholder proposals	receive shareholder proposals,	
in writing or by way of	and the location and time	
electronic transmission, and	period for their submission;	
the location and time period	the period for submission of	
for their submission; the	shareholder proposals may not	

Post-amendment	Pre-amendment	Explanations
period for submission of	be less than 10 days.	
shareholder proposals may not		
be less than 10 days.		
Shareholder-submitted	Shareholder-submitted	
proposals are limited to 300	proposals are limited to 300	
words. The shareholder	words, and no proposal	
making the proposal shall be	containing more than 300	
present in person or by proxy	words will be included in the	
at the regular shareholders	meeting agenda. The	
meeting and take part in	shareholder making the	
discussion of the proposal.	proposal shall be present in	
	person or by proxy at the	
	regular shareholders meeting	
	and take part in discussion of	
	the proposal.	
A shareholder proposal		
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.		
Prior to the date for issuance	Prior to the date for issuance	
of notice of a shareholders	of notice of a shareholders	
meeting, CHB shall inform the	meeting, CHB shall inform the	
shareholders who submitted	shareholders who submitted	

Post-amendment	Pre-amendment	Explanations
proposals of the proposal	proposals of the proposal	
screening results, and shall list	screening results, and shall list	
in the meeting notice the	in the meeting notice the	
proposals that conform to the	proposals that conform to the	
provisions of this article. At	provisions of this article. At	
the shareholders meeting the	the shareholders meeting the	
board of directors shall explain	board of directors shall explain	
the reasons for exclusion of	the reasons for exclusion of	
any shareholder proposals not	any shareholder proposals not	
included in the agenda.	included in the agenda.	
Article 13 (Voting, Scrutinizing	Article 13 (Voting, Scrutinizing	1. Amendment to this Article.
and Calculation for Proposals)	and Calculation for Proposals)	2. By referring to Article 177-1
		of the Company Act, the text
A shareholder shall be entitled	A shareholder shall be entitled	is slightly modified.
to one vote for each share	to one vote for each share	
held, except when the shares	held, except when the shares	
are restricted shares or are	are restricted shares or are	
deemed non-voting shares	deemed non-voting shares	
under the Company Act or	under the Company Act or	
other regulations.	other regulations.	
When CHB holds a	When CHB holds a	
shareholders meeting, it may	shareholders meeting, it may	
allow the shareholders to	allow the shareholders to	
exercise voting rights by	exercise voting rights by	
correspondence or electronic	correspondence or electronic	
means. The method of exercise	means. When voting rights are	
shall be specified in the	exercised by correspondence	
shareholders meeting notice.	or electronic means, the	
	method of exercise shall be	
	specified in the shareholders	
	meeting notice.	

Post-amendment	Pre-amendment	Explanations
A shareholder exercising	A shareholder exercising	
voting rights by	voting rights by	
correspondence or electronic	correspondence or electronic	
means will be deemed to have	means will be deemed to have	
attended the meeting in person	attended the meeting in person	
under the preceding paragraph,	under the preceding paragraph,	
but to have waived his/her	but to have waived his/her	
rights with respect to the	rights with respect to the	
extraordinary motions and	extraordinary motions and	
amendments to original	amendments to original	
proposals of that meeting.	proposals of that meeting.	
A shareholder intending to	A shareholder intending to	
exercise voting rights by	exercise voting rights by	
correspondence or electronic	correspondence or electronic	
means shall deliver a written	means shall deliver a written	
declaration of intent to CHB or	declaration of intent to CHB or	
its professional shareholder	its professional shareholder	
services agent before 2 days	services agent before 2 days	
before the date of the	before the date of the	
shareholders meeting. When	shareholders meeting. When	
duplicate declarations of intent	duplicate declarations of intent	
are delivered, the one received	are delivered, the one received	
earliest shall prevail, except	earliest shall prevail, except	
when a declaration is made to	when a declaration is made to	
cancel the earlier declaration	cancel the earlier declaration	
of intent.	of intent.	
After a shareholder has	After a shareholder has	
exercised voting rights by	exercised voting rights by	
correspondence or electronic	correspondence or electronic	

Post-amendment	Pre-amendment	Explanations
means, in the event the	means, in the event the	
shareholder intends to attend	shareholder intends to attend	
the shareholders meeting in	the shareholders meeting in	
person, a written declaration of	person, a written declaration of	
intent to retract the voting	intent to retract the voting	
rights already exercised under	rights already exercised under	
the preceding paragraph shall	the preceding paragraph shall	
be made known to CHB, by	be made known to CHB, by	
the same means by which the	the same means by which the	
voting rights were exercised,	voting rights were exercised,	
before 2 business days before	before 2 business days before	
the date of the shareholders	the date of the shareholders	
meeting. If the notice of	meeting. If the notice of	
retraction is submitted after	retraction is submitted after	
that time, the voting rights	that time, the voting rights	
already exercised by	already exercised by	
correspondence or electronic	correspondence or electronic	
means shall prevail.	means shall prevail.	
When a shareholder has	When a shareholder has	
exercised voting rights both by	exercised voting rights both by	
correspondence or electronic	correspondence or electronic	
means and by appointing a	means and by appointing a	
proxy to attend a shareholders	proxy to attend a shareholders	
meeting, the voting rights	meeting, the voting rights	
exercised by the proxy in the	exercised by the proxy in the	
meeting shall prevail.	meeting shall prevail.	
Except as otherwise provided	Except as otherwise provided	
in the Company Act and in	in the Company Act and in	
CHB's articles of	CHB's articles of	
incorporation, the passage of a	incorporation, the passage of a	

Post-amendment	Pre-amendment	Explanations
proposal shall require an	proposal shall require an	
affirmative vote of a majority	affirmative vote of a majority	
of the voting rights	of the voting rights	
represented by the attending	represented by the attending	
shareholders. At the time of a	shareholders. At the time of a	
vote, the chair or a person	vote, the chair or a person	
designated by the chair shall	designated by the chair shall	
first announce the total	first announce the total	
number of voting rights	number of voting rights	
represented by the attending	represented by the attending	
shareholders, followed by a	shareholders, followed by a	
poll of the shareholders. After	poll of the shareholders. After	
the conclusion of the meeting,	the conclusion of the meeting,	
on the same day it is held, the	on the same day it is held, the	
results based on the numbers	results based on the numbers	
of votes for and against and	of votes for and against and	
the number of abstentions	the number of abstentions	
shall be entered into the	shall be entered into the	
MOPS. However, if a proposal	MOPS. However, if a proposal	
passed without objection of	passed without objection of	
any shareholder made by the	any shareholder made by the	
chair, shall be deemed to be	chair, shall be deemed to be	
voted.	voted.	
When there is an amendment	When there is an amendment	
or an alternative to a proposal,	or an alternative to a proposal,	
the chair shall present the	the chair shall present the	
amended or alternative	amended or alternative	
proposal together with the	proposal together with the	
original proposal and decide	original proposal and decide	
the order in which they will be	the order in which they will be	
put to a vote. When any one	put to a vote. When any one	

Post-amendment	Pre-amendment	Explanations
among them is passed, the	among them is passed, the	
other proposals will then be	other proposals will then be	
deemed rejected, and no	deemed rejected, and no	
further voting shall be	further voting shall be	
required.	required.	
Vote monitoring and counting	Vote monitoring and counting	
personnel for the voting on a	personnel for the voting on a	
proposal shall be appointed by	proposal shall be appointed by	
the chair, provided that all	the chair, provided that all	
monitoring personnel shall be	monitoring personnel shall be	
shareholders of CHB.	shareholders of CHB.	
Vote counting for shareholders	Vote counting for shareholders	
meeting proposals or elections	meeting proposals or elections	
shall be conducted in public at	shall be conducted in public at	
the place of the shareholders	the place of the shareholders	
meeting. Immediately after	meeting. Immediately after	
vote counting has been	vote counting has been	
completed, the results of the	completed, the results of the	
voting, including the statistical	voting, including the statistical	
tallies of the numbers of votes,	tallies of the numbers of votes,	
shall be announced on-site at	shall be announced on-site at	
the meeting, and a record	the meeting, and a record	
made of the vote.	made of the vote.	

**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.

#### **Explanation:**

- 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.

### 7,297,708,236 shares were represented by the shareholders present in person or by proxy, accounting for 74,54% of the total number of voting shares issued by the Bank.

#### **Voting results:**

Approval votes: 6,913,442,802 shares/94.73% (3,531,646,114 shares from E-voting)

Disapproval votes: 727,985 shares (726,105 shares from E-voting)

Abstention votes: 383,537,449 shares (381,658,525 shares from E-voting)

**Resolution:** voted and approved as proposed.

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 June 14, 2019

Post-amendment	Pre-amendment	Explanations
Article 3	Article 3	1. In conjunction with IFRS
The applicable scope of the	The applicable scope of the	No. 16 Leases (hereafter

Post-amendment	Pre-amendment	Explanations
assets referred to in the	assets referred to in the	referred to as IFRS No. 16)
Disposition Procedure is as	Disposition Procedure is as	applicable to our country,
follows:	follows:	the scope of the use of the
1. Investments in stocks,	1. Investments in stocks,	right-of-use assets is
government bonds,	government bonds,	expanded. Hence
corporate bonds, financial	corporate bonds, financial	Subparagraph 2 of this
debentures, securities	debentures, securities	Article for land-access rights
representing interest in a	representing interest in a	is moved to Subparagraph 5
fund, depositary receipts,	fund, depositary receipts,	of the same Article in
call (put) warrants,	call (put) warrants,	accordance with Article 3 of
beneficiary securities, asset-	beneficiary securities, asset-	the Regulations Governing
backed securities, etc.	backed securities, etc.	the Acquisition and Disposal
2. Real property (including	2.Real property (including	of Assets by Public
land, houses and buildings	land, houses and buildings,	Companies (hereafter
and investment property)	investment property and	referred to as the
and equipment.	land-access rights) and	Regulations).
	equipment.	2. The existing Subparagraphs
3. Membership certificates	3. Membership certificates	5 to 8 are moved to
4. Intangible assets such as	4. Intangible assets such as	Subparagraphs 6 to 9.
patent rights, copyrights,	patent rights, copyrights,	
trademark rights, franchises,	trademark rights, franchises,	
etc.	etc.	
5. Right-of-use assets.		
<u>6</u> . Claims of the Bank	5. Claims of the Bank	
(including receivables,	(including receivables,	
foreign exchange purchase	foreign exchange purchase	
and discount and loans as	and discount and loans as	
well as overdue	well as overdue	
receivables).	receivables).	
<u>7</u> . Derivatives	<u>6</u> . Derivatives	
<u>8</u> . Assets acquired or disposed	7. Assets acquired or disposed	
of through merger, split,	of through merger, split,	

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

Post-amendment	Pre-amendment	Explanations
contracts.		
2. Assets acquired or disposed	2. Assets acquired or disposed	
of through merger, split,	of through merger, split,	
acquisition or transfer of	acquisition or transfer of	
shares by law: They refer to	shares by law: They refer to	
the assets acquired or	the assets acquired or	
disposed of through merger,	disposed of through merger,	
split, acquisition or transfer	split, acquisition or transfer	
of shares in accordance with	of shares in accordance with	
the Business Mergers and	the Business Mergers and	
Acquisitions Act, Financial	Acquisitions Act, Financial	
Holding Company Act,	Holding Company Act,	
Financial Institution Merger	Financial Institution Merger	
Act or other laws, or the	Act or other laws, or the	
transfer of shares from	transfer of shares from	
another company through	another company through	
issuance of new shares of its	issuance of new shares of its	
own as the consideration	own as the consideration	
(hereafter referred to as the	(hereafter referred to as the	
transfer of shares) in	transfer of shares) in	
accordance with Article 156-	accordance with Paragraph 8	
<u>3</u> of the Company Act.	of Article 156 of the	
	Company Act.	
3. Related parties and	3. Related parties and	
subsidiaries: They shall be	subsidiaries: They shall be	
defined in accordance with	defined in accordance with	
the Regulations Governing	the Regulations Governing	
the Preparation of Financial	the Preparation of Financial	
Reports by Securities	Reports by Securities	
Issuers.	Issuers.	
4. Professional appraisers:	4. Professional appraisers:	
They refer to real property	They refer to real property	

Post-amendment	Pre-amendment	Explanations
appraisers or those who, by	appraisers or those who, by	
law, may engage in appraisal	law, may engage in appraisal	
of real property or	of real property or	
equipment. •	equipment. •	
5. Fact occurrence date: It	5. Fact occurrence date: It	
refers to the contract signing	refers to the contract signing	
date, payment date, date	date, payment date, date	
fixing a consigned order,	fixing a consigned order,	
ownership transfer date,	ownership transfer date,	
board meeting resolution	board meeting resolution	
date or any other date that	date or any other date that	
can confirm the transaction	can confirm the transaction	
counterparty and the trading	counterparty and the trading	
amount, whichever date is	amount, whichever date is	
earlier. However, for the	earlier. However, for the	
investment required to be	investment required to be	
approved by the competent	approved by the competent	
authority, the fact	authority, the fact	
occurrence date shall be	occurrence date shall be	
determined according to the	determined according to the	
earlier of the above dates or	earlier of the above dates or	
the date of receiving the	the date of receiving the	
approval from the competent	approval from the competent	
authority. For the assets	authority. For the assets	
acquired from court	acquired from court	
statement or auction, the fact	statement or auction, the fact	
occurrence date shall be	occurrence date shall be	
determined according to the	determined according to the	
earlier of the date that can	earlier of the date that can	
confirm the transaction	confirm the transaction	
counterparty and the trading	counterparty and the trading	
amount or the date receiving	amount or the date receiving	

Post-amendment	Pre-amendment	Explanations
the court's approval	the court's approval	
document.	document.	
6. Mainland China investment:	6. Mainland China investment:	
It refers to the investments	It refers to the investments	
made in the mainland China	made in the mainland China	
area in accordance with the	area in accordance with the	
Regulations Governing	Regulations Governing	
Permission for Investment or	Permission for Investment or	
Technical Cooperation in the	Technical Cooperation in the	
Mainland Area enacted by	Mainland Area enacted by	
Economic Affairs	Economic Affairs	
Investment Commission,	Investment Commission,	
MOEA.	MOEA.	
7. Investment professionals:		
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		
authorities.		

Post-amendment	Pre-amendment	Explanations
8. 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.		
9. 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.		
Article 5	Article 5	External experts' passive
The professional appraisers	The professional appraisers	qualifications, evaluation of
and their appraisal personnel,	and their appraisal personnel,	appraisal reports or opinion

Post-amendment	Pre-amendment	Explanations
certified public accountants,	certified public accountants,	statements issued by external
attorneys and securities	attorneys and securities	experts, audit and declaration
underwriters providing the	underwriters providing the	items are specifically defined
Bank with appraisal reports or	Bank with appraisal reports or	by referring to Article 5 of the
opinion statements shall meet	opinion statements shall not be	Regulations.
the following requirements:	the related party of the	
	transaction concerned party.	
1. They have never been		
sentenced to imprisonment		
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.		
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.		
2. They shall not be the related		
party or de facto related		
party of the concerned		

Post-amendment	Pre-amendment	Explanations
transaction party		
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.		
When issuing an appraisal		
report or opinion statement,		
the preceding concerned		
parties shall comply with the		
following:		
1. Prior to undertaking the		
case, they shall prudently		
assess their own		
professional capacity,		
practice experience and		
independence.		
2. 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		

Post-amendment	Pre-amendment	Explanations
the case's work sheet.		
3. 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.		
4. 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.		
Article 6	Article 6	According to the opinion from
Establishment of or	Establishment of or	the Bank's legal compliance
amendment to the Disposition	amendment to the Disposition	division, in practice, the Bank
Procedures shall be approved	Procedures shall be approved	currently does not send
by a majority of the entire	by a majority of the entire	director's objection
body of audit committee	body of audit committee	information to the audit
members and adopted by the	members and adopted by the	committee; moreover,
board of directors before being	board of directors before being	independent directors have
submitted to the board of	submitted to the board of	participated in board meetings,
shareholders for approval.	shareholders for approval.	any objection from a director

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

Post-amendment	Pre-amendment	Explanations
meeting minutes.	meeting minutes. <u>In case of</u>	
	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.	
Article 7	Article 7	Consolidate Paragraphs 1 and
Where the assets acquired or	Where the assets acquired or	2 of the current Article into
disposed of by the Bank shall	disposed of by the Bank shall	Paragraph 1 of the amended
be adopted by the board of	be adopted by the board of	Article; the amendment reason
directors as required by the	directors as required by the	is same as that of Article 6.
Disposition Procedures or	Disposition Procedures or	
other laws, each independent	other laws. In case of any	
director's opinions shall be	objection from any director	
fully taken into account when	and which has been recorded	
the case is submitted to the	or with written statement, the	
board of directors for	Bank shall send the	
discussion. In case of any	information of the director's	
objection or qualified opinion	objection to the audit	
from an independent director,	committee.	
it shall be recorded in the	When the case is submitted to	
board meeting minutes.	the board of directors for	
	discussion to the preceding	
	paragraph, 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	

Post-amendment	Pre-amendment	Explanations
	from an independent director,	
	it shall be recorded in the	
	board meeting minutes.	
Any transaction involving	Any transaction involving	
major assets or derivatives	major assets or derivatives	
shall be approved by a	shall be approved by a	
majority of the entire body of	majority of the entire body of	
audit committee members,	audit committee members,	
submitted to the board of	submitted to the board of	
directors for a resolution and	directors for a resolution and	
subject to mutatis mutandis	subject to mutatis mutandis	
application of Paragraph 2 and	application of Paragraph 2 and	
Paragraph 3 of Article 6.	Paragraph 3 of Article 6.	
Article 8	Article 8	In conjunction with IFRS No.
The total amount of the non-	The total amount of the non-	16, right-of-use assets are
business-use real property and	business-use real property or	incorporated into this Article.
its right-of-use assets or	securities acquired by the	
securities acquired by the	Bank and its subsidiaries and	
Bank and its subsidiaries and	limits on individual securities	
limits on individual securities	shall comply with statutory	
shall comply with statutory	laws and regulation as well as	
laws and regulation as well as	the regulations enacted by the	
the regulations enacted by the	competent authorities.	
competent authorities.		
Article 9	Article 9	In conjunction with the
For the acquisition and	For the acquisition and	amended Article 13 for change
disposal of assets acquired by	disposal of assets acquired by	of the order of Articles, the
its subsidiaries, the Bank's	its subsidiaries, the Bank's	Article No. referred to in this
control procedures shall	control procedures shall	Article is adjusted.
include the following:	include the following:	
1. Push its subsidiaries to set	1. Push its subsidiaries to set	
up and execute their own	up and execute their own	

Post-amendment	Pre-amendment	Explanations
asset acquisition or disposal	asset acquisition or disposal	
disposition procedures.	disposition procedures.	
2. Push its subsidiaries to self-	2. Push its subsidiaries to self-	
inspect if the established	inspect if the established	
asset acquisition or disposal	asset acquisition or disposal	
disposition procedures	disposition procedures	
meets stipulated regulations	meets stipulated regulations	
and if the transactions	and if the transactions	
regarding asset acquisition	regarding asset acquisition	
or disposal are processed in	or disposal are processed in	
accordance with the	accordance with the	
established disposition	established disposition	
procedures.	procedures.	
3. Matters regarding the	3. Matters regarding the	
response given by the	response given by the	
internal auditor to	internal auditor to	
subsidiary's preceding self-	subsidiary's preceding self-	
inspection reports.	inspection reports.	
4. Process announcement and	4. Process announcement and	
declaration related matters	declaration related matters	
on behalf of the subsidiary	on behalf of the subsidiary	
which is not a domestic	which is not a domestic	
public company.	public company.	
With regard to the requirement	With regard to the requirement	
of the subsidiary referred to in	of the subsidiary referred to in	
the preceding subparagraph 4	the preceding subparagraph 4	
for making announcement and	for making announcement and	
declaration when reaching	declaration when reaching	
20% of the paid-in capital or	20% of the paid-in capital or	
10% of the total assets as set	10% of the total assets as set	
forth in Paragraph 1 of Article	forth in Paragraph 1 of Article	
32, the Bank's paid-in capital	31, the Bank's paid-in capital	

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

Post-amendment	Pre-amendment	Explanations
transaction terms	preceding procedure shall	Subparagraph 1 of
afterwards.	also be followed.	Paragraph 1 of this Article in
2. Where the transaction	2. Where the transaction	order to meet the legal
amount is NT\$1 billion or	amount is NT\$1 billion or	operation.
more, appraisals from two	more, appraisals from two	
or more than two	or more than two	
professional appraisers are	professional appraisers are	
required.	required.	
3. Where professional	3. Where professional	
appraisal results show any	appraisal results show any	
of the following	of the following	
circumstances, unless that	circumstances, unless that	
all the appraisal results for	all the appraisal results for	
assets to be acquired are	assets to be acquired are	
higher than the transaction	higher than the transaction	
amount, or all the appraisal	amount, or all the appraisal	
results for the assets to be	results for the assets to be	
disposed of are lower than	disposed of are lower than	
the transaction amount, a	the transaction amount, a	
certified public accountant	certified public accountant	
(CPA) shall be engaged to	(CPA) shall be engaged to	
perform the appraisal in	perform the appraisal in	
accordance with the	accordance with the	
Statement of Auditing	Statement of Auditing	
Standards No. 20 published	Standards No. 20 published	
by the ROC Accounting	by the ROC Accounting	
Research and Development	Research and Development	
Foundation (hereafter	Foundation (hereafter	
referred to as the ARDF)	referred to as the ARDF)	
and render a specific	and render a specific	
opinion on the discrepancy	opinion on the discrepancy	
and the adequacy of the of	and the adequacy of the of	

Post-amendment	Pre-amendment	Explanations
transaction price:	transaction price:	
(1) Where the discrepancy	(1) Where the discrepancy	
between the appraisal result	between the appraisal result	
and the transaction amount	and the transaction amount	
is 20% of the transaction	is 20% of the transaction	
amount or more.	amount or more.	
(2) Where the discrepancy	(2) Where the discrepancy	
between the appraisal result	between the appraisal result	
from two or more than	from two or more than	
professional appraisers is	professional appraisers is	
10% of the transaction	10% of the transaction	
amount or more.	amount or more.	
4. Professional appraiser's	4. Professional appraiser's	
report issuance date and	report issuance date and	
contract establishment date	contract establishment date	
shall be no more than three	shall be no more than three	
months apart. However, if	months apart. However, if	
the government assessed	the government assessed	
present value in the same	present value in the same	
period is applicable and	period is applicable and	
within six months, the	within six months, the	
original professional	original professional	
appraiser shall issue an	appraiser shall issue an	
opinion statement.	opinion statement.	
Article 12	Article 12	In conjunction with IFRS No.
Where the transaction amount	Where the transaction amount	16, right-of-use assets are
of the intangible assets or their	of the membership certificate	incorporated into this Article.
right-of-use assets or the	or the intangible assets	
membership certificate	acquired or disposed of by the	
acquired or disposed of by the	Bank is 20% of the Bank's	
Bank is 20% of the Bank's	paid-in capital or more, or	
paid-in capital or more, or	NT\$300 million or more,	

Post-amendment	Pre-amendment	Explanations
NT\$300 million or more,	except the transaction with	
except the transaction with	government agencies, the	
domestic government	Bank shall engage a CPA prior	
agencies, the Bank shall	to the fact occurrence date to	
engage a CPA prior to the fact	render an opinion on the	
occurrence date to render an	rationality of the transaction	
opinion on the rationality of	price, whereas the CPA shall	
the transaction price, whereas	comply with the Statement of	
the CPA shall comply with the	Auditing Standards No. 20	
Statement of Auditing	published by the ARDF to	
Standards No. 20 published by	provide their opinion.	
the ARDF to provide their		
opinion.		
Article 13	Article 12-1	Change the number of the
The transaction amount	The transaction amount	Article and adjust the citation
referred to in the preceding	referred to in the preceding	of the article.
three articles shall be	three articles shall be	
calculated in accordance with	calculated in accordance with	
Paragraph 2 of Article 32, and	Paragraph 2 of Article 31, and	
the "within the previous year"	the "within the previous year"	
thereof refers to the year	thereof refers to the year	
preceding the date that the	preceding the date that the	
transaction actually occurs.	transaction actually occurs.	
Those that have already	Those that have already	
acquired the appraisal report	acquired the appraisal report	
from a professional appraiser	from a professional appraiser	
or a CPA's opinion statement	or a CPA's opinion statement	
in accordance with the	in accordance with the	
Disposition Procedures can be	Disposition Procedures can be	
exempted from the calculation.	exempted from the calculation.	
Article 14	Article 13	Change the number of the
In case of any of the	In case of any of the	Article.

Post-amendment	Pre-amendment	Explanations
circumstances below, the Bank	circumstances below, the Bank	
shall replace the appraisal	shall replace the appraisal	
report or CPA's opinion	report or CPA's opinion	
statement with the certificate	statement with the certificate	
issued by the court:	issued by the court:	
1. The assets have been	1. The assets have been	
acquired or disposed of	acquired or disposed of	
through the court auction	through the court auction	
procedure.	procedure.	
2. The assets acquired through	2. The assets acquired through	
the court action procedure	the court action procedure	
due to exercise of the real	due to exercise of the real	
property mortgage are re-	property mortgage are re-	
disposed of within three	disposed of within three	
months after the date that	months after the date that	
the court undertaking or	the court undertaking or	
auctioning the real property	auctioning the real property	
has finalized the auction and	has finalized the auction and	
there is no change in the	there is no change in the	
government assessed present	government assessed present	
value or assessed value in	value or assessed value in	
the period between the court	the period between the court	
auction being finalized and	auction being finalized and	
re-disposal.	re-disposal.	
Article 15	Article 14	Change the number of the
For the assets that the Bank	For the assets that the Bank	Article and adjust the citation
acquires from or disposes of	acquires from or disposes of	of the article.
with a related party, in	with a related party, in	
addition to complying with the	addition to complying with the	
requirements of the preceding	requirements of the preceding	
and this sections for relevant	and this sections for relevant	
resolution procedures and	resolution procedures and	

Post-amendment	Pre-amendment	Explanations
assessing the rationality of the	assessing the rationality of the	
transaction terms, if the	transaction terms, if the	
transaction amount reaches	transaction amount reaches	
10% of the Bank's total assets	10% of the Bank's total assets	
or more, the Bank shall also	or more, the Bank shall also	
obtain an appraisal report from	obtain an appraisal report from	
a professional appraiser or a	a professional appraiser or a	
CPA's opinion statement as	CPA's opinion statement as	
required by the preceding	required by the preceding	
section.	section.	
The preceding transaction	The preceding transaction	
amount shall be calculated in	amount shall be calculated in	
accordance with Article 13.	accordance with Article 12-1.	
When judging whether a	When judging whether a	
transaction counterparty is a	transaction counterparty is a	
related party, other than its	related party, other than its	
legal formality, the substantive	legal formality, the substantive	
relationship shall also be	relationship shall also be	
considered.	considered.	
Article 16	Article 15	1. Change the number of the
When the Bank acquires real	When the Bank acquires or	Article.
property or its right-of-use	disposes of real property from	2. According to Paragraph 1 of
assets from a related party or	its related party, or when it	Article 15 of the
disposes of a related party's	acquires or disposes of other	Regulations, the government
real property or its <u>right-of-use</u>	assets beyond the real	bonds refer to domestic
assets, or when it acquires	property from a related party,	government bonds. Given
other assets beyond the real	and the transaction amount is	that the credit of our central
property or its right-of-use	20% of its paid-in capital or	and local governments is
assets from a related party or	more, 10% of its total assets or	very specific and easy for
disposes of a related party's	more, or NT\$300 million or	inquiry, the procedure to
aforesaid other assets and the	more, except for trading of	submit the information to
transaction amount is 20% of	government bonds, bonds	the audit committee and

Post-amendment	Pre-amendment	Explanations
its paid-in capital or more,	under repurchase or reverse	board of directors for
10% of its total assets or more,	repurchase agreement, and	adoption can therefore be
or NT\$300 million or more,	subscription or repurchase of	exempted. On the other
except for trading of domestic	money market funds issued by	hand, the credit of foreign
government bonds or bonds	domestic securities investment	government bonds varies, so
under repurchase, reverse	trust enterprises, the Bank	foreign government bonds
repurchase agreement and	shall not sign any transaction	shall not be covered in the
subscription or repurchase of	contracts or make any	exemption scope of this
money market funds issued by	payments until the following	Article. Thus, the bonds
domestic securities investment	information is submitted to the	specifically defined in
trust enterprises, the Bank	audit committee and board	Paragraph 1 of this Article
shall not sign any transaction	of directors and adopted by	are limited to domestic
contracts or make any	them:	bonds.
payments until the following		
information is submitted to the		
audit committee and board of		
directors and adopted by them:		
1. The purpose, necessity and	1. The purpose, necessity and	
expected effects of the asset	expected effects of the asset	
acquisition and disposal.	acquisition and disposal.	
2. The reason for choosing the	2. The reason for choosing the	
related party as a transaction	related party as a transaction	
counterparty.	counterparty.	
3. The data related to the	3. The data related to the	
rationality assessment of the	rationality assessment of the	
expected transaction terms	expected transaction terms	
required by Article 17 and	required by Article 16 and	
Article 18 for the real	Article 17 for the real	
property or its right-of-use	property acquired from a	
assets acquired from a	related party.	
related party.		
4. The matters regarding	4. The matters regarding	

Post-amendment	Pre-amendment	Explanations
related party's original	related party's original	
acquisition date and price,	acquisition date and price,	
transaction counterparties,	transaction counterparties,	
the relationship between the	the relationship between the	
transaction counterparty and	transaction counterparty and	
the Bank as well as the	the Bank as well as the	
Bank's related party, etc.	Bank's related party, etc.	
5. Monthly cash receipt and	5. Monthly cash receipt and	
expenditure forecasts for the	expenditure forecasts for the	
year after the month	year after the month	
expected to sign the	expected to sign the	
contract, and assessment of	contract, and assessment of	
transaction necessity and	transaction necessity and	
rationality of capital	rationality of capital	
utilization.	utilization.	
6. The appraisal report issued	6. The appraisal report issued	
by a professional appraiser	by a professional appraiser	
or CPA's opinion statement	or CPA's opinion statement	
and acquired according to	and acquired according to	
the requirement of the	the requirement of the	
preceding Article.	preceding Article.	
7. Restriction terms and other	7. Restriction terms and other	
important matters associated	important matters associated	
with this transaction.	with this transaction.	
The preceding transaction	The preceding transaction	
amount shall be calculated in	amount shall be calculated in	
accordance with Paragraph 2	accordance with Paragraph 2	
of Article 32, and the "within	of Article 31, and the "within	
the previous year" thereof	the previous year" thereof	
refers to the year preceding the	refers to the year preceding the	
date that the transaction	date that the transaction	
actually occurs. Those that	actually occurs. Those that	

Post-amendment	Pre-amendment	Explanations
have already been submitted to	have already been submitted to	
the audit committee and board	the audit committee and board	
of directors and adopted by	of directors and adopted by	
them can be exempted from	them can be exempted from	
the calculation.	the calculation.	
Each independent director's	Each independent director's	
opinions shall be fully taken	opinions shall be fully taken	
into account when discussing	into account when discussing	
the matters submitted to the	the matters submitted to the	
board of directors in	board of directors in	
accordance with above	accordance with above	
paragraph 1 and the preceding	paragraph 1 and the preceding	
paragraph. In case of any	paragraph. In case of any	
objection or qualified opinion	objection or qualified opinion	
from an independent director,	from an independent director,	
it shall be recorded in the	it shall be recorded in the	
board meeting minutes.	board meeting minutes.	
The matters referred to in	The matters referred to in	
above paragraph 1 shall be	above paragraph 1 shall be	
approved by a majority of the	approved by a majority of the	
entire body of audit committee	entire body of audit committee	
members, submitted to the	members, submitted to the	
board of directors for a	board of directors for a	
resolution and subject to	resolution and subject to	
mutatis mutandis application	mutatis mutandis application	
of Paragraph 2 and Paragraph	of Paragraph 2 and Paragraph	
3 of Article 6.	3 of Article 6.	
Article 17	Article 16	1. Change the number of the
The rationality of the	The rationality of the	Article.
transaction cost of the real	transaction cost of the real	2. In conjunction with IFRS
property or its right-of-use	property acquired by the Bank	No. 16, right-of-use assets
assets acquired by the Bank	from its related parties shall be	are incorporated into this

Post-amendment	Pre-amendment	Explanations
from its related parties shall be	assessed according to the	Article.
assessed according to the	methods below:	3. According to Article 16 of
methods below:		the Regulations,
1. Required capital interest and	1. Required capital interest and	Subparagraph 4 of
the cost required to be borne	the cost required to be borne	Paragraph 3 of this Article is
by the buyer shall be added	by the buyer shall be added	added.
to the related party's	to the related party's	
transaction price. The	transaction price. The	
"required capital interest"	"required capital interest"	
cost referred to above shall	cost referred to above shall	
be calculated according to	be calculated according to	
the average weighted	the average weighted	
interest rate of the loan	interest rate of the loan	
borrowed in the year that	borrowed in the year that	
the Bank purchases the	the Bank purchases the	
assets; however, the interest	assets; however, the interest	
rate shall not be higher than	rate shall not be higher than	
the non-financial industry	the non-financial industry	
lending rate announced by	lending rate announced by	
the Ministry of Finance.	the Ministry of Finance.	
2. If a related party once	2. If a related party once	
encumbered the underlying	encumbered the underlying	
property to a financial	property to a financial	
institution for a loan, the	institution for a loan, the	
total value of the underlying	total value of the underlying	
property assessed by the	property assessed by the	
financial institution for the	financial institution for the	
loan shall be considered;	loan shall be considered;	
however, the accumulated	however, the accumulated	
value of the loan actually	value of the loan actually	
released by the financial	released by the financial	
institution for the underling	institution for the underling	

Post-amendment	Pre-amendment	Explanations
property shall be 70% or	property shall be 70% or	
more than 70% of the total	more than 70% of the total	
appraised value and the	appraised value and the	
term of the loan shall have	term of the loan shall have	
been over one year.	been over one year.	
Nevertheless, it is not	Nevertheless, it is not	
applicable to the	applicable to the	
circumstance where the	circumstance where the	
financial institution and the	financial institution and the	
transaction counterparty are	transaction counterparty are	
related parties of each other.	related parties of each other.	
Those that merge, purchase or	Those that merge, purchase of	
<u>lease</u> of a same underlining	a same underlining land and	
land and house shall assess the	house shall assess the	
transaction cost in accordance	transaction cost in accordance	
with either of the methods	with either of the methods	
listed in the preceding	listed in the preceding	
paragraphs for the land and	paragraphs for the land and	
house respectively.	house respectively.	
Where the Bank acquires real	Where the Bank acquires real	
property or its right-of-use	property from a related party,	
assets from a related party, it	it shall follow the	
shall follow the requirements	requirements of the Paragraph	
of the preceding two	1 and Paragraph 2 to assess the	
paragraphs to assess the cost	cost of the real property, and	
of the real property or its right-	engage a certified public	
of-use assets and engage a	accountant to re-review the	
CPA to re-review the cost and	cost and provide their specific	
provide their specific opinion.	opinion.	
In case that any of the	In case that any of the	
following circumstances	following circumstances	
occurs in the Bank's	occurs in the Bank's	

Post-amendment	Pre-amendment	Explanations
acquisition of real property or	acquisition of real property	
its right-of-use assets from a	from a related party, the	
related party, the acquisition	acquisition shall be processed	
shall be processed in	in accordance with the Article	
accordance with the <u>preceding</u>	15 and the preceding three	
Article and the preceding three	paragraphs are not applicable:	
paragraphs are not applicable:		
1. Where the related party	1. Where the related party	
acquired the real property or	acquired the real property	
its right-of-use assets	through inheritance or	
through inheritance or	bestowal.	
bestowal.		
2. Where the period between	2. Where the period between	
the date that the related	the date that the related	
party signed the contract to	party signed the contract to	
acquire the real property or	acquire the real property	
its right-of-use assets and	and the time that this	
the time that this transaction	transaction was signed is	
was signed is over five	over five years apart.	
years apart.		
3. Where the real property was	3. Where the real property was	
acquired by engaging a	acquired by engaging a	
related party to construct the	related party to construct the	
real property through a joint	real property through a joint	
construction contract, the	construction contract, the	
construction assigned by the	construction assigned by the	
land owner, or the	land owner, or the	
construction assigned for	construction assigned for	
the leased land.	the leased land.	
4. Where the real property		
right-of-use assets for the		
business use are acquired by		

Post-amendment	Pre-amendment	Explanations
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.		
Article 18	Article 17	1. Change the number of the
Where the results of the	Where the results of the	Article and adjust the
assessment conducted by the	assessment conducted by the	citation of the article.
Bank in accordance with	Bank in accordance with	2. According to Article 17 of
Paragraph 1 and Paragraph 2	Paragraph 1 and Paragraph 2	the Regulations, the
of the preceding Article all	of the preceding Article all	regulation for acquisition of
show a price lower than the	show a price lower than the	real estate's right-of-use
transaction price, the matter	transaction price, the matter	assets from related parties is
shall be processed in	shall be processed in	relaxed, in which non-
accordance with <u>Article 19</u> .	accordance with Article 18.	related party's lease
However, it shall be excluded	However, it shall be excluded	transactions in the
if there is any of following	if there is any of following	neighboring regions within
circumstances and the	circumstances and the	the previous year can be
objective evidence as well as	objective evidence as well as	used as the reference for
concrete rational opinion from	concrete rational opinion from	calculating and estimating
a real property professional	a real property professional	the rationality of a
appraiser and CPA has been	appraiser and CPA has been	transaction price. In
submitted:	submitted:	addition, Item 3 of
1. The related party acquiring	1. The related party acquiring	Subparagraph 1 of
undeveloped land or leased	undeveloped land or leased	Paragraph 1 of the existing
land for construction shall	land for construction shall	Article is integrated into
provide the evidence to	provide the evidence to	Item 2, and the use of lease
prove compliance with any	prove compliance with any	cases as the transaction
of the following terms:	of the following terms:	cases is also added.
(1) The undeveloped land is	(1) The undeveloped land is	Therefore, Item 2 of

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

Post-amendment	Pre-amendment	Explanations
practices for the similar	trading practices for the	
rational floor or region.	similar floor or region.	
	(3) 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	
	the assessment made with	
	real property lease	
	practices and based on the	
	rational price	
	differentiation from the	
	floors.	
2. The Bank provides the	2. The Bank provides the	
evidence to prove that the	evidence to prove that	
transaction terms of its	transaction terms of its	
purchase of real property or	purchase of real property	
lease of the real property's	from its related party are	
right-of-use assets from its	similar to the successful	
related party are similar to	transactions of its non-	
the transactions of its non-	related parties made in the	
related parties made in the	neighboring regions with	
neighboring regions with	approximate area sizes	
approximate area sizes	within the previous year.	
within the previous year.		
The <u>transactions</u> made in the	The successful transactions	
neighboring regions referred to	made in the neighboring	
in the preceding paragraph	regions as referred to in the	
shall be based on the principle	preceding paragraph shall be	
where the real property is	based on the principle where	

Post-amendment	Pre-amendment	Explanations
located within 500 meters	the real property is located	
from the same street or	within 500 meters from the	
neighboring streets of the	same street or neighboring	
underlying transaction	streets of the underlying	
property or the announced	transaction property or the	
present value is close. The	announced present value is	
approximate area sizes	close. The approximate area	
referred to above shall be	size referred to above shall be	
based on the principle where	based on the principle where	
the area size of the transaction	the area size of the <u>successful</u>	
of a non-related party is not	transaction of a non-related	
lower than 50% of the	party not being lower than	
transaction underlying	50% of the transaction	
property's area. The "within	underlying property's area.	
the previous year" referred to	The "within the previous year"	
above shall be the year	referred above shall be the	
preceding the date that the	year preceding the date that	
acquisition of the real property	the acquisition of the real	
or its right-of-use assets	property actually occurs.	
actually occurs.		
Article 19	Article 18	1. Change the number of the
Where the Bank acquires real	Where the Bank acquires real	Article.
property or its right-of-use	property from a related party	2. According to Article 18 of
assets from a related party and,	and, compared with results of	the Regulations, this Article
compared with results of the	the assessment required by the	is amended to define the
assessment required by the	Article16 and Article 17, the	requirements under the
preceding two Articles, the	assessed price is lower than	circumstance where the
assessed price is lower than	the transaction price is lower,	evaluation cost of the real
the transaction price is lower,	the following steps shall be	property 's right-of-use
the following steps shall be	taken:	assets leased from related
taken:		parties is lower than the
1. For the difference between	1. For the difference between	transaction cost.

Post-amendment	Pre-amendment	Explanations
the transaction price of the	the transaction price of the	
real property or its right-of-	real property and the	
use assets and the assessed	assessed cost, a special	
cost, a special surplus	surplus reserve shall be set	
reserve shall be set aside in	aside in accordance with	
accordance with Paragraph	Paragraph 1 of Article 41 of	
1 of Article 41 of the	the Securities and Exchange	
Securities and Exchange	Act, and the reserve shall	
Act, and the reserve shall	not be distributed or used as	
not be distributed or used as	the stock dividend from	
the stock dividend from	capital increase. Where an	
capital increase. Where an	investor adopting the equity	
investor adopting the equity	method for their investment	
method for their investment	is a public company, it shall	
is a public company, it shall	follow the pro-rata	
follow the pro-rata	entitlement to set aside a	
entitlement to set aside a	special surplus reserve from	
special surplus reserve from	the appropriated amount in	
the appropriated amount in	accordance with Paragraph	
accordance with Paragraph	1 of Article 41 of the	
1 of Article 41 of the	Securities and Exchange	
Securities and Exchange	Act.	
Act.		
2. Independent directors of the	2. Independent directors of the	
audit committee shall	audit committee shall	
comply with Article 218 of	comply with Article 218 of	
the Company Act.	the Company Act.	
3. The handling status of the	3. The handling status of	
preceding two	Subparagraph 1 and	
subparagraphs shall be	Subparagraph 2 shall be	
reported to the board of	reported to the board of	
shareholders and the	shareholders and the	

Post-amendment	Pre-amendment	Explanations
transaction detailed content	transaction detailed content	
shall be disclosed in the	shall be disclosed in the	
annual report and	annual report and	
prospectus.	prospectus.	
Where a special surplus	Where a special surplus	
reserve is set aside in	reserve is set aside in	
accordance with the preceding	accordance with the preceding	
paragraph, the Bank shall not	paragraph, the Bank shall not	
use the special surplus reserve	use the special surplus reserve	
until the loss on market value	until the loss on the market	
for the assets purchased or	value for the assets purchased	
leased with a high price has	with a high price has been	
been recognized, the assets	recognized, the assets have	
have been disposed of, the	been disposed of, proper	
lease has been terminated,	compensation has been made,	
proper compensation has been	the assets have been restituted,	
made, the assets have been	or there is evidence	
restituted, or there is evidence	confirming no irrationality and	
confirming no irrationality and	the use of the reserve has been	
the use of the reserve has been	approved by the competent	
approved by the competent	authority.	
authority.		
In the case that the Bank	In the case that the Bank	
acquires real property or its	acquires real property from its	
right-of-use assets from its	related party, if there is any	
related party, if there is any	other evidence showing a non-	
other evidence showing a non-	arm's length transaction, the	
arm's length transaction, the	preceding two paragraphs shall	
preceding two paragraphs shall	be complied with.	
be complied with.		
Article 20	Article 19	Change the number of the
The Bank shall separately set	The Bank shall separately set	Article.

Post-amendment	Pre-amendment	Explanations
up disposition procedures in	up disposition procedures in	
accordance with the provisions	accordance with the provisions	
set forth in this section for its	set forth in this section for its	
trading of derivatives and	trading of derivatives and	
incorporate the items below in	incorporate the items below in	
the procedures:	the procedures:	
1. Trading principles and	1. Trading principles and	
guidelines: They shall	guidelines: They shall	
include the types of	include the types of	
derivatives trading to be	derivatives trading to be	
engaged in, operating or	engaged in, operating or	
hedging strategies,	hedging strategies,	
segregation of duties,	segregation of duties,	
essentials of performance	essentials of performance	
evaluation, total contract	evaluation, total contract	
amount for the derivatives	amount for the derivatives	
allowed to be traded, and	allowed to be traded, and	
upper-limit amount of the	upper-limit amount of the	
loss on either total trading	loss on either total trading	
or individual contracts.	or individual contracts.	
2. Risk management measures.	2. Risk management measures.	
3. Internal audit system.	3. Internal audit system.	
4. Regular evaluation method	4. Regular evaluation method	
and handling of irregular	and handling of irregular	
circumstances.	circumstances.	
Article 21	Article 21	1. Change the number of the
The Bank shall adopt the risk	The Bank shall adopt the risk	Article.
management measures below	management measures below	2. According to Article 20 of
when engaging in transactions	when engaging in transactions	the Regulations, the text is
of derivatives:	of derivatives:	slightly modified.
1. The scope of risk	1. The scope of risk	
management shall cover	management shall cover	

Post-amendment	Pre-amendment	Explanations
credit, market prices,	credit, market prices,	
liquidity, cash flows,	liquidity, cash flows,	
operational and legal risks,	operational and legal risks,	
etc.	etc.	
2. The personnel engaging in	2. The personnel engaging in	
the trading of derivatives	the trading of derivatives	
shall not concurrently serve	shall not concurrently serve	
as the confirmation and	as the confirmation and	
settlement personnel.	settlement personnel.	
3. Risk measurement,	3. Risk measurement,	
monitoring and control	monitoring and control	
personnel and the preceding	personnel and the preceding	
personnel shall not be in a	personnel shall not be in a	
same division, and they	same division, and they	
shall report to the board of	shall report to the board of	
directors or the high-rank	directors or the high-rank	
management personnel not	management personnel not	
responsible for	responsible for	
determination of	determination of	
transactions or positions.	transactions or positions.	
4. The position held for	4. The position held for	
transactions of derivatives	transactions of derivatives	
shall be evaluated at least	shall be evaluated at least	
once a week. However,	once a week. However,	
hedge transactions required	hedge transactions required	
by business shall be	by business shall be	
evaluated at least twice a	evaluated at least twice a	
month. The evaluation	month. The evaluation	
report shall be sent to the	report shall be submitted to	
high-rank management	the high-rank management	
personnel authorized by the	personnel authorized by the	
board of directors.	board of directors.	

Post-amendment	Pre-amendment	Explanations
5. Other important risk	5. Other important risk	
management measures.	management measures.	
Article 22	Article 21	1. Change the number of the
Where the Bank engages in	Where the Bank engages in	Article.
trading of derivatives, its	trading of derivatives, its	2. According to Article 21 of
board of directors shall follow	board of directors shall follow	the Regulations, the text is
the principles below to	the principles below to	slightly modified.
literally supervise and manage	literally supervise and manage	
the transactions:	the transactions:	
1. Designate high-rank	1. Designate high-rank	
management personnel to	management personnel to	
keep an eye out for	keep an eye out for	
supervising and controlling	supervising and controlling	
derivatives trading risk at	derivatives trading risk at	
any time.	any time.	
2. Periodically evaluate	2. Periodically evaluate	
whether derivatives trading	whether derivatives trading	
performance is consistent	performance is consistent	
with established operating	with established operating	
strategy, and whether the	strategy, and whether the	
undertaking risk is within	undertaking risk is within	
the Bank's tolerance limit.	the Bank's tolerance limit.	
The high-rank management	The high-rank management	
personnel authorized by the	personnel authorized by the	
board of directors shall	board of directors shall	
following the principles below	following the principles below	
to manage transactions of	to manage transactions of	
derivatives:	derivatives:	
1. Periodically evaluate	1. Periodically evaluate	
whether the risk	whether the risk	
management measures	management measures	
adopted currently are	adopted currently are	

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

Post-amendment	Pre-amendment	Explanations
of its transactions of	of its transactions of	
derivatives, board meeting bill	derivatives, board meeting bill	
adoption dates and the items to	adoption dates and the items to	
be prudently evaluated in	be prudently evaluated in	
accordance with Subparagraph	accordance with Subparagraph	
4 of Article 21, Subparagraph	4 of Article 20, Subparagraph	
2 of Paragraph 1 and	2 of Paragraph 1 and	
Subparagraph 1 of Paragraph 2	Subparagraph 1 of Paragraph 2	
of the <u>preceding</u> Article shall	of the Article 21 shall be	
be recorded in the	recorded in the memorandum	
memorandum book for future	book for future reference.	
reference.		
The Bank's internal audit	The Bank's internal audit	
personnel shall periodically	personnel shall periodically	
come to understand the	come to understand the	
adequacy of the internal	adequacy of the internal	
control of derivatives trading,	control of derivatives trading,	
and the compliance with the	and the compliance with the	
disposition procedures for	disposition procedures for	
engaging in derivatives trading	engaging in derivatives trading	
audited by the transaction	audited by the transaction	
audit division shall be	audit division shall be	
included in the monthly audit	included in the monthly audit	
items of the annual audit plan	items of the annual audit plan	
to come up with an audit	to come up with an audit	
report. In case of any material	report. In case of any material	
violation, the audit committee	violation, the audit committee	
shall be notified in writing.	shall be notified in writing.	
Article 24	Article 23	Change the number of the
When processing merger, split,	When processing merger, split,	Article.
acquisition or transfer of	acquisition or transfer of	
shares, the Bank shall engage	shares, the Bank shall engage	

Post-amendment	Pre-amendment	Explanations
its CPA, attorney or securities	its CPA, attorney or securities	
underwriter to provide	underwriter to provide	
opinions on the rationality of	opinions on the rationality of	
the share swap ratio,	the share swap ratio,	
acquisition price or	acquisition price or	
distribution of cash or other	distribution of cash or other	
property to shareholders prior	property to shareholders prior	
to holding the board meeting	to holding the board meeting	
for resolution. The opinions	for resolution. The opinions	
shall be submitted to the board	shall be submitted to the board	
of directors for discussion and	of directors for discussion and	
adoption. Nevertheless, the	adoption. Nevertheless, the	
opinions on rationality issued	opinions on rationality issued	
by the preceding experts can	by the preceding experts can	
be exempted under the	be exempted under the	
circumstance where the Bank	circumstance where the Bank	
merges its subsidiaries, of	merges its subsidiaries, of	
which it directly or indirectly	which it directly or indirectly	
holds 100% of their issued	holds 100% of their issued	
shares or total capital amount,	shares or total capital amount,	
or merges with its subsidiaries,	or merges with its subsidiaries,	
of which it directly or	of which it directly or	
indirectly holds 100% of their	indirectly holds 100% of their	
issued shares or total capital	issued shares or total capital	
amount.	amount.	
Article 25	Article 24	Change the number of the
In case of participation in	In case of participation in	Article.
merger, split or acquisition, the	merger, split or acquisition, the	
Bank shall incorporate the	Bank shall incorporate the	
major contents of the merger,	major contents of the merger,	
split or acquisition and	split or acquisition and	
relevant items into an open	relevant items into an open	

Post-amendment	Pre-amendment	Explanations
report to shareholders which	report to shareholders which	
shall be produced prior to the	shall be produced prior to the	
shareholders' meeting, and	shareholders' meeting, and	
deliver the details together	deliver the details together	
with the expert opinions	with the expert opinions	
referred to in the preceding	referred to in the preceding	
Article and meeting notice for	Article and meeting notice for	
the upcoming shareholders'	the upcoming shareholders'	
meeting to shareholders as the	meeting to shareholders as the	
reference for whether they	reference for whether they	
agree to the merger, split or	agree to the merger, split or	
acquisition case. However, it is	acquisition case. However, it is	
not limited to the circumstance	not limited to the circumstance	
where the shareholders'	where the shareholders'	
meeting for resolution of	meeting for resolution of	
merger, split or acquisition can	merger, split or acquisition can	
be exempted as prescribed by	be exempted as prescribed by	
other laws.	other laws.	
Where the shareholders'	Where the shareholders'	
meeting of any party of a	meeting of any party of a	
company participating in	company participating in	
merger, split or acquisition	merger, split or acquisition	
fails to be convened, the	fails to be convened, the	
resolution in the shareholder's	resolution in the shareholder's	
meeting is not able to be	meeting is not able to be	
adopted or the proposal is	adopted or the proposal is	
vetoed by the shareholders'	vetoed by the shareholders'	
meeting due to deficiency in	meeting due to deficiency in	
the number of attending	the number of attending	
shareholders or required votes	shareholders or required votes	
or other legal restrictions, the	or other legal restrictions, the	
company participating in	company participating in	

Post-amendment	Pre-amendment	Explanations
merger, split or acquisition	merger, split or acquisition	
shall immediately externally	shall immediately externally	
explain the reason for what has	explain the reason for what has	
happened, the follow-up	happened, the follow-up	
handling operation and the	handling operation and the	
date expected to hold the	date expected to hold the	
shareholders' meeting.	shareholders' meeting.	
Article 26	Article 25	1. Change the number of the
Unless otherwise stated by law	Unless otherwise stated by law	Article.
or a special factor which is	or a special factor which is	2. According to Article 25 of
required to be reported to and	required to be reported to and	the Regulations, the text is
approved by the competent	approved by the competent	slightly modified.
authority in advance, the	authority in advance, the	
company participating in	company participating in	
merger, split or acquisition	merger, split or acquisition	
shall also convene a board	shall also convene a board	
meeting and shareholders'	meeting and shareholders'	
meeting on the same day to	meeting on the same day to	
resolve merger, split or	resolve merger, split or	
acquisition related matters.	acquisition related matters.	
Unless otherwise stated by law	Unless otherwise stated by law	
or a special factor which is	or a special factor which is	
required to be reported to and	required to be reported to and	
approved by the competent	approved by the competent	
authority in advance, the	authority in advance, the	
company participating in the	company participating in the	
transfer of shares shall	transfer of shares shall	
convene a board meeting on	convene a board meeting on	
the same day.	the same day.	
The Bank shall compile the	The Bank shall compile the	
following data into an	following data into an	
intergraded written record,	intergraded written record,	

Post-amendment	Pre-amendment	Explanations
and retain the record for five	and retain the record for five	
years for future reference:	years for future reference:	
1. Personnel's basic	1. Personnel's basic	
information: Including the	information: Including the	
occupational title, name, ID	occupational title, name, ID	
certificate No. (or passport	certificate No. (or passport	
number in case of a foreign	number in case of a foreign	
national) of all the persons	national) of all the persons	
participating in the plan of	participating in the plan of	
merger, split, acquisition or	merger, split, acquisition or	
transfer of shares or	transfer of shares or	
executing the plan prior to	executing the plan prior to	
the information being made	the information being made	
public.	public.	
2. Dates of important events:	2. Dates of important events:	
Including the dates signing	Including the dates signing	
the letters of intent and	the letters of intent and	
memorandums, appointing	memorandums, appointing	
financial or legal	financial or legal	
consultants, signing	consultants, signing	
contracts, holding board	contracts, holding board	
meetings, etc.	meetings, etc.	
3. Important documents and	3. Important documents and	
meeting minutes: Including	meeting minutes: Including	
the paper-form documents	the paper-form documents	
regarding the plans of	regarding the plans of	
merger, split, acquisition or	merger, split, acquisition or	
transfer of shares, letters of	transfer of shares, letters of	
intent or memorandums,	intent or memorandums,	
important contracts, minutes	important contracts, minutes	
of board meetings, etc.	of board meetings, etc.	
The TSEC or OTC-listed	The TSEC or OTC-listed	

Post-amendment	Pre-amendment	Explanations
company participating in	company participating in	
merger, split, acquisition or	merger, split, acquisition or	
transfer of shares shall declare	transfer of shares shall declare	
the data required by	the data required by	
subparagraph 1 and	subparagraph 1 and	
subparagraph 2 of the	subparagraph 2 of the	
preceding paragraph to the	preceding paragraph to the	
competent authority for future	competent authority for future	
reference via the internet	reference via the internet	
information system with the	information system with the	
prescribed format within two	prescribed format within two	
days as of the date that the	days as of the date that the	
resolution is adopted by the	resolution is adopted by the	
board of directors.	board of directors.	
Where the company	Where the company	
participating in merger, split,	participating in merger, split,	
acquisition or transfer of	acquisition or transfer of	
shares is neither a TSEC-listed	shares is neither a TSEC-listed	
nor an OTC-listed company,	nor an OTC-listed company,	
the Bank shall sign an	the Bank shall sign an	
agreement with the company	agreement with the company	
by complying with the_	by complying with Paragraph	
preceding two paragraphs.	3 and Paragraph 4.	
Article 27	Article 26	Change the number of the
All the persons participating in	All the persons participating in	Article.
or learning the company's plan	or learning the company's plan	
for merger, split, acquisition or	for merger, split, acquisition or	
transfer of shares shall issue a	transfer of shares shall issue a	
written confidentiality	written confidentiality	
commitment, with which they	commitment, with which they	
shall neither divulge the plan	shall neither divulge the plan	
content to others nor trade the	content to others nor trade the	

Post-amendment	Pre-amendment	Explanations
stock of the company related	stock of the company related	
to the merger, split, acquisition	to the merger, split, acquisition	
or shares transfer case and	or shares transfer case and	
other equity-type securities in	other equity-type securities in	
their own names or under the	their own names or under the	
names of other persons prior to	names of other persons prior to	
public disclosure of the	public disclosure of the	
information.	information.	
Article 28	Article 27	Change the number of the
Where the Bank participates in	Where the Bank participates in	Article.
merger, split, acquisition or	merger, split, acquisition or	
transfer of share, the share	transfer of share, the share	
swap ratio or acquisition price	swap ratio or acquisition price	
shall not discretionarily	shall not discretionarily	
change except under the	change except under the	
circumstances below in which	circumstances below in which	
the circumstances allowed for	the circumstances allowed for	
change shall be indicated in	change shall be indicated in	
the contract of merger, split,	the contract of merger, split,	
acquisition or transfer of	acquisition or transfer of	
shares:	shares:	
1. Seasoned equity offering,	1. Seasoned equity offering,	
issuance of convertible	issuance of convertible	
corporate bonds, scrip issue,	corporate bonds, scrip issue,	
issuance of bonds with	issuance of bonds with	
warrants, preferred shares	warrants, preferred shares	
with warrants, stock	with warrants, stock	
warrants or other equity-	warrants or other equity-	
type securities.	type securities.	
2. The conduct, such as	2. The conduct, such as	
disposal of the Bank's major	disposal of the Bank's major	
assets which affects the	assets which affects the	

Post-amendment	Pre-amendment	Explanations
Bank's financial businesses.	Bank's financial businesses.	
3. Occurrence of grave	3. Occurrence of grave	
disasters or important	disasters or important	
technology reform which	technology reform which	
affects the Bank's	affects the Bank's	
shareholders' equity and	shareholders' equity and	
prices of securities.	prices of securities.	
4. Repurchase of treasury	4. Repurchase of treasury	
stock by law for adjustment	stock by law for adjustment	
by any party of a company	by any party of a company	
participating in merger,	participating in merger,	
split, acquisition or transfer	split, acquisition or transfer	
of shares.	of shares.	
5. Increase or decrease in the	5. Increase or decrease in the	
number of entities or	number of entities or	
companies participating in	companies participating in	
merger, split, acquisition or	merger, split, acquisition or	
transfer of shares.	transfer of shares.	
6. Other terms for allowing	6. Other terms for allowing	
change have been set forth	change have been set forth	
in the contract and it has	in the contract and it has	
been made public.	been made public.	
Article 29	Article 28	Change the number of the
Where the Bank participates in	Where the Bank participates in	Article.
merger, split, acquisition or	merger, split, acquisition or	
transfer of shares, the contract	transfer of shares, the contract	
shall record the rights and	shall record the rights and	
interests of its participation in	interests of its participation in	
merger, split, acquisition or	merger, split, acquisition or	
transfer of shares and state the	transfer of shares and state the	
following matters:	following matters:	
1. Default handling.	1. Default handling.	

Post-amendment	Pre-amendment	Explanations
2. The principle to handle the	2. The principle to handle the	
equity-type securities or	equity-type securities or	
treasury stock issued or	treasury stock issued or	
repurchased by a company	repurchased by a company	
before it was extinguished	before it was extinguished	
or divided due to merger.	or divided due to merger.	
3. The quantity of the treasury	3. The quantity of the treasury	
stock which can be	stock which can be	
repurchased by law by a	repurchased by law by a	
participating company after	participating company after	
the share swap ratio	the share swap ratio	
calculation base day and its	calculation base day and its	
handling principle.	handling principle.	
4. The method to handle	4. The method to handle	
increase or decrease in the	increase or decrease in the	
number of participating	number of participating	
entities or companies.	entities or companies.	
5. Plan's execution schedule	5. Plan's execution schedule	
and expected completion	and expected completion	
days.	days.	
6. The handling procedures	6. The handling procedures	
regarding the date slated for	regarding the date slated for	
a shareholders' meeting	a shareholders' meeting	
which shall be held by law	which shall be held by law	
when the plan is not	when the plan is not	
finished after the due time.	finished after the due time.	
Article 30	Article 29	Change the number of the
Where any party of a company	Where any party of a company	Article.
participating in merger, split,	participating in merger, split,	
acquisition or transfer of	acquisition or transfer of	
shares plans to proceed with	shares plans to proceed with	
merger, split, acquisition or	merger, split, acquisition or	

Post-amendment	Pre-amendment	Explanations
transfer of shares with another	transfer of shares with another	
company after the information	company after the information	
is externally disclosed, unless	is externally disclosed, unless	
that the number of	that the number of	
participating companies	participating companies	
decreases, the resolution has	decreases, the resolution has	
been adopted by the	been adopted by the	
shareholders' meeting for	shareholders' meeting for	
authorizing the board of	authorizing the board of	
directors to alter its authority,	directors to alter its authority,	
of which the participating	of which the participating	
company can be exempted	company can be exempted	
from holding a shareholders'	from holding a shareholders'	
meeting again to resolve on	meeting again to resolve on	
the matter, all of the	the matter, all of the	
participating companies shall	participating companies shall	
reprocess the procedure or	reprocess the procedure or	
legal action which was	legal action which was	
completed for the case of	completed for the case of	
original merger, split,	original merger, split,	
acquisition or transfer of	acquisition or transfer of	
shares.	shares.	
Article 31	Article 30	1. Change the number of the
Article 31 In the event that a	Article 31 In the event that a	Article.
company participating in	company participating in	2. According to Article 31 of
merger, split, acquisition or	merger, split, acquisition or	the Regulations, the text is
transfer of shares is a non-	transfer of shares is a non-	slightly modified.
publicly listed company, the	publicly listed company, the	
Bank shall sign an agreement	Bank shall sign an agreement	
with it in accordance with	with it in accordance with	
Article 26, Article 27 and the	Article 25, Article 26 and	
preceding Article.	Article 29.	

#### **Post-amendment Pre-amendment Explanations** Article 32 Article 31 1. Change the number of the In case of any of the following In case of any of the following Article. circumstances occurring to the circumstances occurring to the 2. According to Article 31 of Bank's asset acquisition or Bank's asset acquisition or the Regulations, Subparagraph 1 of disposal, the Bank shall disposal, the Bank shall announce and declare the announce and declare the Paragraph 1 of this Article is relevant information with relevant information with amended, in which the stipulated format on the stipulated format on the reason for the amendment is website specified by the website specified by the same as that of Article 16 competent authority according competent authority according 3. In conjunction with IFRS to the characteristics of the to the characteristics of the No. 16, right-of-use assets information within two days information within two days are incorporated into this after the day that the fact after the day that the fact Article. occurs: occurs: 4. Item 2 of Subparagraph 6 of 1. The Bank acquires real 1. The Bank acquires real Paragraph 1 of this Article takes into account the fact property or its right-of-use property from a related assets from a related parties party or disposes of a related that the act conducted by or disposes of a related party's real property, or it investment professionals to acquires other assets beyond subscribe ordinary corporate party's real property or its right-of-use assets, or it the real property from a bonds in a foreign primary acquires other assets beyond related party or disposes of a market is considered as the real property or its rightrelated party's aforesaid regular behavior with of-use assets from a related other assets, and transaction simplicity of commodity characteristics. In addition, party or disposes of a related amount is 20% of its paid-in party's aforesaid other capital or more, 10% of its domestic securities assets, and the transaction total assets or more, or investment trust enterprises NT\$300 million or more. amount is 20% of its paid-in and futures trust enterprises capital or more, 10% of its However, it is not limited to are supervised and managed total assets or more, or the trading of government by the Financial Supervisory NT\$300 million or more. bonds or bonds under Commission (FSC) and However, it is not limited to repurchase or reverse subscription or repurchase

repurchase agreements and

of the funds placed by them

the trading of domestic

Post-amendment	Pre-amendment	Explanations
government bonds or bonds	subscription or repurchase	is also the regular act of
under repurchase or reverse	of money market funds	investment professionals.
repurchase agreements and	issued by domestic	Hence, in conjunction with
subscription or repurchase	securities investment trust	the amendment to
of money market funds	enterprises.	exemption of the
issued by domestic		requirement of
securities investment trust		announcement prior to
enterprises.		trading of the preceding
2. Proceed with merger, split,	2. Proceed with merger, split,	securities and by
acquisition or transfer of	acquisition or transfer of	considering the higher risk
shares.	shares.	of subordinated debentures,
3. The loss resulting from	3. The loss resulting from	it is also specifically
engaging in transactions of	engaging in transactions of	prescribed that the ordinary
derivatives reaches the	derivatives reaches the	corporate bonds and the
upper limit set forth in the	upper limit set forth in the	general financial debentures
disposition procedures for	disposition procedures for	not involving equity are not
the loss of total or individual	the loss of total or individual	included in subordinated
contracts.	contracts.	debentures.
4. The acquired or disposed	4. The acquired or disposed	
assets are the equipment or	assets are the equipment for	
its right-of-use assets for the	the business use, the	
business use, the transaction	transaction counterparty is	
counterparty is not a related	not a related party and the	
party and the transaction	transaction amount is over	
amount is over NT\$100	NT\$100 million or more.	
million or more.		
5. The real property is	5. The real property is	
acquired by the method of	acquired by the method of	
construction assigned by the	construction assigned by the	
land owner, construction	land owner, construction	
assigned for the leased land,	assigned for the leased land,	
joint construction and	joint construction and	

Post-amendment	Pre-amendment	Explanations
allocation of housing units,	allocation of housing units,	
joint construction and	joint construction and	
allocation of ownership	allocation of ownership	
percentages or joint	percentages or joint	
construction and separate	construction and separate	
sale, the transaction	sale, the transaction	
counterparty is not a related	counterparty is not a related	
party and the transaction	party and the transaction	
amount expected to be put	amount expected to be put	
in by the Bank is NT\$500	in by the Bank is NT\$500	
million or more.	million or more.	
6. Except for the asset	6. Except for the asset	
transactions beyond those	transactions beyond those	
that are referred to in the	that are referred to in the	
preceding five	preceding five	
subparagraphs, the	subparagraphs, the	
transaction amount of the	transaction amount of the	
Bank's claim disposal or	Bank's claim disposal or	
investment in the mainland	investment in the mainland	
China area reaches 20% of	China area reaches 20% of	
its paid-in capital or more,	its paid-in capital or more,	
or NT\$300 million or more.	or NT\$300 million or more.	
However, it is not limited to	However, it is not limited to	
the circumstances below:	the circumstances below:	
(1) Trading of <u>domestic</u>	(1) Trading of government	
bonds.	bonds.	
(2) Securities trading made by	(2) Securities trading made by	
investment professionals in	investment professionals in	
securities exchanges or	domestic or foreign	
securities firms' business	securities exchanges or	
outlets, subscription,	securities firms' business	
offering and issuance of	outlets, subscription,	

Post-amendment	Pre-amendment	Explanations
ordinary corporate bonds	offering, and issuance of	
and general financial	ordinary corporate bonds	
debentures without	and general financial	
involving equity (not	debentures without	
including second junior	involving equity in the	
subordinated debentures)	domestic primary market,	
in the primary market,	or securities subscription	
subscription or repurchase	made in accordance with	
of securities investment	the rules of Taipei	
trust funds or futures trust	Exchange by a securities	
<u>funds</u> , or securities	firm acting as an emerging	
subscription made in	listed-company's securities	
accordance with the rules	consulting advisor as	
of the Taipei Exchange by	required by its	
a securities firm acting as	underwriting business	
an emerging-listed	need.	
company's securities		
consulting advisor as		
required by its		
underwriting business		
need.		
(3) Trading of the bonds under	(3) Trading of the bonds under	
the repurchase or reverse	the repurchase or reverse	
repurchase agreement, and	repurchase agreement, and	
subscription or repurchase	subscription or repurchase	
of money market funds	of money market funds	
issued by domestic	issued by domestic	
securities investment trust	securities investment trust	
enterprises	enterprises	
The preceding transaction	The preceding transaction	
amount shall be calculated as	amount shall be calculated as	
follows:	follows:	

Post-amendment	Pre-amendment	Explanations
1. The amount of each	1. The amount of each	
transaction.	transaction.	
2. The accumulated amount of	2. The accumulated amount of	
transactions with a same	transactions with a same	
counterparty for acquisition	counterparty for acquisition	
or disposal of a same type	or disposal of a same type	
of underling objects within	of underling objects within	
one year.	one year.	
3. The accumulated amount of	3. The accumulated amount of	
the real property or its right-	the real property acquired	
of-use assets acquired or	or disposed of	
disposed of (accumulation	(accumulation of	
of acquisition and disposal	acquisition and disposal	
respectively) for a same	respectively) for a same	
development plan within	development plan within	
one year.	one year.	
4. The accumulated amount of	4. The accumulated amount of	
the same securities acquired	the same securities acquired	
or disposed of	or disposed of	
(accumulation of	(accumulation of	
acquisition and disposal	acquisition and disposal	
respectively) within one	respectively) within one	
year.	year.	
The "within one year" used in	The "within one year" used in	
the previous paragraphs refers	the previous paragraphs refers	
to the year preceding the date	to the year preceding the date	
that the transaction actually	that the transaction actually	
occurs. The part which has	occurs. The part which has	
already been announced in	already been announced in	
accordance with the	accordance with the	
Disposition Procedure can be	Disposition Procedure can be	
exempted from being counted	exempted from being counted	

Post-amendment	Pre-amendment	Explanations
in again.	in again.	
The Bank shall monthly post	The Bank shall monthly post	
the status of its transactions of	the status of its transactions of	
derivatives made as of the end	derivatives made as of the end	
of the previous month	of the previous month	
according to the required	according to the required	
format on the information	format on the information	
declaration website designated	declaration website designated	
by the competent authority	by the competent authority	
before the 10 <sup>th</sup> of each month.	before the 10 <sup>th</sup> of each month.	
In the event that any error or	In the event that any error or	
omission occurs in the	omission occurs in the	
announcement of the items	announcement of the items	
required to be announced as	required to be announced as	
stipulated and correction is	stipulated and correction is	
required to be made, the Bank	required to be made, the Bank	
shall announce and declare all	shall announce and declare all	
the items again on the website	the items again on the website	
within two days as of the day	within two days as of the day	
that the error or omission is	that the error or omission is	
learned.	learned.	
Where the Bank acquires or	Where the Bank acquires or	
disposes of its assets, the	disposes of its assets, the	
documents regarding relevant	documents regarding relevant	
contracts, minutes books,	contracts, minutes books,	
memorandum books, appraisal	memorandum books, appraisal	
reports, opinion statements	reports, opinion statements	
provided by CPAs, attorneys	provided by CPAs, attorneys	
or securities underwriters, etc.	or securities underwriters, etc.	
shall be retained in the Bank	shall be retained in the Bank	
for at least five years unless	for at least five years unless	
otherwise stated by law.	otherwise stated by law.	

Post-amendment	Pre-amendment	Explanations
Article 33	Article 32	Change the number of the
In case that any of the	In case that any of the	Article.
following circumstances	following circumstances	
occurs after the Bank	occurs after the Bank	
announces and declares its	announces and declares its	
transactions according to the	transactions according to the	
preceding Article, the Bank	preceding Article, the Bank	
shall announce and declare the	shall announce and declare the	
relevant information on the	relevant information on the	
website designated by the	website designated by the	
competent authority within	competent authority within	
two days as of the day that the	two days as of the day that the	
fact occurs:	fact occurs:	
1. Any change, termination or	1. Any change, termination or	
discharge of the contracts	discharge of the contracts	
related to the original	related to the original	
transaction.	transaction.	
2. Merger, split, acquisition or	2. Merger, split, acquisition or	
transfer of shares fails to be	transfer of shares fails to be	
completed within the	completed within the	
contract scheduled date.	contract scheduled date.	
3. Any change in the originally	3. Any change in the originally	
announced and declared	announced and declared	
content.	content.	
Article 34	Article 33	Change the number of the
The 10% of total assets set	The 10% of total assets set	Article.
forth in the Disposition	forth in the Disposition	
Procedures shall be calculated	Procedures shall be calculated	
according to the total asset	according to the total asset	
amount indicated in the latest	amount indicated in the latest	
entity or individual financial	entity or individual financial	
report prepared under the	report prepared under the	

Post-amendment	Pre-amendment	Explanations
Regulations Governing the	Regulations Governing the	
Preparation of Financial	Preparation of Financial	
Reports by Securities Issuers.	Reports by Securities Issuers.	
Article 35	Article 34	Change the number of the
In the case that the personnel	In the case that the personnel	Article.
in charge of asset acquisition	in charge of asset acquisition	
or disposal fail to follow the	or disposal fail to follow the	
Disposition Procedures, the	Disposition Procedures, the	
Bank shall send them to its	Bank shall send them to its	
personnel appraisal committee	personnel appraisal committee	
for discussion of the	for discussion of the	
punishment to them according	punishment to them according	
to the degree of their violation.	to the degree of their violation.	
Article 36	Article 35	Change the number of the
The Disposition Procedures	The Disposition Procedures	Article.
shall first be reviewed by the	shall first be reviewed by the	
audit committee, followed by	audit committee, followed by	
being put forth to the board of	being put forth to the board of	
directors for adoption. After	directors for adoption. After	
being adopted by the board of	being adopted by the board of	
directors, it shall be proposed	directors, it shall be proposed	
to the shareholders' meeting	to the shareholders' meeting	
for adoption. After being	for adoption. After being	
adopted by the shareholders'	adopted by the shareholders'	
meeting, it can then be enacted	meeting, it can then be enacted	
and enforced accordingly. The	and enforced accordingly. The	
same also applies in case of	same also applies in case of	
any revision.	any revision.	

**Questions and Motions** 

None.

The adjournment: 10:27 a.m

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 abovementioned 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

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

jung-chun Pan

Knowfor Ling

Independent Director: Chi-Chang Yu

Independent Director: Jung-Chun Pan

# 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 highend 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

- 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

Dating	Release	Globa	l Rating	Nationa	al Rating	
Rating Agency	Date	Long-	Short-	Long-	Short-	Outlook
Agency	Date	term	term	term	term	
Taiwan	2019/12			twAA	twA-1+	Positive
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.

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

	2018		2017	
ASSETS	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 Other miscellaneous financial assets	55,045,230	3	64,609	- - 1
Other financial assets, net	55,045,230	<u> </u>	<u>27,015,755</u> <u>31,247,373</u>	1
Property and equipment, net	21,071,298	<u>3</u>	20,639,732	<u></u> 1
	13,742,376	1	13,747,787	1
Investment property, net	731,364	1	436,176	1
Intangible assets, net  Deferred tax assets	3,120,664	-	3,175,050	-
Other assets, net		-		-
	999,851	100	931,879	100
TOTAL	\$ 2,081,811,670	100	\$ 2,036,258,400	100
		<u>100</u>		100
TOTAL		<u>100</u>		
TOTAL  LIABILITIES AND EQUITY	<u>\$ 2,081,811,670</u>		\$ 2,036,258,400	
TOTAL  LIABILITIES AND EQUITY  Deposits from the Central Bank and banks	\$ 2,081,811,670 \$ 113,038,541	6	\$ 2,036,258,400 \$ 108,151,867	5
TOTAL  LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss	\$ 2,081,811,670 \$ 113,038,541 11,047,488	6	\$ 2,036,258,400 \$ 108,151,867 12,309,330	5 1
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890	6	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536	5 1 -
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779	6	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855	5 1 - 2
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285	6 1 - 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609	5 1 - 2
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112	6 1 - 2 - 81	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784	5 1 - 2 - 82
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657	5 1 - 2 - 82 2
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600	5 1 - 2 - 82 2
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835	5 1 - 2 - 82 2 -
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities  Deferred income tax liabilities	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970	5 1 - 2 - 82 2 -
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities  Deferred income tax liabilities  Other liabilities  Total liabilities  EQUITY	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277 2,793,202	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970 2,665,793	5 1 - 2 - 82 2 - - 1
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities  Deferred income tax liabilities  Other liabilities  Total liabilities  EQUITY  Capital stock Common stock	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277 2,793,202	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970 2,665,793	5 1 - 2 - 82 2 - - 1
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities  Deferred income tax liabilities  Other liabilities  EQUITY  Capital stock  Common stock  Retained earnings  Legal reserve	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277 2,793,202 1,925,250,039	6 1 - 2 - 81	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970 2,665,793 1,891,310,836	5 1 - 2 - 82 - 1 - 1 - 93
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Deferred income tax liabilities  Other liabilities  Total liabilities  EQUITY  Capital stock  Common stock  Retained earnings  Legal reserve  Special reserve  Special reserve  Unappropriated earnings	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277 2,793,202 1,925,250,039 97,895,207 31,038,668 12,141,416 12,091,349	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970 2,665,793 1,891,310,836 94,130,007 27,410,736 12,080,950 11,779,842	5 1 - 2 - 82 - 1 - 1 - 93
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities  Deferred income tax liabilities  Other liabilities  Total liabilities  EQUITY  Capital stock  Common stock  Retained earnings  Legal reserve  Special reserve  Unappropriated earnings  Other equity	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277 2,793,202 1,925,250,039 97,895,207 31,038,668 12,141,416 12,091,349 3,394,991	6 1 2 81 2 92 5 1 1	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970 2,665,793 1,891,310,836 94,130,007 27,410,736 12,080,950 11,779,842 (453,971)	5 1 - 2 - 82 - 1 - 1 - 93 - 1
LIABILITIES AND EQUITY  Deposits from the Central Bank and banks  Financial liabilities at fair value through profit or loss  Securities sold under repurchase agreements  Payables  Current tax liabilities  Deposits and remittances  Bank notes payable  Other financial liabilities  Reserve for liabilities  Deferred income tax liabilities  Other liabilities  Total liabilities  EQUITY  Capital stock  Common stock  Retained earnings  Legal reserve  Special reserve  Special reserve  Unappropriated earnings	\$ 2,081,811,670 \$ 113,038,541 11,047,488 5,285,890 36,677,779 241,285 1,689,581,112 49,549,055 4,387,078 5,296,332 7,352,277 2,793,202 1,925,250,039 97,895,207 31,038,668 12,141,416 12,091,349	6 1 - 2 - 81 2	\$ 2,036,258,400 \$ 108,151,867 12,309,330 3,118,536 34,849,855 954,609 1,672,079,784 41,739,657 3,662,600 4,758,835 7,019,970 2,665,793 1,891,310,836 94,130,007 27,410,736 12,080,950 11,779,842	5 1 - 2 - 82 - 1 - 1 - 93

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME	\$ 38,422,200	116	\$ 34,602,915	113	11
INTEREST EXPENSE	(15,232,556)	<u>(46</u> )	(11,946,045)	<u>(39</u> )	28
NET INCOME OF INTEREST	23,189,644	<u>70</u>	22,656,870	<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	1,007,231	13	1,770,010	13	•
or loss Realized gain on available-for-sale	2,711,956	8	2,342,942	7	16
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	761,666	2	-	-	-
financial assets at amortized cost	(101,029)	-	-	-	-
Foreign exchange gain (loss)	1,181,591	4	(76,604)	-	-
Net other non-interest income	476,185	1	510,427	2	(7)
Net non-interest income	9,918,545	<u>30</u>	8,139,849	_26	22
NET REVENUE AND GAINS	33,108,189	100	30,796,719	100	8
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	(2,203,252)	<u>(7</u> )	(791,185)	(3)	178
					(Continued)

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	<u>%</u>
OPERATING EXPENSES Employee benefits expenses	\$ (10,796,961)	(33)	\$ (10,607,874)	(34)	2
Depreciation and amortization expenses Other general and administrative	(716,163)	(2)	(718,826)	(2)	-
expenses	(4,681,729)	<u>(14</u> )	(4,494,615)	<u>(15</u> )	4
Total operating expenses	(16,194,853)	<u>(49</u> )	(15,821,315)	<u>(51</u> )	2
INCOME BEFORE INCOME TAX	14,710,084	44	14,184,219	46	4
INCOME TAX EXPENSE	(2,063,549)	<u>(6</u> )	(2,091,113)	<u>(7</u> )	(1)
NET INCOME	12,646,535	38	12,093,106	39	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	(==-,====)	(-)	(1-1,0-10)	(-)	(==)
comprehensive income Changes in fair value of financial liabilities attributable to changes	(237,132)	-	-	-	-
in credit risk of liabilities Income tax related to items that will not be reclassified subsequently	900	-	(82)	-	-
to profit or loss	63,452	-	71,625	-	(11) (Continued)

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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 **Unrealized Gains** Change in Fair (Losses) on **Financial Assets** Value of Financial Exchange **Unrealized Gains** Liability Differences on Measured at Fair Value Through Attributable to Translation of (Losses) on Change in **Capital Stock** Available-for-Other **Retained Earnings** Foreign Common Stock Unappropriated Financial sale Financial Comprehensive Credit Risk of (In Thousands) Amount Legal Reserve **Special Reserve Earnings Statements** Assets Income Liability **Total Equity** 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 (1,243,733)(903,865)December 31, 2017, net of tax (349,700) 689,650 (82)Total comprehensive income (loss) for the year ended 689,650 December 31, 2017 11,743,406 (1,243,733)(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 (797,969) 4,239,567 (347,750)3,093,848 Effect of retrospective application BALANCE, JANUARY 1, 2018 AS RESTATED 12,080,950 4,239,567 (82)9,413,001 94,130,007 27,410,736 11,432,092 (1,251,858)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) 109,534 900 Total comprehensive income (loss) for the year ended December 31, 2018 12,392,728 637,065 (274,624) 12,756,069 900 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)\$ 156,561,631

# CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,710,084	\$ 14,184,219
Non-cash (income and gains) or expenses and losses	Ψ 1.,,10,00.	Ψ 1.,10., <b>2</b> 1>
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	(=,0=0)	(67,267)
(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)	- 450 401
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	(3,456,086)	31,205,584
		(Continued)

# CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
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	(347,387)	(181,941)
Net cash flows used in investing activities	(1,426,766)	(608,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
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)	<u>-</u>
Cash dividends paid	(4,235,850)	(3,765,202)
Increase in securities sold under repurchase agreement	2,167,354	<u>163,555</u>
Net cash flows generated from (used in) financing activities	11,049,065	(24,372,510)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH		
EQUIVALENTS	657,497	(1,383,702)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,823,710	4,840,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	172,818,258	167,977,705
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 179,641,968</u>	<u>\$ 172,818,258</u>
	Decem	ber 31
	2018	2017
Reconciliation of cash and cash equivalents Cash and cash equivalents in balance sheet Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory	\$ 51,073,179	\$ 74,835,132
Commission	128,568,789	97,983,126
Cash and cash equivalents at end of period	\$ 179,641,968	\$ 172,818,258

#### 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.

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

	2018		2017	
ASSETS	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			4.147.000	
Financial assets at cost Investments in debt instruments without active market	-	-	4,167,009 64,609	- -
Other miscellaneous financial assets	51,821,709	2	27,015,755	1
Other financial assets, net	51,821,709	2	31,247,373	1
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	990,474	<del></del>	931,879	
TOTAL	\$ 2,069,080,020	<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	2,761,732	<u>-</u>	2,665,793	_
Total liabilities	1,912,518,389	92	1,891,310,836	93
EQUITY	1,712,510,507	<u></u>		<u></u>
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 Unappropriated earnings	12,141,416 12,091,349	1 1	12,080,950 11,779,842	1
Other equity	3,394,991	<u>-</u>	(453,971)	
Total equity	<u> 156,561,631</u>	8	144,947,564	7
TOTAL	<u>\$ 2,069,080,020</u>	<u>100</u>	\$ 2,036,258,400	<u>100</u>

# 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	(15,210,271)	<u>(46</u> )	(11,946,045)	(39)
NET INCOME OF INTEREST	23,125,542	<u>70</u>	22,656,870	74
NET NON-INTEREST INCOME (LOSS)  Net service fee income  Gain on financial assets or liabilities measured at fair	4,862,338	15	4,798,618	15
value through profit or loss Realized gain on available-for-sale financial assets Realized gain on financial assets at fair value	2,711,956	8 -	2,342,942 564,466	7 2
through other comprehensive income  Loss arising from derecognition of financial assets at	781,888	2	-	-
amortized cost Foreign exchange gain (loss) Share of profit or loss of associates and joint	(101,029) 745,536	2	(76,604)	-
ventures  Net other non-interest income	394,394 475,471	1 2	510,427	
Net non-interest income	9,870,554	_30	8,139,849	<u>26</u>
NET REVENUE AND GAINS	32,996,096	100	30,796,719	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	(2,213,028)	(7)	<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	(4,631,166)	<u>(14</u> )	<u>(4,494,615</u> )	<u>(15</u> )
Total operating expenses	(16,076,534)	<u>(49</u> )	(15,821,315)	<u>(51</u> )
INCOME BEFORE INCOME TAX	14,706,534	44	14,184,219	46
INCOME TAX EXPENSE	(2,059,999)	<u>(6</u> )	(2,091,113)	<u>(7</u> )
NET INCOME	12,646,535	_38	12,093,106 (Cor	39 ntinued)

# STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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 **Unrealized Gains** Change in Fair (Losses) on Exchange **Financial Assets** Value of Financial **Unrealized Gains** Liability Differences on Measured at Fair Translation of Value Through Attributable to (Losses) on **Capital Stock Retained Earnings** Foreign Available-for-Other Change in Common Stock Unappropriated Financial sale Financial Comprehensive Credit Risk of **Total Equity** (In Thousands) Amount Legal Reserve **Special Reserve Earnings Statements** Assets Income Liability 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 (1,243,733)(82)(903,865)31, 2017, net of tax (349,700)689,650 Total comprehensive income (loss) for the year ended December 11,743,406 689,650 (1,243,733)(82) 11,189,241 31, 2017 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 (797,969)4,239,567 (347,750)3,093,848 Effect of retrospective application BALANCE, JANUARY 1, 2018 AS RESTATED 9,413,001 12,080,950 4,239,567 (82)94,130,007 27,410,736 11,432,092 (1,251,858)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 9<u>00</u> 31, 2018 12,392,728 637,065 (274,624) 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)\$ 156,561,631

# STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income before income tax	\$	14,706,534	\$	14,184,219
Non-cash (income and gains) or expenses and losses	-	- 1,1 0 0,0 0 1	_	- 1, 1, 1
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		<u> </u>		31,183
Net cash flows from operating activities		1,143,798	_	31,205,584

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

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

(In	Thousands	of New	Taiwan 1	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	(347,039)	(181,941)
Net cash flows used in investing activities	(12,075,754)	(608,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
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)	(2.765.202)
Cash dividends paid	(4,235,850)	(3,765,202)
Increase in securities sold under repurchase agreement	2,167,354	163,555
Net cash flows generated from (used in) financing activities	16,705,410	(24,372,510)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH		
EQUIVALENTS	1,207,986	(1,383,702)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,981,440	4,840,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	172,818,258	167,977,705
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 179,799,698	<u>\$ 172,818,258</u>
	December 31	
	2018	2017
Reconciliation of cash and cash equivalents Cash and cash equivalents in balance sheet Call loans to banks qualifying as cash and cash equivalents under the	\$ 50,278,750	\$ 74,835,132
definition of IAS 7 permitted by the Financial Supervisory Commission	129,520,948	97,983,126
Cash and cash equivalents at end of period	\$ 179,799,698	\$ 172,818,258
Cash and Cash Equivalents at the OI period	<u>\$ 177,777,078</u>	<u>ψ 1/2,010,238</u>