



Chang Hwa Commercial Bank, Ltd.
Minutes for the 2020 Annual Meeting of Shareholders
(Summary Translation)

Meeting Time : 9 : 00 a.m. on Friday, June 19, 2020

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

Total outstanding shares of the Company: 9,985,311,160 shares

Total shares represented by shareholders present in person or by proxy :
9,688,174,691 shares (1,945,404,976 shares from E-Voting)

Percentage of shares held by shareholders present in person or by proxy :
97.02 %

Chairperson: Joanne Ling, Chairperson of the Board of Directors

Directors present:

Directors: Cheng-Ching Wu, Chien-Yi Chang, Chia-Chi Hsiao, Julius Chen

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

Attendees:

President: Jui-Mu Huang

Hengheng Attorneys-at-Law-Lawyer: Chih-Ching Yu

Myriad Attorneys-at-Law-Lawyer: Grace Lu

Deloitte & Touche CPA: Jimmy S. Wu

Mega Securities Registrar & Transfer Agency Dept.: Senior Vice Presidents

Chun-Chieh Huang, Li-Shuang Kuo, Manager Ying-Lung Chu

Recorders: Shan-Pei Yang, Wei-Chen Liu

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

Chairperson Remarks (omitted)

Report Items

Report No. 1:

2019 Business Report.

Shareholder ○ Chang (Attendance No. 600544) 、 Shareholder ○-Yuan Chen (Attendance No. 600540) 、 Shareholder ○-Yuan Qiu (Attendance No. 600542) 、 Shareholder ○- Qing Tian (Attendance No. 600539) 、 Shareholder ○- Zhe Hunag (Attendance No. 200025) 、 Shareholder ○ - Feng Wu (Attendance No. 600541) 、 Shareholder ○ -Cheng Guan (Attendance No. 600543) 、 Shareholder Representative of CHB Corporate Union ○-Kun Tsao (Shareholder No.2629040) 、 Shareholder Representative of Zhong-Xin Leisure Life Development Co., Ltd. ○-An Liu (Shareholder No.2837110) speaking, explained by the chairperson.

Report No. 2:

Audit Committee review of 2019 audited Financial Statements.

(Please refer to pages 56 to 57 of the handbook.)

Shareholder ○- Jun Lin (Shareholder No. 2981883) 、 Shareholder ○-Wen Chen (Attendance No. 200003) speaking.

Report No. 3:

The Bank's 2019 employee and director remuneration distribution status.

(Please refer to page 4 of the handbook.)

Shareholder ○-Han Lin (Attendance No. 200018) speaking.

The aforementioned reports were acknowledged by all shareholders present.

Recognition Items

Recognition Item No. 1: Adoption of the Bank's 2019 Business Report and Financial Statements.

Explanation:

The Bank's 2019 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 58 to 87 of the handbook), have been certified by Jimmy S. Wu, 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 34th meeting of the 25th term of the Board of Directors. Please adopt them.

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

9,456,398,328 shares were represented by the shareholders present in person or by proxy, accounting for 94.70% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 8,296,378,486 shares/ 87.73% (1,590,187,644 shares from E-voting)

Disapproval votes: 360,396,621 shares (39,357 shares from E-voting)

Abstention votes : 799,623,221 shares (355,177,975 shares from E-voting)

Resolution: voted and acknowledged as proposed.

Recognition Item No. 2: Adoption of the Bank's distribution of 2019 profit.

Explanation:

1. The Bank's 2019 net profit after tax was NT\$11,571,781,069.52. After aggregating items except for net profit after tax: remeasurement of defined benefit plan, the amount was negative NT\$125,650,602.47, and gain on disposal of investments in equity instructions measured at fair value through other comprehensive income, the amount was NT\$1,069,801, and setting aside 30% legal reserve of NT\$3,434,160,081 by law along with the beginning retained earnings of NT\$10,958,343.60, the distributable net profit was NT\$8,023,998,530.65. The proposed distribution of profit is scheduled as below:
 - (1) Distribution of dividend to common stock shareholders – cash (NT\$0.4 per share):
NT\$ 3,994,124,464.
 - (2) Distribution of dividend to common stock shareholders – stock (NT\$0.4 per share):
NT\$ 3,994,124,460.
 - (3) Unappropriated retained earnings are NT\$35,749,606.65.
2. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues. The ex-dividend date will be determined after the competent authorities approve the capitalization of earnings case.
3. The last annual surplus is assigned in priority order.

4. The total cash dividend amount will be distributed to each individual shareholder to the nearest NT\$1, and fractional amounts less than NT\$1 will be listed in other incomes of the Bank.
5. If the number of outstanding shares is affected by any situations leading to change in shareholder's distribution ratios, the Board of Directors will be authorized to adjust the distribution terms.
6. Attachment: 2019 Profit Distribution Table.

Shareholder ○- Qing Tian (Attendance No. 600539) proposed an amendment to suggest the distribution of dividend: cash dividend of NT\$0.5 and stock dividend of NT\$0.5 per share.

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

9,456,398,328 shares were represented by the shareholders present in person or by proxy, accounting for 94.70% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 8,670,381,323 shares/ 91.68% (1,603,961,351 shares from E-voting)

Disapproval votes: 111,894 shares (41,460 shares from E-voting)

Abstention votes : 785,905,111 shares (341,402,165 shares from E-voting)

Resolution: voted and acknowledged as original proposed.

Attachment

Chang Hwa Commercial Bank, Ltd.
2019 Profit Distribution Table

(Unit: NTD\$)

Net profit after tax	11,571,781,069.52
Add (Less): Items except for net profit after tax:	
Remeasurement of defined benefit plan	(125,650,602.47)
Gain on disposal of investments in equity instructions measured at fair value through other comprehensive income	1,069,801.00
Incorporation of distributable net profit	11,447,200,268.05
Set aside 30% legal reserve	(3,434,160,081.00)
Beginning retained earnings	10,958,343.60
Distributable net profit	8,023,998,530.65
Distributable items:	
Dividend to shareholders -Cash dividends: NT\$0.4 per share	(3,994,124,464.00)
Dividend to shareholders -Stock dividends: NT\$ 0.4 per share	(3,994,124,460.00)
Unappropriated retained earnings	35,749,606.65

Note:

1. The last annual surplus is assigned in priority order.
2. Legal reserve was calculated by sum of "net profit after tax and items except for net profit after tax" in accordance with the January 9, 2020 letter No. 10802432410 (Ministry of Economic Affairs) Gin-Shang.

Discussion and Election 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\$3,994,124,460 from the stock dividends of distribution of 2019 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 399,412,446 shares of common stock and, after the capitalization of earnings, the Bank's

capital will become NT\$103,847,236,060.

2. For the method of handling fractional shares, please refer to Article 267 of the Company Act. The Board of Directors is authorized to set the record date for the proposed capital increase after receiving approval from the competent authority. The distribution of the new shares should be made to the shareholders with no consideration at the ratio of 40 new shares for every 1,000 shares held by shareholders according to their respective shareholding as stated in shareholders' register book on the record date. Shareholders may, within 7 days from the stock dividend record date, apply to the stock affairs agent of the Bank to combine fractional shares into one share. Odd lots of less than one share thus collected by the Bank will be placed at its par value with specific parties as determined by the Chairman under the authorization of the AGM.
3. The rights and obligations of the newly issued shares will be the same as those of existing shares.
4. As a result of repurchase of the Bank's shares or assignment, conversion and deletion of the treasury stock. The Board of Directors is authorized to adjust the distribution terms if the number of outstanding shares is affected by an amendment to relevant laws or regulations, a request by the competent authorities, or other situations leading to change in shareholder's distribution ratios.

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

9,456,414,344 shares were represented by the shareholders present in person or by proxy, accounting for 94.70% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 8,183,241,837 shares/ 86.53% (1,603,941,158 shares from E-voting)

Disapproval votes: 114,611 shares (54,494 shares from E-voting)

Abstention votes : 1,273,057,896 shares (341,409,324 shares from E-voting)

Resolution: voted and approved as proposed.

Discussion Item No. 2: In order to cooperate in the amendment to the Company Act and the development of corporate governance of the Bank, it is proposed to revise some of the articles of the Bank's Articles of Incorporation to be submitted for discussion and approval.

Explanation:

1. In order to strengthen the corporate governance structure of the Bank, implement the concept of corporate sustainability, and at the same time, to cooperate in the amendment to the provisions of the Company Act, it is hereby proposed to revise Article 19-1 and Article 20 of the Articles of Incorporation of the Bank. The key points of this revision are listed as follows:
 - (1) The Bank had previously approved the establishment of the Remuneration committee in the 23rd meeting of the 22nd term of the Board of Directors on July 12, 2011, and the establishment of the Sustainable Development committee in the 29th meeting of the 25th term of the Board of Directors on October 14, 2019. According to Article 35 of the Code of Practice for Corporate Governance of the Banking Industry: "In order to strengthen the decision-making function and fortify the management mechanism, the board of directors of the banking industry may take into consideration the size of the board of directors and the number of independent directors to establish various functional committees, which is to be clearly set out in the Articles of Incorporation." Hence this time, in addition to the provisions of the original Audit committee in Article 19-1 of the Articles of Incorporation of the Bank, it is also specified the relevant provisions for the establishment, composition and convener of the Bank's Remuneration committee and Sustainable Development committee. (amended provision in Paragraph 1 of Article 19-1)
 - (2) In order to cooperate in the aforementioned amendment to Paragraph 1, Article 19-1 of the Articles of Incorporation, it is to amend accordingly Paragraph 2 of the same article so to expand the application to the establishment of various functional committees under the Board of Directors. (amended provision in Paragraph 2 of Article 19-1).
 - (3) In order to further cooperate in the amendment to Article 13 of the Company Act in 2018, in which the provision on the total investment amount of the public company in the final part of Paragraph 1 of the original article has been moved to Paragraph 2, it is to amend accordingly the wording in Paragraph 2, Article 20 of the Articles of Incorporation of the Bank on the application to the numbering of Article 13 of the Company Act so to conform to the current regulations. (amended provision in Paragraph 2 of Article 20).
2. Attachment: Comparison Table of Draft Amendments to Article 19-1 and Article 20 of the Bank's Articles of Incorporation
3. The chairperson had decided to submit the item for a vote.

Shareholder ○ - Qing Tian (Attendance No. 600539) 、 Shareholder ○ -Wen Chen (Attendance No. 200003) 、 Shareholder ○ -Feng Wu (Attendance No. 600541) speaking, explained by the chairperson.

Shareholder ○ - Qing Tian (Attendance No. 600539) proposed an amendment to suggest that to the extent that it does not affect any interest of this bank (including but not limited to actual revenue, trade secrets and management strategies etc), representatives of the government-controlled shares may comply with policies of the Ministry of Finance.

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

9,456,414,488 shares were represented by the shareholders present in person or by proxy, accounting for 94.70% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 8,669,273,239 shares/ 91.67% (1,603,933,640 shares from E-voting)

Disapproval votes: 103,583 shares (58,493 shares from E-voting)

Abstention votes : 787,037,666 shares (341,412,843 shares from E-voting)

Resolution: voted and approved as original proposed.

Attachment

Chang Hwa Commercial Bank, Ltd.

Articles of Incorporation

Comparison Table of Draft Amendments to Article 19-1 and Article 20

Amended by the general Shareholders' Meeting on June 19, 2020

Amended articles	Current articles	Descriptions
<p>Article 19-1</p> <p>The Bank shall establish the following functional committees:</p> <p><u>1. Remuneration committee:</u> <u>Starting from the 22nd term of the Board of Directors, the Bank shall establish a Remuneration committee, with the number the members not fewer than three, who shall be appointed by the resolution of the Board of Directors. At least one of the members shall be an independent director. The</u></p>	<p>Article 19-1</p>	<p>1. This article is amended.</p> <p>2. The Bank had previously approved the establishment of the Remuneration committee in the 23rd meeting of the 22nd term of the Board of Directors on July 12, 2011, and the establishment of the Sustainable Development committee in the 29th meeting of the 25th term of the Board of Directors on October 14, 2019, which is hereby explained in advance.</p> <p>3. According to Article 35 of</p>

Amended articles	Current articles	Descriptions
<p><u>convener and the chairperson of the meetings of the committee shall be elected by all members from among the members who qualify as independent directors.</u></p> <p><u>2. Audit committee:</u> Starting from the 24th term of the Board of Directors, the committee shall be established and be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be <u>selected among themselves to be a committee convener</u>, and at least one of whom shall have accounting or financing expertise.</p> <p><u>3. Sustainable Development committee: Starting from the 25th term of the Board of Directors, the Bank shall establish a Sustainable Development committee, with three to five committee members, to be composed of directors and senior managers of the Bank; at least half of whom shall be independent directors, and the chairman of the Board of Directors shall be the convener.</u></p> <p>The Bank <u>shall adopt the committee charter for the committees in the preceding paragraph</u>; The exercise of power by <u>the various committees</u>, as well as other</p>	<p>Starting from the 24th term of the Board of Directors, <u>the Bank</u> shall establish an <u>audit committee</u>, to be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be committee convener, and at least one of whom shall have accounting or financing expertise.</p> <p>The Bank <u>shall adopt an audit committee charter</u>; the exercise of power by <u>audit committee</u>, as well as other compliance requirements, shall be in accordance with the regulations</p>	<p>the Code of Practice for Corporate Governance of the Banking Industry: "In order to strengthen the decision-making function and fortify the management mechanism, the board of directors of the banking industry may take into consideration the size of the board of directors and the number of independent directors to establish various functional committees, which is to be clearly set out in the Articles of Incorporation." It is hereby to amend Paragraph 1 of this article. In addition to the original Audit committee, it is also specified the relevant provisions for the establishment, composition and convener of the Bank's Remuneration committee and Sustainable Development committee.</p> <p>4. In order to cooperate in the amendment to Paragraph 1 of this article, it is to amend accordingly Paragraph 2 of this article, so to expand the application to the establishment of various functional committees under the Board of Directors.</p>

Amended articles	Current articles	Descriptions
<p>compliance requirements, shall be in accordance with the regulations prescribed by the audit committee charter, the Bank's rules and regulations, and the relevant laws and regulations prescribed by the competent authority.</p>	<p>prescribed by the audit committee charter, the Bank's rules and regulations, and the relevant laws and regulations prescribed by the competent authority.</p>	
<p>Article 20</p> <p>The duties and powers of the Board of Directors shall be as follows:</p> <ol style="list-style-type: none"> (1) To approve rules and regulations matters defining power and responsibility, articles of association and important businesses of the Bank. (2) To approve business operations plan. (3) To propose the increase or reduction of capital. (4) To approve the establishment, revocation or changes of the branch institutions. (5) To approve various significant contracts or agreements. (6) To approve yearly and half-yearly financial reports. (7) To approve the budgets. (8) To approve real estate transactions. (9) To approve investments in other companies. (10) To propose profit distribution or loss appropriation. (11) To review discussion on business reports. (12) To approve internal control 	<p>Article 20</p> <p>The duties and powers of the Board of Directors shall be as follows:</p> <ol style="list-style-type: none"> (1) To approve rules and regulations matters defining power and responsibility, articles of association and important businesses of the Bank. (2) To approve business operations plan. (3) To propose the increase or reduction of capital. (4) To approve the establishment, revocation or changes of the branch institutions. (5) To approve various significant contracts or agreements. (6) To approve yearly and half-yearly financial reports. (7) To approve the budgets. (8) To approve real estate transactions. (9) To approve investments in other companies. (10) To propose profit distribution or loss appropriation. (11) To review discussion on business reports. (12) To approve internal control 	<p>In order to cooperate in the amendment to Article 13 of the Company Act in 2018, in which the provision on the total investment amount of the public company in the final part of Paragraph 1 of the original article has been moved to Paragraph 2, it is to amend accordingly the wording in Paragraph 2 of this article.</p>

Amended articles	Current articles	Descriptions
<p>system.</p> <p>(13) To decide and determine director’s remuneration, regardless of profit or loss, the remuneration of the directors to be on par with the salary levels of directors of financial institutions similar in size to the Bank.</p> <p>(14) To approve the appointment, dismissal and remuneration of the President, Executive Vice-Presidents, Chief Auditor, head of regulatory compliance, section heads and branch heads.</p> <p>(15) To handle assignments from Chairman of the Board.</p> <p>(16) All other authority in accordance with the law, articles of incorporation and vested by the meetings of the shareholders.</p> <p>When exercising the authority under item (9) of this Article, the Board of Directors is not required to limit the Bank’s total amount of investments to 40% of the Bank’s capital as prescribed in paragraph 2 Article 13 of the Company Act.</p>	<p>system.</p> <p>(13) To decide and determine director’s remuneration, regardless of profit or loss, the remuneration of the directors to be on par with the salary levels of directors of financial institutions similar in size to the Bank.</p> <p>(14) To approve the appointment, dismissal and remuneration of the President, Executive Vice-Presidents, Chief Auditor, head of regulatory compliance, section heads and branch heads.</p> <p>(15) To handle assignments from Chairman of the Board.</p> <p>(16) All other authority in accordance with the law, articles of incorporation and vested by the meetings of the shareholders.</p> <p>When exercising the authority under item (9) of this Article, the Board of Directors is not required to limit the Bank’s total amount of investments to 40% of the Bank’s capital as prescribed in paragraph 1 Article 13 of the Company Act.</p>	

Election Item No. 3: Election of 26th term of the Bank’s Directors (including Independent Directors).

Explanation:

1. The 25th term of office for directors of the Bank (including independent directors) will expire on June 15, 2020, and directors shall be re-elected at this general Shareholders’ Meeting in accordance with the Company Act. Hence, in order to comply with the laws

and regulations as well as to cooperate in the convening of this general Shareholders' Meeting, the 25th term of office for directors of the Bank (including independent directors) is proposed to be extended until the time new directors have been elected and assumed their office in accordance with the provisions of Paragraph 2, Article 195 of the Company Act.

2. According to Article 18 of the Articles of Incorporation of the Bank, the Board of Directors of the Bank shall have 9 directors, among whom the number of independent directors shall be no less than 3 persons and no less than one fifth of the total number of directors. The election of the directors shall be performed through candidate nomination mechanism and the directors shall be duly elected at the Shareholders' Meeting from a list of nominated directors; The election for the independent directors and non-independent directors shall be held together but their votes shall be counted separately.
3. It is hereby proposed that 9 directors for the 26th term (including 3 independent directors) to be elected at this general Shareholders' Meeting for a term of office for 3 years from June 19, 2020 to June 18, 2023.
4. The Directors (including Independent Directors) candidate list for this election was already passed by the review of the Bank's Directors in the 37th meeting of the 25th term of the Board of Directors, which was held on May 7, 2020. The details are as per the attachment.

Before the election, the chairman asked 5 shareholders volunteered to be the ballot examiner to scrutinize balloting. Because more than 5 shareholders volunteered to be the ballot examiner, the Bank drew lots to decide the ballot examiner.

A total of 84 shareholders were registered to attend the draw. After the chairman selected five people, the five shareholders, ○-Xiu Zheng (Attendance No. 200002), Representative of Taiwan Business Bank, Ltd. ○ -Xin Zhang (Shareholder No. 0920434), ○ - Zhe Xu (Attendance No. 600518), ○ - Zhong Zhang (Attendance No. 600534), and ○ Wang (Attendance No. 600523), were chosen as the scrutineers.

9,688,174,196 shares were represented by the shareholders present in person or by proxy , accounting for 97.02% of the total number of voting shares issued by the Bank.

Election results:

List of elected Directors:

Name	Elected Votes
Ling, Jong-Yuan (Delegate of Ministry of Finance (MOF))	9,351,569,685
Huang, Jui-Mu (Delegate of MOF)	9,350,763,534
Chang, Chien-Yi (Delegate of National Development Fund, Executive Yuan)	9,350,363,107

Name	Elected Votes
Hsiao, Chia-Chi (Delegate of Chunghwa Post Co., Ltd.)	9,349,963,107
Lee, Wen-Siung	9,349,563,107
Chen, Hwai-Chou	1,111,381,839

List of elected Independent Directors:

Name	Elected Votes
Pan, Jung-Chun	9,767,448,377
Lin, Jong-Horng	9,714,709,227
Suen, Chih- Jong	9,708,516,444

Discussion Item No. 4: The release of non-competition restrictions for the Bank's directors (including independent directors) of the 26th term is proposed for approval.

Explanation:

1. According to Paragraphs 1 and 5, Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. In case a director violates the regulation hereof, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company. In addition, in light of letter No. 89206938, released by Ministry of Economic Affairs on April 24th, 2000, in case a legal person acts as a shareholder of a company or a delegate elected as director pursuant to Paragraph 2, Article 27 of Company Act, both the delegate and the legal person shall abide by non-competition restrictions.
2. For the Bank's 26th term of directors (including independent directors) and the legal persons represented by them, when conducting any activities or taking on any post for himself or on behalf of another person within the scope of the Bank's business, on the premise without prejudice to the Bank's interests, the release of non-competition restrictions is proposed for approval in accordance with Article 209 of the Company Act.
3. In order to facilitate shareholders exercising their voting rights by electronic transmission, the "List of candidates for the Bank's 26th term of non-independent directors and independent directors to be released from non-competition restrictions" (as attached) is listed in the handbook. After electing the non-independent directors and independent directors in the meeting of shareholders, the final list will be confirmed.

Shareholder ○- Feng Wu (Attendance No. 600541) speaking, explained by the chairperson.

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

9,688,174,691 shares were represented by present shareholders and proxies currently, accounting for 97.02% of the total number of voting shares issued by the Bank.

Voting results:

Approval votes: 8,309,075,121 shares/85.76% (1,603,080,799 shares from E-voting)

Disapproval votes: 114,312 shares (114,312 shares from E-voting)

Abstention votes : 1,378,985,258 shares (342,209,865 shares from E-voting)

Resolution: voted and approved as proposed.

Attachment

2020 Annual General Meeting of CHB

List of candidates for the Bank’s 26th term of non-independent directors and independent directors to be released from non-competition restrictions

	Name	Current Positions in other Companies (referring to the companies which have the same business as our Bank)
Directors and the legal persons represented by them	Ministry of Finance (MOF)	Director, Taiwan Financial Holding Co., Ltd. Director, Mega Financial Holding Co., Ltd. Director, Hua Nan Financial Holdings Co., Ltd. Director, First Financial Holding Co., Ltd. Director, Taiwan Cooperative Financial Holding Co., Ltd. Director, Land Bank of Taiwan Co., Ltd. Director, Taiwan Business Bank Co., Ltd. Director, The Export-Import Bank of the Republic of China
	Delegate of MOF : Ling, Jong-Yuan	Director, CDIB & Partners Investment Holding Corp.
	Chunghwa Post Co., Ltd.	Director, Mega Financial Holding Co., Ltd.
	National Development Fund, Executive Yuan (NDF)	Director, Mega Financial Holding Co., Ltd. Director, iPASS Corporation
	Delegate of NDF : Chang, Chien-Yi	Director, Central Bank of the Republic of China (Taiwan)

Questions and Motions:None

The adjournment: 2:06 p.m

Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 25, 2020

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2019 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 Jimmy S. Wu, 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, 2019 and the operation results and cash flows in 2019 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

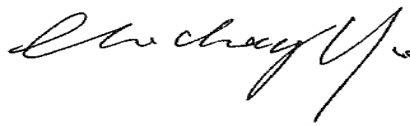
Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



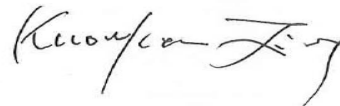
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 17, 2020

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2019 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



2019 Business Report of Chang Hwa Commercial Bank, Ltd.

The global expansion continues to lose momentum in 2019 due to the U.S. –China trade war, heightened geopolitical risks, the delay of Brexit (British exit), Japan–South Korea trade dispute, on-going Anti-Extradition Law Amendment Bill Movement in Hong Kong, the multiple uncertain factors caused the external environment became tougher than last year.

The domestic economy is also accelerating the pace of global supply chain restructuring due to the U.S. –China trade war, and driving overseas Taiwanese businessmen to increase the domestic capacity allocation, supplemented by the Homecoming Taiwanese Entrepreneurs Investment Policy, which has successfully offset some of the negative impacts and made the economic expansion momentum of the year better than expected.

In addition, the monetary policies of the major central banks have become looser since the latter half of the year, it not only gives a great boost to the global economy but also soothes the market liquidity risk.

The Bank managed to deliver exceptional results in 2019, owing to the contribution of all employees, with cumulative pre-tax earnings amounting to TWD 13.52 billion, making 2019 as the 10th consecutive year in which the Bank has earned more than TWD 10 billion. In the aspect of credit ratings, comparison from 2019 to 2018, the Bank has upgraded from ‘twAA/twA-1+’ to ‘twAA+/twA-1+’ by Taiwan Ratings and from ‘BBB+/A-2’ to ‘A-/A-2’ by S&P. Continued to focus on corporate governance, the Bank has been selected by the Taiwan Stock Exchange as a constituent stock of the TWSE Corporate Governance 100 Index for four consecutive years, demonstrating its affirmation of the Bank's corporate governance, finance, and sound operation. We want to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.

A. 2019 Results of Operations

a. Organization Changes

In order to strengthen organization operation and enhance market competitiveness, the Bank decided to separate its Investment Consultant Section from the Trust Division, and affiliated with the Wealth Management Division.

b. Accomplishments

1. Deposit:

Optimized e-Banking functions; launched easy transfer service, nighttime foreign exchange service, and small amount regular deposit/lump-sum saving for small

withdrawal time deposit to meet flexible demand for customers.

2. Lending:

Launched the “TWD/Foreign currency loans for SMEs” project; launched personal mortgage loan related projects to raise mortgage loan business volume. Positively activated the syndicated loan cases; domestic business units completed a total of 89 syndicated loan cases in 2019.

3. Foreign Exchange:

Provided consultant service and advisory fund plan in a one-stop service for customers and joined SWIFT GPI to improve cross-border remittance service quality and to provide instant transaction information service.

4. Wealth Management:

(1)A total of 95 thematic financial seminars were held in 2019 to enhance the customer satisfaction with the Bank. (2)Set up a high-assets team to assist high-end customers in wealth inheritance, asset allocation planning and investment planning. (3)Develop e-Banking investment planning service to assist customers with financial plans.

5. Trust:

In 2019, the Bank added 23 new domestic funds, 46 new offshore funds, 30 new foreign bonds to the product portfolio. As of the end of 2019, the Bank had a total of 1,024 domestic funds, 1,109 foreign funds, 157 overseas ETF and foreign bonds, distributed to the market, provide clients with diversified investment options.

6. Credit Card:

(1)Optimized credit card online application functions, added the verification of using credit cards from other financial institutions and document upload functions. (2) Provided a service of paying credit card bill with Visa Debit card embedded in the CHB Wallet. (3) Added self-service of reprint bills by the kiosk in convenience stores. (4) Added service of an application for withholding public utility bills on credit cards.

7. E-banking:

(1)Established CHB “I Pay” APP, to broaden the foundation of collection acquiring business, the Bank provided a comprehensive mobile cash flow collecting channel. (2)LINE personal service: launched advanced edition of LINE official account –LINE personal service, attract young people and enhance our digital corporate image.

c. Budget Execution

1.The total deposit volume reached NT\$1,715,728,778 thousand or 98.75% of the original

budget target.

2. The total loans volume was NT\$1,388,512,645 thousand or 97.55% of the original budget target.
3. The total investment business (securities) average volume was NT\$381,799,541 thousand or 100.75% of the original budget target.
4. The foreign exchange transactions totaled US\$135,485,305 thousand amounting to 93.76% of the original budget target.
5. The securities brokerage transactions totaled NT\$83,936,945 thousand or 83.11% of the original budget target.
6. Trust fund subscription business totaled NT\$35,995,232 thousand or 87.95% of the original budget target.
7. The assets under custody totaled NT\$226,850,451 thousand or 154.85% of the original budget target.
8. The insurance agency transactions totaled NT\$30,403,484 thousand or 106.10% of the original budget target.
9. The total card transaction volume (retail spend) reached NT\$18,900,965 thousand representing 104.99% of the original target.

d. Financial Highlights

1. Net interest income: NT\$22,849,707 thousand.
2. Net income other than net interest income: NT\$9,228,646 thousand.
3. Net revenue and gains: NT\$32,078,353 thousand.
4. Provisions for bad debts expenses, commitment and guarantee liability: NT\$2,136,395 thousand.
5. Total operating expenses: NT\$16,421,666 thousand.
6. Income before income tax: NT\$13,520,292 thousand.
7. Income tax expenses: NT\$1,948,510 thousand.
8. Net income after income tax: NT\$11,571,782 thousand.
9. Other comprehensive income (loss), net of tax: NT\$369,075 thousand.
10. Total comprehensive income(loss): NT\$11,940,857 thousand.
11. After tax EPS: NT\$1.16.
12. Return on Assets (ROA): 0.55%.
13. Return on Equity (ROE): 7.26%.

e. Research and Development

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

The Bank actively deploys Fin-Tech in 2019: (1) For patent applications, a total of 55 new patents and 20 new invention patents, of which 46 new patents have been approved. (2) For customer service, the Bank launched CHB I Pay APP, finance API payment/collect service and issued MY LOVE cash reward credit card. (3) For digital finance, the Bank launched an easy transfer service, LINE personal service, and credit card QR code scan payment service. (4) For artificial intelligence, the Bank has launched conversational business services.

2. More business research to striving for innovation:

In order to promote innovation and development of the Bank's business, the Bank identified subjects on the current business operations and related financial issues studied by all employees. In 2019, a total of 27 business research reports completed as reference for units' business operations.

3. Applying Big Data to Improve Business Promotion Efficiency:

The Bank actively cooperated with government policies and assisted small, medium, and micro-enterprises in financing gaps. Utilized big data technology to reconfigure the marketing links of customer groups, and uses an innovative data model system to automatically collect public customer information and optimize learning, and continuously expand the scale of public information service in order to improve the efficiency of business development.

B. 2020 Highlights of Business Plans

a. Business Directions and Operational Policies

1. Deposits:

Launch preferential interest rate deposit program for targeted customers to broaden the Bank deposit scale and market share.

2. Lending:

Maintain the growth of personal loan operation volume, deepen the SME customer base, and build a strong foundation for credit business; optimize the depth and breadth of financial services for large enterprises, and grasp the business opportunities of return of overseas funds to increase the market share of credit business.

3. Investment:

Get familiar with market pulsations and provide diversified financial products. At the same time, research on various financial product trends, use the Bank's operable product

line, consider the risks and rewards, and conduct with financial operations to adjust portfolio positions promptly to increase surplus.

4. Foreign Exchange:

Stabilized the virtuous cycle of the U.S. dollar capital chain, increase the foreign currency loan-to-deposit ratio, revitalize the foreign exchange business commitment, and continue to grasp the business opportunities for repatriation of foreign funds.

5. Securities Brokerage:

Continue to promote E-order business volume, broaden the entire business volume of securities in order to increase handling fees.

6. Wealth Management:

Develop diversified wealth management products and expand service differentiation; support high-asset team customer business models to support branches to expand their business; and use big data for accurate customer group marketing and management.

7. Trust:

Continue to introduce excellent financial securities in domestic and from foreign countries; promote the trust for Elderly care and strive for reconstruction of urban unsafe and old buildings trust.

8. Insurance Agency Business:

Adjust the business structure of insurance products to increase the commission fee; pay attention to market trends, and expand the diversity of life insurance products for different customer groups; develop digital financial services, and launch mobile insurance business.

9. Cards:

Increase the issuing volume of credit card and collaborate with acquiring authorized stores of distinction, with promoting mobile payment products and effectively control risks.

10. E-commerce/Online Banking:

Plan enterprise online banking upgrade to support diversified and multinational business development. Build up VVIP mechanism for enterprise online banking to provide differentiated exclusive services.

b. Business Operational Targets

1. Deposit Volume: NT\$1,780,535,233 thousand.

2. Loans Volume: NT\$1,442,243,050 thousand.

3. Investment Business (Securities): NT\$424,387,470 thousand.
4. Foreign Exchange Transactions: US\$138,562,943 thousand.
5. Securities Brokerage Transactions: NT\$88,245,300 thousand.
6. Trust Fund Application Transactions: NT\$39,172,755 thousand.
7. Assets under Custody: NT\$231,165,674 thousand.
8. Insurance Agency Transactions: NT\$30,129,649 thousand.
9. Credit Card (Transaction Amount): NT\$20,359,526 thousand.

C. Future Development Strategy

a. Cultivate financial professionals

Cooperating with business strategy and development, provide a diversified human resource training system, implement internal management and compliance, actively train talents for management at all levels, cultivate financial talents with innovative thinking to create a high performance for the Bank.

b. Innovative and diversified investment products

Promote the launch of domestic and foreign funds, foreign bonds, and ETFs to enrich the investment product line. Enhance the function of the trust system and optimize the quality of operations and services. Respond to government nursing care policies to promote elderly trust and trust for the disabled.

c. Strengthen the competitiveness on insurance business

Pay attention to market trends, and meet the needs of different customer groups on insurance, introduce innovative insurance products and provide customers with a variety of options and deeply root foundation for the insurance business.

d. Facilitate data analysis to provide high-quality full services

Use financial data analysis to combine products, marketing, channels, and people, provide full financial wealth management product planning, strengthen the adaptability for products in investment and wealth management and improve quality and efficiency for service and increase profitability.

e. Implement digital transformation and deeply root professional expertise

Utilize FinTech innovations to enhance digital capabilities on business people, foster the development of business talent, and through the use of technology, the integration of virtual and real channels to implement digital transformation simultaneously.

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

a. External Competitive Environment

1. The authority announced “Establishing thresholds for traditional life insurance” at the end of 2019 to let insurance return to the essence of guarantee and discourage excessive bias towards financial management and is expected to launch in the second half of 2020, and then affect customers' willingness to purchase deposit insurance products. To adjust the previous releases, the Bank will counsel the salesmen in branches to transform and launch guarantee products with market competitiveness simultaneously
2. To avoid excessive business competition in insurance channel, the authority add the rate of additional surcharges for new mortgage life insurance must not exceed a certain percentage of the total premium. And the commission must be limited to pay to the channel at least six years installment, and is expected to be implemented in the second half of 2020. The Bank will continue to plan and promote mortgage life insurance.
3. To prevent insurance salespersons from selling insurance by persuading customers with insurance policy loan or loan, the authority updated related additions to measures, establish a consistent mechanism for financial information on the source of premium funds transactions, and stipulate control measures such as prohibiting crediting and deposit personnel from selling insurance and investment products with cash surrender value. The Bank will adopt relevant responsive strategies for insurance agency business
4. The authority continue to strengthen financial supervision and personal security control and the increase awareness of financial consumer protection, the cost of related monitoring mechanisms has increased consequently. To avoid inappropriate selling behaviors, the Bank will strengthen the content of relevant inspection, control mechanisms, and amend operating code of practice, raise the awareness of colleagues to obey the law, eliminate misconduct by financial advisors and reduce the risk of fraud simultaneously to enhance customers' trust and confidence on the Bank.

b. Regulatory Environment

1. On April 1, 2019, The Bankers Association of the Republic of China amended “Corporate Governance Best Practice Principles of Banks” which set out regulations about the terms of independent directors of banking industry and the set of corporate governance officer to enhance sound management of the financial industry. To comply with regulations, the Bank has set up a chief corporate governance officer to comprehensively manage affairs related to corporate governance.
2. On September 30, 2019, the Financial Supervisory Commission (FSC) amended

“Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation”, the Bank will cooperate with the amendment to comply with regulations.

3. To cooperate with amendments of “Counter-Terrorism Financing Act”, “Regulations Governing Anti-Money Laundering of Financial Institutions” and “Money Laundering Control Act”, The Bankers Association Of The Republic Of China amended “Guidelines Governing Anti-Money Laundering and Combatting the Financing of Terrorism by the Banking Sector” and “Guidelines Governing Money Laundering and Terrorist Financing Risks Assessment and Relevant Prevention Program” on April 23, 2019 to strengthen anti-money laundering related mechanisms. The Bank has cooperated to amend the related regulations of AML/CFT Policy and Guidelines Governing AML/CFT and implement the execution.

c. Macroeconomic Environment

Looking forward to 2020, the outbreak of the novel coronavirus (COVID-19) in 2020 is for the time being the most significant black swan this year. The outbreak and the extraordinary official measures to contain it have hit China’s economy hard, the economic downturn affects market demand, and the lockdown city policy has disrupted the supply chain. The atmosphere of optimism casts a shadow over the global economic recovery.

In addition, the international economic situation is still affected by the variables of Brexit and the United States’ future trade negotiations with China and the risk of political uncertainty brewing in the US presidential election.

If the epidemic of COVID-19 continues, it might damage consumer demand. In this case, we should keep an eye on the spread of COVID-19. Fortunately, the government continues to optimize the internal investment environment. Taiwanese companies have made great achievements in investing in Taiwan and repatriating overseas funds. In addition, telecommunications companies will gradually deploy 5G networks, which expected to drive the steady expansion of corporate investment and will be conducive to the business development of banks.

Facing the international and domestic economic challenges, the Bank will adhere to the principle of sound operation: "Enhancing core business", "Developing multiple sources of profit", "Expanding overseas layout", "Improving digital financial competitiveness", "Implementing Compliance and Corporate Governance". With five main axes as the operating policy, we will try our best to implement and create the best performance to achieve the win-win goal of shareholders, customers, and employees.

E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2019/11	-	-	twAA+	twA-1+	Stable
(S&P)	2019/11	A-	A-2	-	-	Stable
(Moody's)	2019/2	A2	P-1	-	-	Stable

On 2019, compared with 2018, Taiwan Ratings Corp. raised its issuer credit ratings on Chang Hwa Commercial Bank Ltd. to “twAA+/twA-1+” from “twAA/twA-1+” ; S&P Global Ratings raised its issuer credit ratings on Chang Hwa Commercial Bank Ltd. to “A-/A-2” from “BBB+/A-2”.

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, 2019 and 2018, 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, 2019 and 2018, 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 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, 2019. 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, 2019.

Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2019, the balance of the Bank's loans totaled \$1,427,350,947 thousand, accounting for 67% of the Group's total consolidated assets. For impairment assessment of loans, the group had in accordance with IFRS 9 to assess the impairment of loans and compliance with regulations on the allowance for loan losses. In addition, evaluation of the impairment of loans involves management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

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 tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor and credit risk characteristics. We tested the rationality of the input value (The forward-looking adjusted probability of default (PD), loss given default (LGD), and the exposure at default (EAD)) used by the Bank for each group to calculation of ECLs had appropriately reflect the actual situation and recalculated and confirmed the accuracy of the impairment of loans. Finally, we checked the Group's compliance with regulations on classification of loans and 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, 2019 and 2018 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, 2019 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 Shih Tsung Wu and Tung Feng Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2020

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 32,418,679	1	\$ 51,073,179	2
Due from the Central Bank and call loans to banks	166,917,091	8	197,942,600	10
Financial assets at fair value through profit or loss	11,483,389	1	10,917,490	1
Financial assets at fair value through other comprehensive income	116,296,139	5	91,938,199	4
Financial assets for hedging	247,375	-	244,763	-
Investments in debt instruments at amortized cost	276,058,976	13	268,059,805	13
Receivables, net	23,201,037	1	29,933,985	1
Current tax assets	207,520	-	289,771	-
Discounts and loans, net	1,427,350,947	67	1,336,701,095	64
Other financial assets, net	40,133,881	2	55,045,230	3
Property and equipment, net	20,739,036	1	21,071,298	1
Right-of-use assets	1,620,404	-	-	-
Investment properties, net	13,872,790	1	13,742,376	1
Intangible assets, net	720,656	-	731,364	-
Deferred tax assets	3,312,325	-	3,120,664	-
Other assets, net	<u>1,062,958</u>	<u>-</u>	<u>999,851</u>	<u>-</u>
TOTAL	<u>\$ 2,135,643,203</u>	<u>100</u>	<u>\$ 2,081,811,670</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks	\$ 102,305,626	5	\$ 113,038,541	6
Financial liabilities at fair value through profit or loss	4,247,279	-	11,047,488	1
Securities sold under repurchase agreements	1,547,291	-	5,285,890	-
Payables	21,846,910	1	36,677,779	2
Current tax liabilities	507,880	-	241,285	-
Deposits and remittances	1,765,948,203	83	1,689,581,112	81
Bank notes payable	55,521,014	3	49,549,055	2
Other financial liabilities	4,274,900	-	4,387,078	-
Reserve for liabilities	5,340,555	-	5,296,332	-
Lease liabilities	1,420,392	-	-	-
Deferred tax liabilities	7,902,609	-	7,352,277	-
Other liabilities	<u>2,543,349</u>	<u>-</u>	<u>2,793,202</u>	<u>-</u>
Total liabilities	<u>1,973,406,008</u>	<u>92</u>	<u>1,925,250,039</u>	<u>92</u>
EQUITY				
Capital stock				
Common stock	99,853,111	5	97,895,207	5
Retained earnings				
Legal reserve	34,832,629	2	31,038,668	1
Special reserve	12,204,648	1	12,141,416	1
Unappropriated earnings	11,458,160	-	12,091,349	1
Other equity	<u>3,888,647</u>	<u>-</u>	<u>3,394,991</u>	<u>-</u>
Total equity	<u>162,237,195</u>	<u>8</u>	<u>156,561,631</u>	<u>8</u>
TOTAL	<u>\$ 2,135,643,203</u>	<u>100</u>	<u>\$ 2,081,811,670</u>	<u>100</u>

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME	\$ 39,190,235	122	\$ 38,422,200	116	2
INTEREST EXPENSE	<u>(16,340,528)</u>	<u>(51)</u>	<u>(15,232,556)</u>	<u>(46)</u>	7
NET INCOME OF INTEREST	<u>22,849,707</u>	<u>71</u>	<u>23,189,644</u>	<u>70</u>	(1)
NET NON-INTEREST INCOME (LOSS)					
Net service fee income	4,634,766	14	4,867,954	15	(5)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	1,836,773	6	2,711,956	8	(32)
Realized gain (loss) on financial assets at fair value through other comprehensive income	1,365,271	4	781,888	2	75
Gain (loss) arising from derecognition of financial assets at amortized cost	-	-	(101,029)	-	100
Foreign exchange gain (loss)	918,885	3	1,181,591	4	(22)
Net other non-interest income (loss)	<u>472,951</u>	<u>2</u>	<u>476,185</u>	<u>1</u>	(1)
Net non-interest income	<u>9,228,646</u>	<u>29</u>	<u>9,918,545</u>	<u>30</u>	(7)
NET REVENUE AND GAINS	<u>32,078,353</u>	<u>100</u>	<u>33,108,189</u>	<u>100</u>	(3)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(2,136,395)</u>	<u>(7)</u>	<u>(2,203,252)</u>	<u>(7)</u>	(3)
OPERATING EXPENSES					
Employee benefits expenses	(10,867,641)	(34)	(10,796,961)	(33)	1

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Depreciation and amortization expenses	(1,436,869)	(4)	(716,163)	(2)	101
Other general and administrative expenses	<u>(4,117,156)</u>	<u>(13)</u>	<u>(4,681,729)</u>	<u>(14)</u>	(12)
Total operating expenses	<u>(16,421,666)</u>	<u>(51)</u>	<u>(16,194,853)</u>	<u>(49)</u>	1
INCOME BEFORE INCOME TAX	13,520,292	42	14,710,084	44	(8)
INCOME TAX EXPENSE	<u>(1,948,510)</u>	<u>(6)</u>	<u>(2,063,549)</u>	<u>(6)</u>	(6)
NET INCOME	<u>11,571,782</u>	<u>36</u>	<u>12,646,535</u>	<u>38</u>	(8)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans	(157,063)	-	(317,259)	(1)	(50)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	1,629,390	5	(237,132)	-	787
Changes in fair value of financial liabilities attributable to changes in credit risk of liability	(818)	-	900	-	(191)
Income tax related to items that will not be reclassified to profit or loss	31,412	-	63,452	-	(50)
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation	(1,185,701)	(4)	657,497	2	(280)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	44,954	-	(46,579)	-	197
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(107,044)	-	(26,306)	-	307
Income tax related to items that will be reclassified to profit or loss	<u>113,945</u>	<u>-</u>	<u>14,961</u>	<u>-</u>	662
Other comprehensive income (loss), net of income tax	<u>369,075</u>	<u>1</u>	<u>109,534</u>	<u>1</u>	237
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,940,857</u>	<u>37</u>	<u>\$ 12,756,069</u>	<u>39</u>	(6)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 11,571,782</u>	<u>36</u>	<u>\$ 12,646,535</u>	<u>38</u>	(8)
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 11,940,857</u>	<u>37</u>	<u>\$ 12,756,069</u>	<u>39</u>	(6)
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
EARNINGS PER SHARE					
Basic	<u>\$ 1.16</u>		<u>\$ 1.27</u>		
Diluted	<u>\$ 1.15</u>		<u>\$ 1.26</u>		

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)**

	Equity Attributable to Owners of the Bank					Other Equity				Total Equity
	Capital Stock		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2018	9,413,001	\$ 94,130,007	\$ 27,410,736	\$ 12,080,950	\$ 11,779,842	\$ (1,251,858)	\$ 797,969	\$ -	\$ (82)	\$ 144,947,564
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412
Appropriation of 2017 earnings										
Legal reserve appropriated	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-
Special reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)
Stock dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE, DECEMBER 31, 2018	9,789,521	97,895,207	31,038,668	12,141,416	12,091,349	(614,793)	-	4,008,966	818	156,561,631
Appropriation of 2018 earnings										
Legal reserve appropriated	-	-	3,793,961	-	(3,793,961)	-	-	-	-	-
Special reserve appropriated	-	-	-	63,232	(63,232)	-	-	-	-	-
Cash dividends	-	-	-	-	(6,265,293)	-	-	-	-	(6,265,293)
Stock dividends	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	-	11,571,782
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	-	1,523,354	(818)	369,075
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	-	1,523,354	(818)	11,940,857
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	-	(1,070)	-	-
BALANCE, DECEMBER 31, 2019	9,985,311	\$ 99,853,111	\$ 34,832,629	\$ 12,204,648	\$ 11,458,160	\$ (1,642,603)	\$ -	\$ 5,531,250	\$ -	\$ 162,237,195

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 13,520,292	\$ 14,710,084
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,136,395	2,203,252
Depreciation expense	1,216,452	514,203
Amortization expense	220,417	201,960
Interest income	(39,190,235)	(38,422,200)
Dividend income	(523,627)	(464,340)
Interest expense	16,340,528	15,232,556
Net gain on financial assets or liabilities at fair value through profit or loss	(72,939)	(3,505,054)
Gain on disposal of investments	(844,113)	(324,537)
Unrealized foreign exchange (gains) losses	(1,763,834)	793,098
Other adjustments	285,165	(2,625)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	5,948,432	(2,341,880)
Decrease in financial assets at fair value through profit or loss	52,006	1,206,800
Decrease (increase) in receivables	6,274,408	(3,949,093)
(Increase) decrease in discounts and loans	(92,787,355)	38,661,627
Increase in financial assets at fair value through other comprehensive income	(21,946,527)	(15,912,118)
Increase in investments in debt instruments at amortized cost	(8,009,682)	(21,311,578)
Decrease (increase) in other financial assets	14,911,349	(28,029,476)
Increase in other assets	(266,582)	(35,330)
Decrease in deposits from the Central Bank and banks	(28,694,309)	(430,887)
Increase in deposits and remittances	76,367,091	17,501,328
(Decrease) increase in payables	(14,750,537)	1,211,122
Increase (decrease) in financial liabilities at fair value through profit or loss	2,337,430	(2,133,537)
Decrease in reserve for liabilities	(256,647)	(233,675)
(Decrease) increase in other financial liabilities	(111,522)	724,478
(Decrease) increase in other liabilities	(263,315)	234,690
Cash flows used in operations	(69,871,259)	(23,901,132)
Interest received	39,829,059	37,023,809
Dividends received	523,627	464,340
Interest paid	(16,381,104)	(14,648,505)
Income taxes paid	(1,177,886)	(2,394,598)
Net cash flows used in operating activities	<u>(47,077,563)</u>	<u>(3,456,086)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(457,661)	(1,079,159)
Proceeds from disposal of property and equipment	170	1,061
Acquisition of intangible assets	(139,782)	(347,387)
Acquisition of right-of-use assets	(432,554)	-

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Acquisition of investment properties	<u>(1,203)</u>	<u>(1,281)</u>
Net cash flows used in investing activities	<u>(1,031,030)</u>	<u>(1,426,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	17,961,394	5,317,561
Proceeds from issuing bank notes	5,960,000	10,000,000
Repayments of bank notes	(7,991,100)	(2,200,000)
Repayment of the principal portion of lease liabilities	(363,684)	-
Cash dividends paid	(6,265,293)	(4,235,850)
(Decrease) increase in securities sold under repurchase agreement	<u>(3,738,599)</u>	<u>2,167,354</u>
Net cash flows generated from financing activities	<u>5,562,718</u>	<u>11,049,065</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,185,702)</u>	<u>657,497</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,731,577)	6,823,710
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>179,641,968</u>	<u>172,818,258</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 135,910,391</u>	<u>\$ 179,641,968</u>
	December 31	
	2019	2018
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 32,418,679	\$ 51,073,179
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>103,491,712</u>	<u>128,568,789</u>
Cash and cash equivalents at end of year	<u>\$ 135,910,391</u>	<u>\$ 179,641,968</u>

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 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, 2019. 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, 2019.

Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2019, the balance of the Bank's loans totaled \$1,412,641,860 thousand, accounting for 66% of the Bank's total assets. For impairment assessment of loans, the Bank had in accordance with IFRS 9 to assess the impairment of loans and compliance with regulations on the allowance for loan losses. In addition, evaluation of the impairment of loans involves management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information.

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 tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor and credit risk characteristics. We tested the rationality of the input value (The forward-looking adjusted probability of default (PD), loss given default (LGD), and the exposure at default (EAD)) used by the Bank for each group to calculation of ECLs had appropriately reflect the actual situation and recalculated and confirmed the accuracy of the impairment of loans. Finally, we checked the Bank's compliance with regulations on classification of loans and 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, 2019 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 Shih Tsung Wu and Tung Feng Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2020

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 31,849,140	1	\$ 50,278,750	2
Due from the Central Bank and call loans to banks	161,472,256	8	196,829,214	10
Financial assets at fair value through profit or loss	11,483,389	1	10,917,490	1
Financial assets at fair value through other comprehensive income	111,610,083	5	90,390,520	4
Financial assets for hedging	247,375	-	244,763	-
Investments in debt instruments at amortized cost	276,058,976	13	268,059,805	13
Receivables, net	22,979,066	1	28,984,785	1
Current tax assets	207,398	-	289,771	-
Discounts and loans, net	1,412,641,860	66	1,320,077,226	64
Investments measured by equity method, net	13,087,475	1	12,536,866	1
Other financial assets, net	44,428,881	2	51,821,709	2
Property and equipment, net	19,995,240	1	20,200,024	1
Right-of-use assets, net	1,601,174	-	-	-
Investment properties, net	13,872,790	1	13,742,376	1
Intangible assets, net	645,360	-	714,842	-
Deferred tax assets	3,197,348	-	3,001,405	-
Other assets, net	<u>1,051,475</u>	<u>-</u>	<u>990,474</u>	<u>-</u>
TOTAL	<u>\$ 2,126,429,286</u>	<u>100</u>	<u>\$ 2,069,080,020</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks	\$ 102,187,587	5	\$ 110,858,179	5
Financial liabilities at fair value through profit or loss	4,247,279	-	11,047,488	1
Securities sold under repurchase agreements	1,547,291	-	5,285,890	-
Payables	21,676,201	1	35,699,603	2
Current tax liabilities	465,752	-	218,866	-
Deposits and remittances	1,757,136,850	83	1,680,087,976	81
Bank notes payable	55,521,014	3	49,549,055	3
Other financial liabilities	4,274,900	-	4,387,078	-
Reserve for liabilities	5,322,733	-	5,272,477	-
Lease liabilities	1,401,162	-	-	-
Deferred tax liabilities	7,892,389	-	7,350,045	-
Other liabilities	<u>2,518,933</u>	<u>-</u>	<u>2,761,732</u>	<u>-</u>
Total liabilities	<u>1,964,192,091</u>	<u>92</u>	<u>1,912,518,389</u>	<u>92</u>
EQUITY				
Capital stock				
Common stock	99,853,111	5	97,895,207	5
Retained earnings				
Legal reserve	34,832,629	2	31,038,668	1
Special reserve	12,204,648	1	12,141,416	1
Unappropriated earnings	11,458,160	-	12,091,349	1
Other equity	<u>3,888,647</u>	<u>-</u>	<u>3,394,991</u>	<u>-</u>
Total equity	<u>162,237,195</u>	<u>8</u>	<u>156,561,631</u>	<u>8</u>
TOTAL	<u>\$ 2,126,429,286</u>	<u>100</u>	<u>\$ 2,069,080,020</u>	<u>100</u>

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME	\$ 38,189,030	121	\$ 38,335,813	116	-
INTEREST EXPENSE	<u>(16,118,024)</u>	<u>(51)</u>	<u>(15,210,271)</u>	<u>(46)</u>	6
NET INCOME OF INTEREST	<u>22,071,006</u>	<u>70</u>	<u>23,125,542</u>	<u>70</u>	(5)
NET NON-INTEREST INCOME (LOSS)					
Net service fee income	4,615,049	15	4,862,338	15	(5)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	1,836,773	6	2,711,956	8	(32)
Realized gain (loss) on financial assets at fair value through other comprehensive income	1,352,667	4	781,888	2	73
Gain (loss) arising from derecognition of financial assets at amortized cost	-	-	(101,029)	-	100
Foreign exchange gain (loss)	968,007	3	745,536	2	30
Share of profit (loss) of associates and joint ventures accounted for using equity method	418,059	1	394,394	1	6
Net other non-interest income (loss)	<u>450,463</u>	<u>1</u>	<u>475,471</u>	<u>2</u>	(5)
Net non-interest income	<u>9,641,018</u>	<u>30</u>	<u>9,870,554</u>	<u>30</u>	(2)
NET REVENUE AND GAINS	<u>31,712,024</u>	<u>100</u>	<u>32,996,096</u>	<u>100</u>	(4)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(2,148,065)</u>	<u>(7)</u>	<u>(2,213,028)</u>	<u>(7)</u>	(3)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage
	Amount	%	Amount	%	Increase (Decrease) %
OPERATING EXPENSES					
Employee benefits expenses	(10,641,484)	(33)	(10,731,285)	(33)	(1)
Depreciation and amortization expenses	(1,394,368)	(4)	(714,083)	(2)	95
Other general and administrative expenses	<u>(4,015,631)</u>	<u>(13)</u>	<u>(4,631,166)</u>	<u>(14)</u>	(13)
Total operating expenses	<u>(16,051,483)</u>	<u>(50)</u>	<u>(16,076,534)</u>	<u>(49)</u>	-
INCOME BEFORE INCOME TAX	13,512,476	43	14,706,534	44	(8)
INCOME TAX EXPENSE	<u>(1,940,694)</u>	<u>(6)</u>	<u>(2,059,999)</u>	<u>(6)</u>	(6)
NET INCOME	<u>11,571,782</u>	<u>37</u>	<u>12,646,535</u>	<u>38</u>	(8)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans	(157,063)	-	(317,259)	(1)	(50)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	1,620,760	5	(237,132)	-	783
Changes in fair value of financial liabilities attributable to changes in credit risk of liability	(818)	-	900	-	(191)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	8,630	-	-	-	-
Income tax related to items that will not be reclassified to profit or loss	31,412	-	63,452	-	(50)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation	(1,185,701)	(4)	657,497	2	(280)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	24,041	-	7,338	-	228
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	14,443	-	(55,506)	-	126
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(108,202)	-	(26,948)	-	302
Income tax related to items that will be reclassified to profit or loss	<u>121,573</u>	<u>-</u>	<u>17,192</u>	<u>-</u>	607
Other comprehensive income (loss), net of income tax	<u>369,075</u>	<u>1</u>	<u>109,534</u>	<u>1</u>	237
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,940,857</u>	<u>38</u>	<u>\$ 12,756,069</u>	<u>39</u>	(6)
EARNINGS PER SHARE					
Basic	<u>\$ 1.16</u>		<u>\$ 1.27</u>		(9)
Diluted	<u>\$ 1.15</u>		<u>\$ 1.26</u>		(9)

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)**

	Equity Attributable to Owners of the Bank					Other Equity				Total Equity
	Capital Stock		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2018	9,413,001	\$ 94,130,007	\$ 27,410,736	\$ 12,080,950	\$ 11,779,842	\$ (1,251,858)	\$ 797,969	\$ -	\$ (82)	\$ 144,947,564
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412
Appropriation of 2017 earnings										
Legal reserve appropriated	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-
Special reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)
Stock dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE, DECEMBER 31, 2018	9,789,521	97,895,207	31,038,668	12,141,416	12,091,349	(614,793)	-	4,008,966	818	156,561,631
Appropriation of 2018 earnings										
Legal reserve appropriated	-	-	3,793,961	-	(3,793,961)	-	-	-	-	-
Special reserve appropriated	-	-	-	63,232	(63,232)	-	-	-	-	-
Cash dividends	-	-	-	-	(6,265,293)	-	-	-	-	(6,265,293)
Stock dividends	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	-	11,571,782
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	-	1,523,354	(818)	369,075
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	-	1,523,354	(818)	11,940,857
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	-	(1,070)	-	-
BALANCE, DECEMBER 31, 2019	9,985,311	\$ 99,853,111	\$ 34,832,629	\$ 12,204,648	\$ 11,458,160	\$ (1,642,603)	\$ -	\$ 5,531,250	\$ -	\$ 162,237,195

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 13,512,476	\$ 14,706,534
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,148,065	2,213,028
Depreciation expense	1,185,464	512,577
Amortization expense	208,904	201,506
Share of profit (loss) of subsidiaries for using equity method	(418,059)	(394,394)
Interest income	(38,189,030)	(38,335,813)
Dividend income	(523,627)	(464,340)
Interest expense	16,118,024	15,210,271
Net gain on financial assets or liabilities at fair value through profit or loss	(72,939)	(3,505,054)
Gain on disposal of investments	(831,510)	(324,537)
Unrealized foreign exchange (gains) losses	(1,763,834)	793,098
Other adjustments	224,708	(5,694)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	4,882,909	(1,542,799)
Decrease in financial assets at fair value through profit or loss	52,006	1,206,800
Decrease (increase) in receivables	5,535,746	(3,893,701)
(Increase) decrease in discounts and loans	(94,712,733)	38,228,187
Increase in financial assets at fair value through other comprehensive income	(18,861,052)	(14,418,844)
Increase in investments in debt instruments at amortized cost	(8,009,682)	(21,311,579)
Decrease (increase) in other financial assets	7,392,828	(24,805,955)
Increase in other assets	(263,436)	(25,953)
(Decrease) increase in deposits from the Central Bank and banks	(26,378,048)	1,148,580
Increase in deposits and remittances	77,048,874	16,530,545
(Decrease) increase in payables	(14,014,519)	478,135
Increase (decrease) in financial liabilities at fair value through profit or loss	2,337,430	(2,133,537)
Decrease in reserve for liabilities	(250,624)	(233,785)
(Decrease) Increase in other financial liabilities	(111,522)	724,478
(Decrease) increase in other liabilities	(229,336)	143,773
Cash flows used in operations	(73,982,517)	(19,298,473)
Interest received	38,811,954	37,023,453
Dividends received	523,627	464,340
Interest paid	(16,099,320)	(14,617,359)
Income taxes paid	(1,194,421)	(2,428,163)
Net cash flows (used in) generated from operating activities	<u>(51,940,677)</u>	<u>1,143,798</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment accounted for using the equity method	(600,000)	(11,235,849)
Acquisition of property and equipment	(441,322)	(492,646)
Proceeds from disposal of property and equipment	170	1,061

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Acquisition of intangible assets	(137,032)	(347,039)
Acquisition of right-of-use assets	(424,879)	-
Acquisition of investment properties	<u>(1,203)</u>	<u>(1,281)</u>
Net cash flows used in investing activities	<u>(1,604,266)</u>	<u>(12,075,754)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	17,707,456	10,973,906
Proceeds from issuing bank notes	5,960,000	10,000,000
Repayments of bank notes	(7,991,100)	(2,200,000)
(Decrease) increase in securities sold under repurchase agreement	(3,738,599)	2,167,354
Repayments of the principal portion of lease liabilities	(349,851)	-
Cash dividends paid	<u>(6,265,293)</u>	<u>(4,235,850)</u>
Net cash flows generated from financing activities	<u>5,322,613</u>	<u>16,705,410</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(681,329)</u>	<u>1,207,986</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,903,659)	6,981,440
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>179,799,698</u>	<u>172,818,258</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 130,896,039</u>	<u>\$ 179,799,698</u>
	December 31	
	2019	2018
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 31,849,140	\$ 50,278,750
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>99,046,899</u>	<u>129,520,948</u>
Cash and cash equivalents at end of year	<u>\$ 130,896,039</u>	<u>\$ 179,799,698</u>