

**Taiwan Cooperative Financial Holding  
Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2016 and 2015 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Taiwan Cooperative Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the "Company") as of June 30, 2016, December 31, 2015 and June 30, 2015, and the related consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2015 and for the six months ended June 30, 2016 and 2015, as well as the consolidated statements of changes in equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants, Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2016, December 31, 2015 and June 30, 2015 and its consolidated financial performance for the three months ended June 30, 2016 and 2015 and its consolidated financial performance and consolidated cash flows for the six months ended June 30, 2016 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

August 29, 2016

### 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.*

# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 38)	\$ 42,630,665	1	\$ 43,753,654	1	\$ 41,964,221	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 38 and 39)	354,093,488	11	706,456,442	22	698,634,420	22
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 38)	50,407,840	2	37,138,694	1	64,164,795	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 39)	161,938,689	5	152,087,557	5	137,886,850	5
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 10)	1,461,400	-	1,346,831	-	2,457,734	-
RECEIVABLES, NET (Notes 4, 11, 38 and 39)	29,774,274	1	23,484,726	1	26,137,184	1
CURRENT TAX ASSETS (Note 4)	1,357,794	-	1,217,277	-	1,075,307	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 38 and 39)	1,955,110,318	59	1,981,115,609	61	1,895,074,730	61
REINSURANCE ASSETS, NET (Note 4)	82,501	-	27,088	-	8,677	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 13 and 39)	466,943,727	14	45,199,348	2	35,442,779	1
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 14)	118,942	-	122,023	-	116,030	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 29 and 39)	194,874,671	6	191,284,181	6	183,536,583	6
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	3,758,662	-	3,570,167	-	2,867,804	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	38,675,149	1	39,485,980	1	40,001,321	1
INTANGIBLE ASSETS (Notes 4 and 18)	3,660,224	-	3,683,142	-	3,696,673	-
DEFERRED TAX ASSETS (Notes 4 and 35)	1,180,461	-	1,328,980	-	1,209,035	-
OTHER ASSETS, NET (Notes 4 and 19)	<u>2,719,327</u>	<u>-</u>	<u>3,793,581</u>	<u>-</u>	<u>3,405,672</u>	<u>-</u>
TOTAL	<u>\$ 3,308,788,132</u>	<u>100</u>	<u>\$ 3,235,095,280</u>	<u>100</u>	<u>\$ 3,137,679,815</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 20 and 38)	\$ 206,738,930	6	\$ 204,595,814	6	\$ 215,798,580	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 25 and 38)	15,746,210	1	15,513,219	-	15,627,416	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 13, 21 and 38)	41,529,259	1	51,141,231	2	43,332,007	1
COMMERCIAL PAPER ISSUED, NET (Note 22)	12,483,949	-	15,557,051	1	10,290,949	-
PAYABLES (Notes 4, 23 and 38)	43,765,983	1	38,665,035	1	39,805,771	1
CURRENT TAX LIABILITIES (Note 4)	965,736	-	1,349,570	-	1,124,421	-
DEPOSITS AND REMITTANCES (Notes 24 and 38)	2,577,807,893	78	2,502,775,090	77	2,415,906,571	77
BONDS PAYABLE (Notes 8 and 25)	69,610,000	2	69,610,000	2	69,610,000	2
OTHER BORROWINGS (Notes 22 and 26)	1,414,320	-	851,606	-	1,039,360	-
PROVISIONS (Notes 4, 27 and 28)	51,064,328	2	54,947,799	2	57,897,500	2
OTHER FINANCIAL LIABILITIES (Notes 4 and 29)	87,667,555	3	84,646,193	3	80,725,903	3
DEFERRED TAX LIABILITIES (Notes 4, 17 and 35)	3,160,613	-	3,529,676	-	2,970,638	-
OTHER LIABILITIES (Note 30)	<u>1,682,465</u>	<u>-</u>	<u>1,591,110</u>	<u>-</u>	<u>1,765,861</u>	<u>-</u>
Total liabilities	<u>3,113,637,241</u>	<u>94</u>	<u>3,044,773,394</u>	<u>94</u>	<u>2,955,894,977</u>	<u>94</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC</b>						
Capital stock						
Common stock	110,722,290	4	110,722,290	3	105,449,800	4
Reserve for capitalization	<u>7,750,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,272,490</u>	<u>-</u>
Total capital stock	<u>118,472,850</u>	<u>4</u>	<u>110,722,290</u>	<u>3</u>	<u>110,722,290</u>	<u>4</u>
Capital surplus	<u>57,964,343</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>
Retained earnings						
Legal reserve	3,643,188	-	2,356,575	-	2,356,575	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	<u>7,206,797</u>	<u>-</u>	<u>12,866,132</u>	<u>1</u>	<u>6,424,436</u>	<u>-</u>
Total retained earnings	<u>11,846,011</u>	<u>-</u>	<u>16,218,733</u>	<u>1</u>	<u>9,777,037</u>	<u>-</u>
Other equity	<u>2,915,831</u>	<u>-</u>	<u>1,689,065</u>	<u>-</u>	<u>(235,155)</u>	<u>-</u>
Total equity attributable to owners of TCFHC	191,199,035	6	186,594,431	6	178,228,515	6
NON-CONTROLLING INTERESTS	<u>3,951,856</u>	<u>-</u>	<u>3,727,455</u>	<u>-</u>	<u>3,556,323</u>	<u>-</u>
Total equity	<u>195,150,891</u>	<u>6</u>	<u>190,321,886</u>	<u>6</u>	<u>181,784,838</u>	<u>6</u>
TOTAL	<u>\$ 3,308,788,132</u>	<u>100</u>	<u>\$ 3,235,095,280</u>	<u>100</u>	<u>\$ 3,137,679,815</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 31 and 38)	\$ 13,060,309	126	\$ 13,197,793	129	\$ 26,433,395	123	\$ 26,448,779	134
INTEREST EXPENSE (Notes 4, 31 and 38)	(4,853,103)	(47)	(5,375,372)	(53)	(9,913,351)	(46)	(10,853,156)	(55)
NET INTEREST	8,207,206	79	7,822,421	76	16,520,044	77	15,595,623	79
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 4, 32 and 38)	1,782,855	17	1,543,563	15	3,250,932	15	3,000,882	15
Premium loss, net (Notes 4 and 29)	(657,602)	(6)	(222,347)	(2)	(1,001,996)	(5)	(689,762)	(3)
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 33 and 38)	(49,146)	(1)	74,923	1	(673,391)	(3)	(932,127)	(5)
Gains on disposal of investment properties (Note 4)	104,256	1	15,422	-	104,256	1	15,422	-
Realized gains on available-for-sale financial assets (Note 4)	497,361	5	303,707	3	905,710	4	635,800	3
Foreign exchange gains, net (Note 4)	318,012	3	257,638	3	1,595,844	7	1,609,999	8
Reversal of impairment losses (impairment losses) on assets (Notes 4, 9, 13 and 19)	(66)	-	2,148	-	6,450	-	256	-
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	654	-	4,332	-	2,986	-	7,345	-
Gains on financial assets carried at cost, net (Note 4)	184,617	2	188,158	2	184,617	1	188,158	1
Other noninterest gains, net (Note 38)	26,319	-	238,615	2	565,882	3	301,419	2
Total net revenues and gains other than interest	2,207,260	21	2,406,159	24	4,941,290	23	4,137,392	21
TOTAL NET REVENUES	10,414,466	100	10,228,580	100	21,461,334	100	19,733,015	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Notes 4 and 12)	(1,058,759)	(10)	(453,403)	(5)	(3,002,707)	(14)	(1,177,596)	(6)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 27)	838,340	8	429,718	4	1,404,203	7	1,029,489	5
OPERATING EXPENSES (Notes 4, 17, 18, 28 and 34)								
Employee benefits	(4,002,817)	(38)	(4,156,946)	(41)	(7,832,493)	(37)	(8,146,022)	(41)
Depreciation and amortization	(298,947)	(3)	(328,408)	(3)	(602,847)	(3)	(655,838)	(3)
General and administrative	(1,729,399)	(17)	(1,771,127)	(17)	(3,487,126)	(16)	(3,507,467)	(18)
Total operating expenses	(6,031,163)	(58)	(6,256,481)	(61)	(11,922,466)	(56)	(12,309,327)	(62)

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# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 4,162,884	40	\$ 3,948,414	38	\$ 7,940,364	37	\$ 7,275,581	37
INCOME TAX EXPENSE (Notes 4 and 35)	<u>(510,382)</u>	<u>(5)</u>	<u>(519,780)</u>	<u>(5)</u>	<u>(1,050,204)</u>	<u>(5)</u>	<u>(995,924)</u>	<u>(5)</u>
NET INCOME	<u>3,652,502</u>	<u>35</u>	<u>3,428,634</u>	<u>33</u>	<u>6,890,160</u>	<u>32</u>	<u>6,279,657</u>	<u>32</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss (Note 4):								
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	<u>(2,152)</u>	<u>-</u>	<u>50,809</u>	<u>1</u>	<u>(2,168)</u>	<u>-</u>	<u>50,809</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss (Notes 4, 14 and 35):								
Exchange differences on the translation of financial statements of foreign operations	(54,981)	(1)	(31,030)	-	(241,278)	(1)	(460,497)	(2)
Unrealized gains (losses) on available-for-sale financial assets	(14,443)	-	(362,821)	(4)	1,525,857	7	303,025	2
Share of other comprehensive losses of associates and joint ventures accounted for using the equity method	(341)	-	(17)	-	(341)	-	(17)	-
Income tax attributable to other comprehensive income	<u>678</u>	<u>-</u>	<u>32,595</u>	<u>-</u>	<u>13,264</u>	<u>-</u>	<u>96,975</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(69,087)</u>	<u>(1)</u>	<u>(361,273)</u>	<u>(4)</u>	<u>1,297,502</u>	<u>6</u>	<u>(60,514)</u>	<u>-</u>
Other comprehensive income (losses), net of income tax	<u>(71,239)</u>	<u>(1)</u>	<u>(310,464)</u>	<u>(3)</u>	<u>1,295,334</u>	<u>6</u>	<u>(9,705)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,581,263</u>	<u>34</u>	<u>\$ 3,118,170</u>	<u>30</u>	<u>\$ 8,185,494</u>	<u>38</u>	<u>\$ 6,269,952</u>	<u>32</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 3,564,438	34	\$ 3,287,324	32	\$ 6,699,507	31	\$ 6,019,634	31
Non-controlling interests	<u>88,064</u>	<u>1</u>	<u>141,310</u>	<u>2</u>	<u>190,653</u>	<u>1</u>	<u>260,023</u>	<u>1</u>
	<u>\$ 3,652,502</u>	<u>35</u>	<u>\$ 3,428,634</u>	<u>34</u>	<u>\$ 6,890,160</u>	<u>32</u>	<u>\$ 6,279,657</u>	<u>32</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 3,506,705	33	\$ 3,073,645	30	\$ 7,926,273	37	\$ 5,948,932	30
Non-controlling interests	<u>74,558</u>	<u>1</u>	<u>44,525</u>	<u>-</u>	<u>259,221</u>	<u>1</u>	<u>321,020</u>	<u>2</u>
	<u>\$ 3,581,263</u>	<u>34</u>	<u>\$ 3,118,170</u>	<u>30</u>	<u>\$ 8,185,494</u>	<u>38</u>	<u>\$ 6,269,952</u>	<u>32</u>

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# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE								
(NEW TAIWAN DOLLARS;								
Note 36)								
Basic	\$ 0.30		\$ 0.28		\$ 0.57		\$ 0.54	
Diluted	\$ 0.30		\$ 0.28		\$ 0.57		\$ 0.54	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of TCFHC							Other Equity			Non-controlling Interests (Notes 4 and 37)	Total Equity
	Capital Stock (Note 37)			Capital Surplus (Notes 4 and 37)	Retained Earnings (Notes 4 and 37)		Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Note 4)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss (Note 4)			
	Shares (In Thousands)	Common Stock	Reserve for Capitalization		Legal Reserve	Special Reserve				Unappropriated Earnings		
BALANCE, JANUARY 1, 2016	11,072,229	\$ 110,722,290	\$ -	\$ 57,964,343	\$ 2,356,575	\$ 996,026	\$ 12,866,132	\$ 300,415	\$ 1,386,482	\$ 2,168	\$ 3,727,455	\$ 190,321,886
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	-	1,286,613	-	(1,286,613)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,321,669)	-	-	-	-	(3,321,669)
Stock dividends	-	-	7,750,560	-	-	-	(7,750,560)	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(34,820)	(34,820)
Total comprehensive income												
Net income for the six months ended June 30, 2016	-	-	-	-	-	-	6,699,507	-	-	-	190,653	6,890,160
Other comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	-	-	(199,979)	1,428,913	(2,168)	68,568	1,295,334
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	-	6,699,507	(199,979)	1,428,913	(2,168)	259,221	8,185,494
BALANCE, JUNE 30, 2016	11,072,229	\$ 110,722,290	\$ 7,750,560	\$ 57,964,343	\$ 3,643,188	\$ 996,026	\$ 7,206,797	\$ 100,436	\$ 2,815,395	\$ -	\$ 3,951,856	\$ 195,150,891
BALANCE, JANUARY 1, 2015	9,044,980	\$ 90,449,800	\$ -	\$ 51,818,091	\$ 1,332,940	\$ 996,026	\$ 10,918,919	\$ 264,792	\$ (429,245)	\$ -	\$ 3,235,303	\$ 158,586,626
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	-	1,023,635	-	(1,023,635)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(5,272,490)	-	-	-	-	(5,272,490)
Stock dividends	-	-	4,217,992	-	-	-	(4,217,992)	-	-	-	-	-
Capital surplus transferred to stock dividends	-	-	1,054,498	(1,054,498)	-	-	-	-	-	-	-	-
Capital increase in March 2015	1,500,000	15,000,000	-	6,870,000	-	-	-	-	-	-	-	21,870,000
Share-based payment for the employees' subscription for new shares	-	-	-	330,750	-	-	-	-	-	-	-	330,750
Total comprehensive income												
Net income for the six months ended June 30, 2015	-	-	-	-	-	-	6,019,634	-	-	-	260,023	6,279,657
Other comprehensive losses for the six months ended June 30, 2015	-	-	-	-	-	-	-	(365,507)	243,996	50,809	60,997	(9,705)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	-	6,019,634	(365,507)	243,996	50,809	321,020	6,269,952
BALANCE, JUNE 30, 2015	10,544,980	\$ 105,449,800	\$ 5,272,490	\$ 57,964,343	\$ 2,356,575	\$ 996,026	\$ 6,424,436	\$ (100,715)	\$ (185,249)	\$ 50,809	\$ 3,556,323	\$ 181,784,838

The accompanying notes are an integral part of the consolidated financial statements.

# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,940,364	\$ 7,275,581
Adjustments for:		
Depreciation expenses	501,397	512,583
Amortization expenses	101,450	143,255
Bad-debt expenses	2,999,754	1,269,399
Losses on financial assets and liabilities at fair value through profit or loss	673,391	932,127
Interest expense	9,913,351	10,853,156
Interest revenue	(26,433,395)	(26,448,779)
Dividend income	(251,084)	(256,424)
Net changes in reserves for insurance liabilities	(1,596,976)	(1,325,738)
Provision (reversal of provision) for losses on guarantees	2,953	(91,803)
Salary expense on share-based payments	-	330,750
Share of gains of associates and joint ventures accounted for using equity method	(2,986)	(7,345)
Losses on disposal of properties and equipment	830	3,199
Gains on disposal of investment properties	(104,256)	(15,422)
Gains on disposal of investments	(880,845)	(604,211)
Impairment losses on financial assets	-	1,871
Reversal of impairment losses on financial assets	(6,450)	-
Reversal of impairment losses on non-financial assets	-	(2,127)
Unrealized losses on foreign exchange	620,748	486,052
Net changes in operating assets and liabilities		
Decrease in due from the Central Bank and call loans to other banks	54,628,829	71,179,408
Decrease (increase) in financial assets at fair value through profit or loss	(5,210,520)	2,810,984
Increase in available-for-sale financial assets	(8,112,701)	(11,426,238)
Decrease (increase) in receivables	(4,530,602)	4,653,727
Decrease (increase) in discounts and loans	23,658,442	(35,224,265)
Decrease (increase) in reinsurance assets	(60,553)	7,905
Increase in held-to-maturity financial assets	(421,887,920)	(13,681,242)
Decrease (increase) in other financial assets	(575,752)	19,833,494
Decrease in other assets	685,116	2,957,763
Increase in due to the Central Bank and other banks	2,143,116	32,977,884
Decrease in financial liabilities at fair value through profit or loss	(8,173,494)	(8,850,778)
Decrease in securities sold under repurchase agreements	(9,611,972)	(3,058,222)
Decrease in payables	(653,448)	(16,665,842)
Increase in deposits and remittances	75,032,803	19,465,822
Decrease in provision for employee benefits	(2,284,170)	(137,979)
		(Continued)



# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2016	2015
Decrease in other financial liabilities	\$ (685,475)	\$ (2,605,795)
Increase in other liabilities	139,030	457,719
Cash generated by (used in) operations	(312,021,025)	55,750,469
Interest received	27,319,593	26,773,289
Dividends received	242,151	247,612
Interest paid	(10,267,842)	(11,622,710)
Income tax received (paid)	(1,790,916)	19,388
Net cash generated by (used in) operating activities	(296,518,039)	71,168,048
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of properties and equipment	(120,906)	(380,839)
Proceeds of the disposal of properties and equipment	378	-
Increase in refundable deposits	(202,673)	(849,430)
Decrease in refundable deposits	601,665	378,921
Acquisition of intangible assets	(63,664)	(66,419)
Proceeds of the disposal of collaterals assumed	-	2,127
Acquisition of collaterals assumed	-	(36,896)
Acquisition of investment properties	(1,181)	-
Proceeds of the disposal of investment properties	337,611	28,209
Increase in other assets	(18,009)	(15,909)
Decrease in other assets	1,520	2,416
Net cash generated by (used in) investing activities	534,741	(937,820)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in commercial paper issued	(3,076,000)	(1,888,000)
Proceeds of the issuance of bank debentures	-	12,516,000
Repayments of bank debentures	-	(22,500,000)
Increase in other borrowings	1,350,627	5,502,732
Decrease in other borrowings	(777,107)	(5,375,000)
Increase in guarantee deposits received	21,323	76,408
Decrease in guarantee deposits received	(69,208)	(2,063)
Increase in other liabilities	-	70,329
Decrease in other liabilities	(39,107)	-
Capital increase	-	21,870,000
Changes in non-controlling interests	(34,820)	-
Net cash generated by (used in) financing activities	(2,624,292)	10,270,406
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(140,175)	1,234,268
		(Continued)

# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2016	2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$(298,747,765)	\$ 81,734,902
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>430,685,493</u>	<u>341,517,226</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 131,937,728</u>	<u>\$ 423,252,128</u>
Cash and cash equivalents reconciliations:		
	June 30	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	\$ 42,630,665	\$ 41,964,221
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	87,554,963	378,551,938
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	1,461,400	2,457,734
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>290,700</u>	<u>278,235</u>
Cash and cash equivalents, end of the period	<u>\$ 131,937,728</u>	<u>\$ 423,252,128</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# **TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. ORGANIZATION AND OPERATIONS**

Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) was established by Taiwan Cooperative Bank, Ltd. (TCB), Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) and Co-operative Assets Management Co., Ltd. (CAM) through a share swap on December 1, 2011 under the Financial Holding Companies Act and related regulations in the Republic of China (ROC). The TCFHC's shares have been listed on the Taiwan Stock Exchange (TSE) since December 1, 2011. After the share swap, TCB, TCBF and CAM became wholly owned subsidiaries of TCFHC.

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 270 domestic branches, an offshore banking unit (OBU), 10 overseas branches and 2 representative office as of June 30, 2016.

The operations of TCB's Trust Department are (1) planning, managing and operating the trust business and (2) custodianship of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Law and Trust Law of the ROC.

TCB merged with the Farmers Bank of China (FBC) on May 1, 2006, with TCB as the survivor entity.

On December 2, 2011, TCB spun off its Security Department for the establishment of Taiwan Cooperative Securities Co., Ltd. (TCS). TCS issued new common shares to TCFHC and became its 100% subsidiary. TCS primarily (a) brokers securities; (b) deals securities; (c) underwrites securities; (d) provides pecuniary and securities financing facilities for the trading of listed securities; (e) trading of futures introducing broker business; (f) does other business as approved by the authorities.

TCBF, established on May 13, 1998, has a head office in Taipei and a branch in Kaohsiung. TCBF engages in (a) brokering and dealing short-term bills; (b) underwriting commercial paper; (c) acting as registrar of commercial paper; (d) providing guarantees on or endorsements of commercial paper and bank acceptance; (e) brokering call loans between financial institutions; (f) providing consulting services on corporate financial matters; (g) brokering and dealing government bonds; (h) underwriting, brokering and dealing bank debentures; (i) dealing corporate bonds; (j) investment related equity instruments; (k) other operations approved by the authorities.

CAM was established on October 18, 2005; its main businesses are the purchase, appraisal, auction and management of financial institutions' creditors' rights as well as the purchase of accounts receivable and management of overdue receivables. To enhance capital allocation and increase the benefits of capital use, the board of directors of CAM decided to merge CAM and its subsidiary, Cooperative I Asset Management Co., Ltd. The effective date of the merger was December 1, 2014. In this merger, CAM was the survivor entity.

Cooperative Insurance Brokers Co., Ltd. (CIB) was established on November 25, 2005; it engages in life and property insurance brokering. In order to integrate resources and enhance operating effectiveness, the board of directors of TCB and CIB decided to merge TCB with CIB. The effective date of the merger was June 24, 2016. In this merger, TCB was the survivor entity.

TCB set up the United Taiwan Bank S.A. (UTB) in Belgium through raising funds with Bank of Taiwan, Land Bank of Taiwan and Taiwan Business Bank. UTB started its operation on December 23, 1992; it is TCB's subsidiary and its main business is in general deposits and loans.

For organizational restructuring purpose, TCB's board of directors resolved to reduce TCB's capital of \$1,524,390 thousand and transferred TCB's long-term equity investments in BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) and Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT) to TCFHC on December 1, 2011. The effective date of the capital reduction was set on April 3, 2012. After this capital reduction, BPCTLI and TCSIT both became 51% subsidiaries of TCFHC. On April 21, 2014, TCFHC acquired 49% of long-term equity investments in TCSIT for \$151,704 thousand. After this acquisition, TCSIT became a 100% subsidiary of TCFHC.

The business of BPCTLI was approved in March 2010. BPCTLI provides insurance: Life, personal injury, health, annuity and investment-linked products.

The business of TCSIT was approved in April 2011. TCSIT engages in the (a) securities investment trust business; (b) discretionary investment business and (c) other businesses as approved by the authorities.

Taiwan Cooperative Venture Capital Co., Ltd. (TCVC) was established on October 1, 2015. TCVC engages in (a) venture capital investments; (b) consulting; and (c) investment consulting.

As of June 30, 2016 and 2015, TCFHC and its subsidiaries (the "Company") had 9,009 and 8,855 employees, respectively.

The operating units of the Company maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

## 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statement were approved by TCFHC's board of directors on August 29, 2016.

## 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)

(Continued)

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New IFRSs in 2017 would not have any material impact on the Company’s accounting policies:

Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of properties and equipment for which impairment loss has been recognized or reversed is fair value determined by present value technique less costs of disposal, the Company is required to disclose the discount rate. The amendment will be applied retrospectively in 2017.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

### The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

#### 2) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

#### 3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

##### **Basis of Consolidation**

TCFHC's consolidated financial statements incorporate the financial statements of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC), and the entities controlled by TCFHC, including Taiwan Cooperative Bank, Ltd. (TCB) and its subsidiaries, Co-operative Assets Management Co., Ltd. (CAM) and its subsidiary, Taiwan Cooperative Bills Finance Co., Ltd. (TCBF), Taiwan Cooperative Securities Co., Ltd. (TCS), BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI), Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT) and Taiwan Cooperative Venture Capital Co., Ltd. (TCVC).

The accounting policies of TCFHC and its subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The accompanying consolidated financial statements also include accounts of TCB's Head Office, OBU, and all branches. All interoffice account balances and transactions have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



For more information on the consolidated entities, please see Table 1 (attached).

### **Foreign-currency Transactions**

Foreign-currency transactions of TCFHC, TCBF, TCS, TCSIT, CAM, BPCTLI and TCVC are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Losses or gains resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The period-end balances of foreign-currency monetary assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to current income.

TCB records foreign-currency transactions in the respective currencies in which these are denominated. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars at the prevailing exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities - the prevailing exchange rates on the balance sheet date; and income and expenses - at the average exchange rate for the period. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, and is attributed to the owner of the Company and non-controlling interests.

### **Classification of Current and Non-current Assets and Liabilities**

The operating cycle in the financial holding company, banking industries and insurance industries cannot be reasonably identified; thus the accounts included in the financial statements of TCFHC, TCB, UTB, TCBF and BPCTLI are not classified as current or non-current. Other subsidiaries' assets and liabilities are classified as follows:

Current assets are assets held for trading purposes, assets expected to be converted to cash, sold or consumed within twelve months from the balance sheet date and cash and equivalents, excluding assets held for an exchange or held to settle a liability at more than twelve months after the balance sheet date and assets that are otherwise restricted. Properties and equipment, investment properties, intangible assets and other assets that are not classified as current are non-current assets. Current liabilities are obligations incurred for trading purposes and obligations settled within twelve months from the balance sheet date, or when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Liabilities that are not classified as current are non-current liabilities. Terms of a liability that could, at the option of the counter-party, result in its settlement by the issue of equity instruments do not affect its classification.

The consolidated financial statements, however, do not show the classification of current or non-current assets/liabilities because the banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity.

## **Cash and Cash Equivalents**

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, and call loans to securities firms that correspond to the definition of cash and cash equivalents in IAS 7 - "Cash Flow Statements," as endorsed by the FSC.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets, held-to-maturity financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### 1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 41.

## 2) Available-for-sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 41.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed or is determined to be impaired.

Cash dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of investee's shares held.

AFS financial assets that do not have a quoted market price in an active market and have a fair value that cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the balance sheet date and are recognized in a separate line item as financial assets carried at cost. These financial assets are measured at fair values if the fair values can be reliably measured subsequently. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income. When an AFS financial asset is considered impaired, the losses are recognized to profit or loss.

## 3) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

After initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

## 4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables, debt instruments with no active markets) are measured at amortized cost using the effective interest method less any impairment.

### b. Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the asset issuer and debtor;
- The financial assets becoming overdue; and
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Amortized cost of the presentation of financial assets (loans and receivables) that are individually assessed had no objective evidence of impairment are further assessed collectively for impairment. Objective evidence of impairment of a portfolio of receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on financial assets.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

For AFS equity instruments, impairment losses previously recognized in profit or loss cannot be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss cannot be reversed in subsequent periods.

Impairment loss on financial asset is recognized by reducing its carrying amount through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

Under FSC guidelines, TCB should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectible, on the basis of the customers' financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

TCB made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectible, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. In addition, TCB was required to make provisions of at least 1.5% each for the sound credit assets on loans granted to Mainland China clients (including short-term trading financing) and for mortgage loans granted for housing acquisition, renovation and construction before December 31, 2015 and 2016, respectively.

Under “The Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Nonperforming Credits, Nonaccrual Loans, and Bad Debts” issued by the FSC, TCBF makes the following minimum provisions for losses on credits for these categories: Uncollectible - 100%; with doubtful collectability - 50%; substandard - 10%; “special mention” - 2%; and collectible (excluding assets that represent claims against an ROC government agency) - 1%.

Under the Article 5 of the “Regulations Governing the Procedures for Insurance Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the Insurance Bureau, BPCTLI should make sufficient provisions for credit assets.

Credits deemed uncollectible may be written off if the write-off is approved by the board of directors.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amounts and the sum of the consideration received, receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the TCFHC’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the TCFHC’s own equity instruments.

Financial liabilities

a. Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as at FVTPL.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 41.

## 2) Financial guarantee contracts

Financial guarantee contracts issued by the Company are not designated as at FVTPL and are subsequently measured at the higher of (a) the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; or (b) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

## b. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company's obligations are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid (includes transfer of non-cash assets and liabilities assumed) is recognized in profit or loss.

## Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is carried as an financial asset and if the fair value is a negative number, the derivative is carried as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

## **Overdue Loans**

Loans and other credits (including accrued interest) that are overdue for at least six months are classified as overdue loans in accordance with the guideline issued by the FSC.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

## **Purchase on Margin and Short Sale**

Taiwan Cooperative Securities Co., Ltd. (TCS) recognizes margin loans as loans to customers for purchases on margin while providing financing to investors who buy stocks. Margin loans made by TCS are generally collateralized by securities in the client's account. These collateralized securities are not entered in TCS's books but are recorded using memorandum entries. After the security investors settle the margin loans, these pledged securities are returned to investors.

TCS requires a deposit from security investors for short sale services while providing short sale services to investors. This deposit is recorded under deposits on short-sale transactions. The amount collected from selling of short sale securities (net of securities transaction tax, brokerage fee and handling fee) is kept by TCS as collateral and recorded as payables for short-sale transactions. The securities lent to clients as short sale are recorded using memorandum entries. The deposits on short-sale transactions and payables for short sale are returned to security investors after investors settle the short-sale transactions.

The margin deposited by securities firms to securities finance companies are recorded as loan from refinanced margin. The refinancing securities delivered to TCS are recorded through memorandum entries as refinancing stock loans. A portion of the proceeds from the short-sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral and is recorded as refinancing deposits receivable.

## **Securities Purchased/Sold Under Resell/Repurchase Agreements**

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense over the life of each agreement.

## **Security Lending**

For self-hedging purposes on convertible bond investments, TCS carries out security lending transactions. As a security borrower, TCS recognizes the margins which paid to other securities companies as refundable deposits - securities borrowing. When TCS sells the borrowed securities, the selling price of the borrowed securities is recognized as payable - security borrowing (part of financial liabilities at fair value through profit or loss), and the difference between the selling price and the fair value of securities is recognized in the profit or loss in the period of the transaction. When TCS buys back the securities, it classifies the securities as operating securities (part of financial assets at fair value through profit or loss) and recognizes the total amount of margins and selling price in profit or loss after deducting the service charge on the borrowed securities.

## **Investment in Associates and Joint Ventures**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. The Company also recognizes the changes in the Company's share of equity of associates or joint ventures.

When the Company subscribes for additional new shares of the associate or joint ventures at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate or joint ventures. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate or joint ventures, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint ventures is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint ventures, which includes any carrying amount of the investment accounted for by equity method and long-term interests that, in substance, form part of the Company's net investment in the associate or joint ventures, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint ventures. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate or joint ventures, profits and losses resulting from the transactions with the associate or joint ventures are recognized in the Company's consolidated financial statements only to the extent of interests in the associate or joint ventures that are not related to the Company.

### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.



Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

### **Reinsurance Contracts**

In order to limit the potential losses that may arise from certain risk exposure events, the Company cedes insurance contracts with the reinsurer according to its business consideration and the relevant insurance regulations. To the extent that the assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

Reinsurance expense, reinsurance commission income and reinsurance payables are processed and recognized on the basis of reinsurance contracts over the duration of these contracts. Reinsurance contracts include reinsurance ceded reserves, claims recoverable from reinsurers and reinsurance receivables. The assets, liabilities, income and expense for reinsurance contracts cannot be offset against the original insurance contracts' related balances.

If the Company's reinsurance assets, claims recovered from reinsurers and net due from reinsurers and ceding companies are impaired, which are subject to periodic impairment tests, the Company shall reduce its carrying amount accordingly and recognize that impairment loss in profit or loss as long as (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract; and (b) that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk, the Company records the agreement using the deposit method of accounting.

If a reinsurance contract involves the transfer of significant insurance risk and if the Company can evaluate the deposit components individually, the insurance component and the deposit component are separately recognized. That is, the difference between the contract amount the Company receives or pays and the amount of the insurance component is recognized as a financial liability or asset chargeable other than revenues or expenses. The financial liability or asset is recognized and measured at fair value, which is based on the discounted value of future cash flows.

### **Properties and Equipment**

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

Land for self-use is not depreciated. Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss recognized on the disposal or retirement of an item of property and equipment is the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Company as a lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Unearned interest revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in revenues over the lease periods on a straight-line basis. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

Lease incentives offered in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term.

### The Company as a lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current period.

Lease incentives received for operating leases are recognized under liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the lease term.

When TCB sales and leasebacks a property, the excess of sales proceeds over the carrying amount resulted from the sale of the property is deferred and amortized over the lease term regardless of operating lease or finance lease. For indefinite lease term, the excess is amortized over 10 years.

### **Goodwill**

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units (CGU)) that is expected to benefit from the synergies of the combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arise from the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant cash-generating unit, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

## **Intangible Assets Other Than Goodwill**

### Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the useful lives, residual values and amortization method of the assets, and any changes in estimates are accounted for prospectively. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero.

### Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

### Derecognition

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the assets is derecognized.

## **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Corporate assets are allocated to the individual cash-generating units or a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

## **Investment-linked Products**

The Company sells investment-linked products. Based on agreements, the insurance premiums paid by policyholders are offset against various expenses incurred by the Company and are invested in separate accounts at allocation ratios agreed on with or set by the policyholders. The value of the separate-account assets is accounted for at the market value on the date of the start of the transaction, and their net worth is computed in accordance with the related regulations and accounting principles generally accepted in the ROC.

The assets, liabilities, revenues and expenses of separate accounts represent the rights and obligations of the policyholders and are recorded, pursuant to the accounting principles governing investment-linked products, in the Company's "Assets on insurance products - separate account" (part of other financial assets), "Liabilities on insurance products - separate account" (part of other financial liabilities), "Income on insurance products - separate account" and "Disbursements on insurance products - separate account" (part of premium income, net).

## **Foreclosed Collaterals**

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet dates. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized in gains. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

## **Provisions**

Provisions are the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. A provision is measured using the cash flows estimated to settle the present obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The reserves of insurance contracts are recognized in accordance with Regulations Governing the Reserves by Insurance Enterprises and attested by actuary with accreditation from Financial Supervisory Commission. According to the No. 852367814 announced by the Insurance Bureau, except the Company's insurance with a term of less than one year, the insurance liabilities should be calculated based on the higher of its revenue or revenue calculated according to the regulation. The provision basis are summarized as follows:

### Life policy reserve

Reserve of life policy is calculated according to the Regulations Governing the Reserves by Insurance Enterprises and other rulings promulgated by regulators. Calculation is based on a mortality table and projected interest rate at the time of approval of the insurance product granted by the Insurance Bureau of the Republic of China.

### Unearned premium reserve

Unearned premiums of effective policies with a term of less than one year and the term of injury insurance exceeding one year are computed, by the policy types, according to the respective actual risk.

### Claim reserve

Reserve for claim payments is for claims which are reported but not yet paid and incurred but not yet reported (IBNR). Reserve for claim payments which is reported but not yet paid is provided according to a case by case basis based on an actual data. Reserve for claim payments which is incurred but not yet reported is provided based on the following rules:

- a. Life insurance and health insurance with a term of less than one year

Life insurance and health insurance with a term of less than one year is provided based on historical information and actuarial principles for each type of insurance.

- b. Injury insurance

Injury insurance is provided based on historical information and actuarial principles for each type of insurance.

### Deficiency reserve

For life, health and annuity insurance contracts, whereas insurance term is over one year and insurance premium is lower than the required reserve liability, a further reserve for deficient premiums will be required in addition to the normal insurance reserve.

In addition, for effective insurance contracts with a term less than one year, if the estimated claims and expenses are in excess of the relevant reserve for unearned premium and the expected premium to be received, the excess amount shall be provided as an addition to the deficiency reserve account.

### Reserve for liability adequacy

According to IFRS 4 “Insurance Contracts”, additional reserve for liability adequacy shall be made pursuant to the results of the Company’s annual insurance liability adequacy tests.

The Company’s liability adequacy test is based on the whole insurance contracts, and is in accordance with Actuarial Standards of Practice of IFRS 4 - “Classification of Contracts and Liability Adequacy Test” issued by the Actuarial Institute of the Republic of China. The adequacy of insurance liabilities must be tested at each balance sheet date. The liability adequacy test is based on the difference between the net carrying amount of insurance liabilities minus deferred acquisition costs and related intangible assets and current estimates of future cash flows from insurance policies. If the net carrying amount is insufficient, the deficiency will be recognized in profit or loss.

### Insurance contract with financial instrument features

The service fees the Company charges from investment contracts, which do not belong to investment-linked products and are with no discretionary participation features, are recognized as reserve for insurance contracts with financial instrument features. The related acquisition cost will be charged against reserve for insurance contracts with financial instrument features when the relevant insurance contracts become effective. The Company provided the reserve in accordance with the Regulations Governing the Reserves by Insurance Enterprises.

### Reserve for foreign exchange valuation

For the life insurance enterprises manage its exposure to foreign exchange risks, reduce the cost and strengthen liquidation, in accordance with Regulations Governing the Reserves by Insurance Enterprises and the Company based on its foreign investment asset to provide the foreign exchange valuation.

Under the Guidelines on Life Insurance Reserve for Foreign Exchange Valuation and related amendments, the reserve to be provided and the terms for write-offs against the reserve are as follow:

- a. Special reserve is reclassified to reserve for foreign exchange valuation for three years from the reclassification date. For the first year, the amount cannot be less than one third of the initial amount of net income. For the first two years, the cumulative amounts cannot less than two thirds of the initial amount of net income. In this reclassification, the recovered amount should be calculated in accordance with Regulations Governing the Reserves by Insurance Enterprises.
- b. Provisions: Except for provisions calculated at the total amounts of foreign investments multiplied by the ratio of exposures and the ratio of 0.042 percent, if there is the profit on non-hedging foreign exchange assets, the Company should provide a reserve at 50 percent of the profit.
- c. Write-off amounts: The loss on foreign exchange of the assets without hedge should be written off against the reserve at 50 percent of the loss. The balance of the reserve at the end of a month cannot be less than 20 percent of the amount of the end of the previous year’s cumulative balances. The cumulative balance in 2012 refers to the initial amount of the reserve.

- d. The maximum cumulative reserve is 9.5 percent of the current year's total foreign investment.
- e. If the Company has savings on hedging cost, it should appropriate from the current year's net profit an amount the same as that of these savings. However, if the net profit is not enough for this appropriation, the appropriation should be made in the year a profit is made. This reserve should be used for capital increase or for offsetting the deficit at least once in three years.
- f. Ten percent of net profit should be provided as special reserve. However, exemption from this requirement may be obtained under the authorities' approval.

### **Recognition of Revenue**

The Company recognizes revenue in accordance with IAS 18 "Revenue", except revenue from insurance contracts.

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

Dividend income from investments is recognized when the stockholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Service that results in award credits for customers, under the Company's award scheme, is accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the service rendered and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

### **Premium Income and Policy Acquisition Cost**

The initial premiums for the Company's insurance contracts and contracts with a discretionary participation features are recognized as revenue once the collection is made and the insurance approval procedures are completed. The subsequent premiums are recognized as revenue upon cash collection. The related expenses, e.g., commission expenses, are recognized as expenses once the contract takes effect.

The service fees the Company charges on contracts that are not considered investment-linked products and have no discretionary participation features are recognized as reserve for insurance contracts with financial instrument features. The related acquisition cost will be charged against the reserve for insurance contracts with financial instrument features when the relevant insurance contracts take effect.

The service fees that the Company charges for the investment-linked product of insurance contracts and from which front-load fees or related investment management fees have been deducted, are recognized as investment-linked product liabilities. The policy-related expenses incurred by the investment management service, including commission and increased expenses associated with the new contracts, are deferred. These costs are depreciated using the straight-line method throughout the duration of the service. The Company recognizes the deferred service fee revenue and deferred acquisition cost in accordance with the design of the insurance contracts and the service cost corresponding to the received service fee.

### **Government Grants**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

## **Employee Benefits**

### Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current period as services are rendered.

### Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

### Preferential interest deposits for employees

Taiwan Cooperative Bank, Ltd. (TCB) provides preferential interest deposits to current and retired employees, and these deposits, including payments of the preferential interest deposits, are within certain amounts. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefits.

Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, TCB should follow the requirement of IAS 19 "Employee Benefits" endorsed by FSC to determine the excess interest on the preferential interest deposits of retired employees by applying an actuarial valuation method when the employees retire. The actuarial assumptions should be in accordance with the requirements set by the authorities.

### Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

### **Share-based Payment**

The Company's employees subscribed for the reserved shares of Taiwan Cooperative Financial Holding Company, Ltd., (TCFHC) in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Company and its employees made an agreement for the employees to subscribe for TCFHC's shares.

### **Taxation**

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

#### Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be used. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and these differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences based on the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred taxes arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

TCFHC and its subsidiaries elected to file consolidated tax returns. The difference between consolidated income tax payable and the sum of income tax payables of the entities included in consolidated tax return is considered as a tax consolidation adjustment which is shown on TCFHC's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

#### **Business Combination**

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expense as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

#### **Classification of Insurance Contracts**

An insurance contract is one under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The Company identifies insurance risk as significant only if the insured event would cause the Company to pay material additional benefits.

The insurance contract with financial instrument features is the contract that makes a contract issuer exposed to financial risk but not significant insurance risk. Financial risk is the risk that one or multiple interest rates, the price of financial instruments, commodity price, exchange rate, price index, insurance premium index, credit ratings, credit index or other variables (if the variable is nonfinancial it has to be non-specific to both parties) will change in the future.

The policy that initially met the definition of insurance contract remains an insurance contract until all of the rights and obligations expire, even though the insurance risk has been significantly reduced through the duration of the insurance contract. However, if the significant insurance risk of the insurance contract with financial instrument features is transferred to the Company, the contract should be reclassified to insurance contract.

Insurance contracts may also be classified as with or without the discretionary participation features (DPF). DPF is a contractual right to receive the following additional benefits:

- a. An amount that is equal to a significant portion of the total contractual benefits;
- b. Whose amount or timing is contractually at the discretion of the issuer; and
- c. That is contractually based on:
  - 1) The performance of a specified pool of contracts or a specified type of contract;
  - 2) Realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - 3) The profit or loss of the Company, fund or other entity that issues the contract.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, recognized at fair value and the resulting gain or loss is recognized in profit or loss. If the derivatives embedded in non-derivative host contracts are qualify as insurance policies, or the contracts are recognized at fair value and the resulting gain or loss is recognized in profit or loss, the derivatives embedded in non-derivative host contracts do not have to separate from insurance policies.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 4, the Company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Unless stated in other notes, the following are the critical judgments, assumptions and estimation uncertainty that the Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- a. Impairment losses on loans

The Company monthly assesses loans collectively. When determining whether an impairment loss should be recognized, the Company mainly seeks for observable evidence that indicates impairment. Objective evidence of impairment of a portfolio of loans and receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables. The management uses past loss experience on assets that have similar credit risk characteristics to estimate the expected future cash flows. The Company reviews the methods and assumptions of cash flow estimation regularly to eliminate the difference between expected and actual loss.

b. Fair values of financial instruments

Fair values of financial instruments in an inactive market or with no quoted market prices are determined by valuation techniques. Under these circumstances, fair values are derived from observable market data of other similar financial assets. When there are no observable inputs in the market, the fair values of financial instruments are estimated by making appropriate assumptions. The Company applies appropriate valuation models to determine the fair values of financial instruments subjective to valuation techniques. All models are fine-tuned to ensure the valuation results fairly reflect actual market information and prices. The Company's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

For the fair value determination of financial instruments, refer to Note 41 to the consolidated financial statements.

c. Income tax

The Company is required to make substantive estimates when calculating income tax. The final tax assessment is based on considerable transactions and calculations. When the final tax amount differs from the amount on original recognition, the difference affects the recognition of both current and deferred income tax. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Employment benefits

The calculation of the present value of post-employment benefits and preferential rates for retired employees' deposits is based on the actuarial result under several assumptions. Any change in these assumptions may affect the carrying amount of post-employment benefits and preferential interest deposits plan for retired employees.

One of the estimates used for determining the net pension costs (revenues) is discount rate. The Company determines appropriate discount rates at the end of each year and estimates the present values of future cash outflows resulting from fulfilling the post-employment obligation by the discount rates. To better determine the discount rates, the Company takes into account the interest rates of high-quality corporate bonds or government bonds, with currencies the same as those of post-employment benefit payments, and with durations that match those of the corresponding pension liabilities.

Other significant assumptions for post-employment obligation are subject to current market condition. Significant assumptions for the obligation of preferential interest deposits for retired employee are determined by the authorities.

e. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

f. Impairment assessment on available-for-sale equity investment

Objective evidences of the impairment of an available-for-sale equity investment include the fair value of that investment falling significantly or constantly below the cost. Subjective judgments are required when assessing the impairment. The Company's management considers past market fluctuation, historical prices of the investment and other factors that affect the performance of the industries to which the investees belong to make the subjective judgments.

g. The valuation of provisions on financial guarantee contracts

Except for the minimum standards under certain laws, the Company's main basis for deciding the amounts of provisions is whether there is any observable evidence that the Company has payment obligations to compensate the losses of guarantee holders. The Company regularly reviews the economic situation in terms of defaults on debt repayments to reduce the difference between the estimated and the actual amounts of loss.

h. Insurance liability and liability adequacy test

An independent actuary estimated the insurance liability and tested liability adequacy using certain actuarial principles and assumptions, which included the characteristics of each type of insurance, historical information, loss development factors, expected loss ratio and estimation of future cash flows. The management may adjust the differences between actual results and estimates, if it is necessary.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	\$ 21,982,538	\$ 21,451,458	\$ 22,349,610
Notes and checks in clearing	8,571,307	9,279,476	7,207,407
Due from banks	<u>12,076,820</u>	<u>13,022,720</u>	<u>12,407,204</u>
	<u>\$ 42,630,665</u>	<u>\$ 43,753,654</u>	<u>\$ 41,964,221</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of June 30, 2016 and 2015 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2015 are stated below:

	December 31, 2015
Cash and cash equivalent in the consolidated balance sheet	\$ 43,753,654
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	385,289,088
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,346,831
Other items in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>295,920</u>
Cash and cash equivalents, end of the year	<u>\$ 430,685,493</u>

## 7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	June 30, 2016	December 31, 2015	June 30, 2015
Reserves for deposits - account A	\$ 57,259,760	\$ 39,790,008	\$ 25,708,403
Reserves for deposits - account B	67,546,669	64,299,766	62,213,032
Reserves for deposits - community financial institutions	53,539,567	52,801,642	52,152,424
Reserves for deposits - foreign-currency deposits	330,702	318,069	298,872
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Time deposits in the Central Bank	4,500,000	4,500,000	4,500,000
Negotiable certificates of deposit in the Central Bank	11,250,000	443,715,000	440,565,000
Due from the Central Bank - others	5,948,693	8,815,848	5,027,537
Due from the Central Bank - central government agencies' deposits	3,240,982	3,156,360	2,922,828
Call loans to banks	<u>111,277,115</u>	<u>49,859,749</u>	<u>66,046,324</u>
	<u>\$ 354,093,488</u>	<u>\$ 706,456,442</u>	<u>\$ 698,634,420</u>

The deposit reserves are determined monthly at prescribed rates based on the average balances of various types of deposit accounts held by the Company. The deposit reserves are subject to withdrawal restrictions, but deposit reserve - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the guideline issued by the Central Bank of the Republic of China (CBC), Taiwan Cooperative Bank Ltd. should deposit 60 percent of the deposits of central government agencies in the CBC, and the deposits are subject to withdrawal restrictions.

## 8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Held-for-trading financial assets</u>			
Commercial paper	\$ 42,640,218	\$ 29,281,435	\$ 58,333,381
Corporate bonds	1,792,934	1,515,920	1,106,340
Government bonds	1,404,645	506,660	455,038
Negotiable certificates of deposit	1,299,207	799,623	599,682
Convertible bonds	363,879	416,618	392,101
Listed and emerging market stocks	360,680	262,273	192,687
Bank debentures	110,000	-	-
Beneficial certificates	57,746	52,106	30,467
Currency swap contracts	1,392,505	3,590,561	1,642,890
Interest rate swap contracts	284,339	5,888	231
Forward contracts	277,565	209,482	508,570
Foreign-currency margin contracts	178,910	122,685	35,844
Currency option contracts - buy	120,504	66,725	262,908
Futures exchange margins	80,580	42,602	19,075
Cross-currency swap contracts	18,214	225,100	441,035
Stock warrants	3,544	-	-
Commercial paper contracts with reference rate	2,361	921	1,652

(Continued)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Asset swap options	\$ 1	\$ -	\$ -
TAIEX Futures call options	-	-	330
	<u>50,387,832</u>	<u>37,098,599</u>	<u>64,022,231</u>
Financial assets designated as at fair value through profit or loss			
Convertible bond asset swap contracts	20,008	40,095	50,515
Bank debentures	-	-	92,049
	<u>20,008</u>	<u>40,095</u>	<u>142,564</u>
Financial assets at fair value through profit or loss	<u>\$ 50,407,840</u>	<u>\$ 37,138,694</u>	<u>\$ 64,164,795</u>
<u>Held-for-trading financial liabilities</u>			
Currency swap contracts	\$ 2,119,012	\$ 1,748,423	\$ 1,735,358
Forward contracts	222,014	330,601	765,038
Cross-currency swap contracts	205,958	617,155	710,239
Currency option contracts - sell	121,097	66,958	263,957
Interest rate swap contracts	16,912	38,488	730,575
Stocks warrants issued liabilities, net	2,256	-	-
TAIEX Future put options	80	-	-
Foreign-currency margin contracts	-	8,531	856
	<u>2,687,329</u>	<u>2,810,156</u>	<u>4,206,023</u>
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 25)	<u>13,058,881</u>	<u>12,703,063</u>	<u>11,421,393</u>
Financial liabilities at fair value through profit or loss	<u>\$ 15,746,210</u>	<u>\$ 15,513,219</u>	<u>\$ 15,627,416</u> (Concluded)

As of June 30, 2016, December 31, 2015 and June 30, 2015, some securities amounting to \$18,571,988 thousand, \$23,189,614 thousand and \$19,108,130 thousand, respectively, had been sold under repurchase agreements.

Taiwan Cooperative Bank, Ltd. (TCB) enters into derivative transactions mainly to accommodate customers' needs and to manage its exposure to adverse changes in exchange rates and interest rates. TCB's strategy for hedging against risk is to avoid most of the market price risk or cash flow risk.

As of June 30, 2016, December 31, 2015 and June 30, 2015, the contract (notional) amounts of derivative transactions of TCB were as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Currency swap contracts	\$ 386,430,190	\$ 435,783,946	\$ 364,618,565
Forward contracts	32,822,206	27,179,346	30,796,941
Interest rate swap contracts	15,161,348	15,152,000	14,618,745
Currency option contracts - sell	11,336,802	11,907,017	13,593,017
Currency option contracts - buy	11,317,274	11,907,017	13,002,540
Cross-currency swap contracts	1,226,789	6,639,328	27,053,978
Foreign-currency margin contracts	823,545	5,198,399	926,394

As of June 30, 2016, December 31, 2015 and June 30, 2015, the open position of futures transactions of Taiwan Cooperative Securities Co., Ltd. were as follows:

		<b>June 30, 2016</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract Amounts or Premium Paid (Charged)</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>		
Futures contracts	TAIEX Futures 201607	Sell	19	\$ 32,110	\$ 32,372
	Stock Futures 201607	Sell	6	446	448
	US T-NOTE 201609	Sell	40	171,471	171,683
	Foreign-currency Futures	Sell	1	4,455	4,481
Option contracts	TAIEX Options 201607	Sell	50	63	80

  

		<b>December 31, 2015</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract Amounts or Premium Paid (Charged)</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>		
Futures contracts	TAIEX Futures 201601	Sell	24	\$ 39,655	\$ 39,720
	US T-NOTE 201603	Sell	15	61,880	61,993

  

		<b>June 30, 2015</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract Amounts or Premium Paid (Charged)</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>		
Futures contracts	TAIEX Futures 201507	Buy	10	\$ 18,398	\$ 18,422
Option contracts	TAIEX Options 201507	Buy	100	330	330

As of June 30, 2016, the contract (notional) amounts of asset swap options of Taiwan Cooperative Securities Co., Ltd. were as follows:

	<b>June 30, 2016</b>
Asset swap options	\$ 1,000

Taiwan Cooperative Securities Co., Ltd. engages in currency swap contracts to manage the exposures due to exchange rate and interest rate fluctuations. The objective of financial risk management of Taiwan Cooperative Securities Co., Ltd. is to manage substantial risks due to changes in fair value or cash flow.

As of June 30, 2016 and December 31, 2015, the contract (notional) amounts of derivative transactions of Taiwan Cooperative Securities Co., Ltd. were as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Currency swap contracts	\$ 1,267,455	\$ 261,440
Interest rate swap contracts	1,050,000	-

The duration of the stock warrants issued by Taiwan Cooperative Securities Co., Ltd. is six to seven months from the trade date, and will be settled in cash. The fair values of stock warrants issued and repurchased by TCB were as follows:

	<b>June 30, 2016</b>
Stock warrants issued liabilities	\$ 209,320
Losses on changes in fair value of stock warrants issued liabilities	<u>25,630</u>
	<u>234,950</u>
Repurchase of stock warrants issued liabilities	207,432
Gains on changes in fair value of repurchased of stock warrants issued liabilities	<u>25,262</u>
	<u>232,694</u>
Stock warrants issued liabilities, net	<u>\$ 2,256</u>

BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) engages in cross-currency swap contracts and currency swap contracts to manage the exposures due to exchange rate and interest rate fluctuations. The objective of financial risk management of BPCTLI is to manage substantial risks due to changes in fair value or cash flow.

As of June 30, 2016, December 31, 2015 and June 30, 2015, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Cross-currency swap contracts	\$ 2,099,500	\$ 3,452,400	\$ 5,255,550
Currency swap contracts	11,619,164	8,554,600	7,307,656

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Government bonds	\$ 85,884,583	\$ 91,849,779	\$ 90,198,620
Corporate bonds	39,151,610	33,386,562	24,807,613
Bank debentures	26,533,173	17,042,247	13,509,955
Beneficial certificates	5,070,981	5,272,281	5,177,608
Stocks	<u>5,298,342</u>	<u>4,536,688</u>	<u>4,193,054</u>
	<u>\$ 161,938,689</u>	<u>\$ 152,087,557</u>	<u>\$ 137,886,850</u>

The Company evaluated its available-for-sale financial assets and recognized a reversal of impairment loss of \$3,271 thousand because of the change in credit ratings of the bond issuers for the six months ended June 30, 2016.

As of June 30, 2016, December 31, 2015 and June 30, 2015, available-for-sale financial assets amounting to \$21,065,014 thousand, \$25,513,538 thousand and \$21,151,954 thousand, respectively, had been sold under repurchase agreements.



# 10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,461,400 thousand, \$1,346,831 thousand and \$2,457,734 thousand under resell agreements as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively, will subsequently be sold for \$1,461,647 thousand, \$1,347,169 thousand and \$2,458,221 thousand, respectively.

# 11. RECEIVABLES, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Accrued interest	\$ 6,060,377	\$ 6,598,400	\$ 6,175,114
Credit cards	4,506,051	2,652,085	3,787,811
Acceptances	3,665,970	3,305,845	2,408,715
Margin loans receivable	3,377,413	3,405,659	4,177,191
Receivable on securities	2,647,263	328,600	573,624
Acquired loans	2,411,253	2,636,903	2,892,071
Settlement consideration	2,140,953	898,997	1,309,742
Lease payment receivable	1,822,290	1,551,057	1,424,480
Settlement receivable	1,343,017	867,216	1,349,302
Receivables on merchant accounts in the credit card business	584,769	557,158	915,262
Credits receivable	471,658	475,799	479,906
Accounts receivable	462,278	345,098	366,792
Accounts receivable factored without recourse	446,592	216,084	415,264
Receivable - separated account	355,769	372,903	637,026
Refundable deposits receivable in leasehold agreements	272,993	272,993	272,993
Receivable on guaranteed advances	231,100	5,000	4,276
Others	598,012	441,144	355,530
	31,397,758	24,930,941	27,545,099
Less: Allowance for possible losses	1,508,602	1,319,773	1,281,053
Less: Unrealized interest revenue	114,882	126,442	126,862
	<u>\$ 29,774,274</u>	<u>\$ 23,484,726</u>	<u>\$ 26,137,184</u>

Credits receivable due to the merger with the Farmers Bank of China on May 1, 2006 were recognized at the fair value of credits written off by the Farmers Bank of China in the past. The fair values were evaluated by PricewaterhouseCoopers Financial Advisory Service Co., Ltd.

The allowances for possible losses on receivables (except spot exchange receivable - foreign currencies, which amounted to \$24 thousand, \$77 thousand and \$41,557 thousand, respectively) assessed for impairment as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

Items		June 30, 2016		December 31, 2015		June 30, 2015	
		Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 1,666,138	\$ 872,759	\$ 1,753,808	\$ 737,281	\$ 1,821,831	\$ 718,243
	Assessment of collective impairment	127,052	40,999	163,022	62,206	135,166	52,178
With no objective evidence of impairment	Assessment of collective impairment	29,604,544	594,844	23,014,034	520,286	25,546,545	510,632
Total		31,397,734	1,508,602	24,930,864	1,319,773	27,503,542	1,281,053

The changes in allowance for possible losses are summarized below:

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Balance, January 1	\$ 1,319,773	\$ 1,054,454
Provision for possible losses	247,775	170,603
Write-offs	(57,435)	(24,654)
Recovery of written-off receivables	396	81,339
Effects of exchange rate changes and other changes	<u>(1,907)</u>	<u>(689)</u>
Balance, June 30	<u>\$ 1,508,602</u>	<u>\$ 1,281,053</u>

## 12. DISCOUNTS AND LOANS, NET

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Bills discounted	\$ 1,543,029	\$ 2,004,757	\$ 1,939,950
Overdraft			
Unsecured	160,319	161,789	186,239
Secured	117,532	111,712	210,611
Import and export negotiations	370,826	542,432	910,730
Short-term loans			
Unsecured	208,896,470	242,899,521	220,373,133
Accounts receivable financing	431,115	608,195	667,714
Secured	160,539,519	161,485,690	150,988,820
Medium-term loans			
Unsecured	303,618,626	301,683,991	309,510,852
Secured	305,703,991	307,329,399	293,118,006
Long-term loans			
Unsecured	34,970,152	34,629,232	40,135,663
Secured	954,402,630	944,885,625	891,852,220
Overdue loans	5,675,180	6,371,809	6,429,547
Life insurance loan	342,374	332,794	459,361
Temporary insurance paid	<u>11,033</u>	<u>7,062</u>	<u>5,924</u>
	1,976,782,796	2,003,054,008	1,916,788,770
Less: Allowance for possible losses	21,172,864	21,461,997	21,226,679
Less: Adjustment of discount	<u>499,614</u>	<u>476,402</u>	<u>487,361</u>
	<u>\$ 1,955,110,318</u>	<u>\$ 1,981,115,609</u>	<u>\$ 1,895,074,730</u>

As of June 30, 2016, December 31, 2015 and June 30, 2015, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was \$58,357 thousand and \$72,411 thousand for the six months ended June 30, 2016 and 2015, respectively, based on the average loan interest rate for the year.

The allowances for possible losses on discounts and loans assessed for impairment as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

Items		June 30, 2016		December 31, 2015		June 30, 2015	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 15,433,534	\$ 3,997,376	\$ 14,581,806	\$ 4,597,960	\$ 13,350,494	\$ 4,558,327
	Assessment of collective impairment	10,955,913	1,904,992	11,167,720	2,418,484	10,963,928	2,377,039
With no objective evidence of impairment	Assessment of collective impairment	1,950,393,349	15,270,496	1,977,304,482	14,445,553	1,892,474,348	14,291,313
Total		1,976,782,796	21,172,864	2,003,054,008	21,461,997	1,916,788,770	21,226,679

The changes in allowance for possible losses are summarized below:

	For the Six Months Ended June 30	
	2016	2015
Balance, January 1	\$ 21,461,997	\$ 22,270,721
Provision for possible losses	2,551,741	1,096,559
Write-offs	(2,993,184)	(2,444,517)
Recovery of written-off credits	217,192	364,306
Effects of exchange rate changes and other changes	(64,882)	(60,390)
Balance, June 30	<u>\$ 21,172,864</u>	<u>\$ 21,226,679</u>

The bad-debt expenses and provision for losses on guarantees for the three months and six months ended June 30, 2016 and 2015 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Provision for possible losses on discounts and loans	\$ 910,115	\$ 325,091	\$ 2,551,741	\$ 1,096,559
Provision for possible losses on receivables	170,832	83,921	247,775	170,603
Provision (reversal of provision) for possible losses on overdue receivables	(12,762)	60,843	200,238	2,237
Provision (reversal of provision) for possible losses on guarantees	(9,426)	(16,452)	2,953	(91,803)
	<u>\$ 1,058,759</u>	<u>\$ 453,403</u>	<u>\$ 3,002,707</u>	<u>\$ 1,177,596</u>

As of June 30, 2016, December 31, 2015 and June 30, 2015, TCB was in compliance with the FSC-required provision for credit assets.

### 13. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Negotiable certificates of deposit in the Central Bank	\$ 406,000,000	\$ -	\$ -
Government bonds	34,939,469	19,746,164	13,179,096
Corporate bonds	20,152,128	18,756,957	14,107,002
Bank debentures	5,551,740	6,390,443	5,720,779
Certificates of deposit	300,390	305,784	435,902
Preferred stocks	-	-	2,000,000
	<u>\$ 466,943,727</u>	<u>\$ 45,199,348</u>	<u>\$ 35,442,779</u>

The Company evaluated its held-to-maturity financial assets and recognized a reversal of impairment loss of \$3,179 thousand and an impairment loss of \$1,871 thousand on some bonds because of the change in credit ratings of the bond issuers for the six months ended June 30, 2016 and 2015, respectively.

As of June 30, 2016, December 31, 2015 and June 30, 2015, held-to-maturity financial assets amounting to \$1,214,895 thousand, \$1,883,182 thousand and \$1,678,963 thousand, respectively, had been sold under repurchase agreements.

As of June 30, 2016, the negotiable certificates of deposit in the Central Bank held by the Company was recognized as held-to-maturity financial assets, due to the positive intention and ability to hold to maturity.

### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	<u>\$ 118,942</u>	30.00	<u>\$ 122,023</u>	30.00	<u>\$ 116,030</u>	30.00

Aggregate information of associates that are not individually material:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
The TCB's share of:				
Net income	\$ 654	\$ 4,332	\$ 2,986	\$ 7,345
Other comprehensive income	<u>(341)</u>	<u>(17)</u>	<u>(341)</u>	<u>(17)</u>
Total comprehensive income for the period	<u>\$ 313</u>	<u>\$ 4,315</u>	<u>\$ 2,645</u>	<u>\$ 7,328</u>

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the six months ended June 30, 2016 and 2015 were based on the associate's financial statements audited by the auditors for the same periods.

## 15. OTHER FINANCIAL ASSETS, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Overdue receivables	\$ 548,382	\$ 405,199	\$ 80,642
Less: Allowance for possible losses	<u>520,411</u>	<u>329,294</u>	<u>62,569</u>
Overdue receivables, net	27,971	75,905	18,073
Debt instruments with no active market, net	93,054,200	94,584,846	91,288,939
Due from banks	16,694,169	15,317,401	14,331,390
Financial assets carried at cost	4,143,660	4,101,660	3,432,060
Call loans to securities firms	290,700	295,920	278,235
Separate-account assets (Note 29)	<u>80,663,971</u>	<u>76,908,449</u>	<u>74,187,886</u>
	<u>\$ 194,874,671</u>	<u>\$ 191,284,181</u>	<u>\$ 183,536,583</u>

Debt instruments with no active market are summarized as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Corporate bonds	\$ 75,167,429	\$ 76,365,142	\$ 74,701,767
Bank debentures	17,563,771	17,890,904	16,278,022
Government bonds - overseas	<u>323,000</u>	<u>328,800</u>	<u>309,150</u>
	<u>\$ 93,054,200</u>	<u>\$ 94,584,846</u>	<u>\$ 91,288,939</u>

Financial assets carried at cost are summarized as follows:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Taiwan Asset Management Co., Ltd.	\$ 2,370,934	17.03	\$ 2,370,934	17.03	\$ 2,370,934	17.03
Taipei Financial Center Corp.	669,600	1.63	669,600	1.63	-	-
Taiwan Power Company Financial Information Service Co., Ltd.	631,153	0.24	631,153	0.24	631,153	0.24
Taiwan Financial Asset Service Co., Ltd.	135,405	2.89	135,405	2.89	135,405	2.89
Others	101,125	5.88	101,125	5.88	101,125	5.88
	<u>235,443</u>		<u>193,443</u>		<u>193,443</u>	
	<u>\$ 4,143,660</u>		<u>\$ 4,101,660</u>		<u>\$ 3,432,060</u>	

Management believed that the above equity investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

Due from banks (part of other financial assets, net) held by the Company were demand deposits and time deposits could not be withdrawn and time deposits had maturity periods of more than three months and could not be used before maturity.

## 16. INVESTMENT PROPERTIES, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Land	\$ 2,820,639	\$ 2,679,194	\$ 2,235,844
Buildings	<u>938,023</u>	<u>890,973</u>	<u>631,960</u>
	<u>\$ 3,758,662</u>	<u>\$ 3,570,167</u>	<u>\$ 2,867,804</u>

Except for depreciation expenses recognized and the reclassification of investment properties, the Company had no significant addition, disposal and impairment on investment properties during the six months ended June 30, 2016 and 2015.

Investment properties (except for land) were depreciated on the straight-line method over service lives estimated as follows:

Main buildings	17 to 50 years
Equipment installed in buildings	5 years

As of December 31, 2015, the fair value of investment properties was \$8,765,688 thousand. The fair value was determined through calculations using the market value method and estimates based on market quotes. As of December 31, 2014, the fair value of investment properties was \$6,909,934 thousand. The fair value was based on the valuation made through a discounted cash-flow analysis, the cost of land development analysis and estimation with market quotes. The management of the Company had assessed and determined that there was no significant changes in the fair value of investment properties for the six months ended June 30, 2016 and 2015.

The revenues generated from the investment properties are summarized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Rental income from investment properties	\$ 45,494	\$ 36,460	\$ 89,830	\$ 72,497
Direct operating expenses for investment properties that generate rental income	<u>(16,387)</u>	<u>(13,285)</u>	<u>(30,861)</u>	<u>(25,945)</u>
	<u>\$ 29,107</u>	<u>\$ 23,175</u>	<u>\$ 58,969</u>	<u>\$ 46,552</u>

## 17. PROPERTIES AND EQUIPMENT, NET

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Carrying amount</u>			
Land	\$ 24,508,497	\$ 24,823,697	\$ 25,063,008
Buildings	8,053,223	8,349,213	8,658,764
Machinery and equipment	867,768	1,027,241	1,107,587
Transportation equipment	105,769	115,670	126,988

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Other equipment	\$ 174,421	\$ 185,048	\$ 192,855
Leasehold improvements	153,083	181,756	210,224
Prepayments for equipment, land and buildings and construction in progress	<u>4,812,388</u>	<u>4,803,355</u>	<u>4,641,895</u>
	<u>\$ 38,675,149</u>	<u>\$ 39,485,980</u>	<u>\$ 40,001,321</u>
			(Concluded)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments	Total
<b>Cost</b>								
Balance, January 1, 2016	\$ 24,838,874	\$ 14,652,896	\$ 5,268,011	\$ 640,796	\$ 1,305,373	\$ 901,563	\$ 4,803,355	\$ 52,410,868
Additions	-	10,809	21,050	8,637	22,952	2,940	54,518	120,906
Disposals	-	(860)	(508,108)	(12,781)	(9,666)	(14,692)	-	(546,107)
Reclassification	(315,150)	(190,109)	23,097	-	-	1,702	(45,485)	(525,945)
Effects of exchange rate changes	(50)	(105)	(2,084)	(296)	(619)	(1,602)	-	(4,756)
Balance, June 30, 2016	<u>\$ 24,523,674</u>	<u>\$ 14,472,631</u>	<u>\$ 4,801,966</u>	<u>\$ 636,356</u>	<u>\$ 1,318,040</u>	<u>\$ 889,911</u>	<u>\$ 4,812,388</u>	<u>\$ 51,454,966</u>
Balance, January 1, 2015	\$ 25,160,810	\$ 14,784,145	\$ 5,587,271	\$ 665,216	\$ 1,319,596	\$ 870,490	\$ 4,576,352	\$ 52,963,880
Additions	-	22,762	17,233	10,339	16,087	60,537	253,881	380,839
Disposals	-	-	(408,123)	(29,612)	(35,674)	(12,461)	-	(485,870)
Reclassification	(82,561)	28,579	52,051	-	-	3,737	(188,338)	(186,532)
Effects of exchange rate changes	(64)	(137)	(2,460)	(810)	(1,335)	(2,348)	-	(7,154)
Balance, June 30, 2015	<u>\$ 25,078,185</u>	<u>\$ 14,835,349</u>	<u>\$ 5,245,972</u>	<u>\$ 645,133</u>	<u>\$ 1,298,674</u>	<u>\$ 919,955</u>	<u>\$ 4,641,895</u>	<u>\$ 52,665,163</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total
<b>Accumulated depreciation and impairment</b>							
Balance, January 1, 2016	\$ 15,177	\$ 6,303,683	\$ 4,240,770	\$ 525,126	\$ 1,120,325	\$ 719,807	\$ 12,924,888
Disposals	-	-	(507,857)	(12,745)	(9,605)	(14,692)	(544,899)
Depreciation expenses	-	187,920	203,235	19,180	32,928	41,009	484,272
Reclassification	-	(72,128)	-	-	-	-	(72,128)
Effects of exchange rate changes	-	(67)	(1,950)	(974)	(29)	(9,296)	(12,316)
Balance, June 30, 2016	<u>\$ 15,177</u>	<u>\$ 6,419,408</u>	<u>\$ 3,934,198</u>	<u>\$ 530,587</u>	<u>\$ 1,143,619</u>	<u>\$ 736,828</u>	<u>\$ 12,779,817</u>
Balance, January 1, 2015	\$ 15,177	\$ 5,994,575	\$ 4,320,183	\$ 526,631	\$ 1,107,113	\$ 688,071	\$ 12,651,750
Disposals	-	-	(405,883)	(29,417)	(35,207)	(12,164)	(482,671)
Depreciation expenses	-	(9,070)	-	-	-	-	(9,070)
Reclassification	-	191,141	222,806	20,933	33,561	32,735	501,176
Effects of exchange rate changes	-	(61)	1,279	(2)	352	1,089	2,657
Balance, June 30, 2015	<u>\$ 15,177</u>	<u>\$ 6,176,585</u>	<u>\$ 4,138,385</u>	<u>\$ 518,145</u>	<u>\$ 1,105,819</u>	<u>\$ 709,731</u>	<u>\$ 12,663,842</u>

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As June 30, 2016, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.

Properties and equipment are depreciated on the straight-line method over service lives estimated as follows:

#### Buildings

Main buildings	37 to 50 years
Equipment installed in buildings	10 to 15 years
Machinery and equipment	3 to 10 years
Transportation equipment	4 to 10 years
Other equipment	3 to 20 years
Leasehold Improvements	2 to 10 years

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Company's prepayments for equipment, land and buildings and construction in progress pertained to the construction of the head office. The license for the construction of the head office was obtained in January 2015, the building acceptance check was still in progress as of the date of the accompanying independent auditors' report, and the property will be classified under buildings after completion and acceptance.

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use. The discount rates for the CGUs' value in use were 8.78%, 8.78% and 9.66% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

## 18. INTANGIBLE ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>490,219</u>	<u>513,137</u>	<u>526,668</u>
	<u>\$ 3,660,224</u>	<u>\$ 3,683,142</u>	<u>\$ 3,696,673</u>
	Goodwill	Computer Software	Total
Balance, January 1, 2016	\$ 3,170,005	\$ 513,137	\$ 3,683,142
Separate acquisition	-	63,664	63,664
Amortization expenses	-	(101,426)	(101,426)
Reclassification	-	15,344	15,344
Effect of exchange rate changes	<u>-</u>	<u>(500)</u>	<u>(500)</u>
Balance, June 30, 2016	<u>\$ 3,170,005</u>	<u>\$ 490,219</u>	<u>\$ 3,660,224</u>
Balance, January 1, 2015	\$ 3,170,005	\$ 595,768	\$ 3,765,773
Separate acquisition	-	66,419	66,419
Amortization expenses	-	(134,813)	(134,813)
Reclassification	-	172	172
Effect of exchange rate changes	<u>-</u>	<u>(878)</u>	<u>(878)</u>
Balance, June 30, 2015	<u>\$ 3,170,005</u>	<u>\$ 526,668</u>	<u>\$ 3,696,673</u>

The computer software with limited useful lives is amortized on a straight-line basis by the useful lives in 3 to 10 years.

Goodwill resulting from merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of June 30, 2016, December 31, 2015 and June 30, 2015.

## 19. OTHER ASSETS, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Refundable deposits	\$ 1,399,801	\$ 1,797,748	\$ 1,933,490
Prepaid expenses	300,660	658,317	539,164
Operating deposits and settlement funds	641,492	632,766	569,327
Collaterals assumed, net	262,051	262,051	198,252
Others	<u>115,323</u>	<u>442,699</u>	<u>165,439</u>
	<u>\$ 2,719,327</u>	<u>\$ 3,793,581</u>	<u>\$ 3,405,672</u>



On the basis of the guidelines of the Financial Supervisory Commission and the Company's evaluation of the possibilities of recovery, the Company recognized \$2,127 thousand in reversal of impairment losses on collaterals assumed for the six months ended June 30, 2015.

Of the prepaid expenses as of December 31, 2015 and June 30, 2015, an amount of \$323,205 thousand and \$46,140 thousand referred to TCB's investment in its overseas branches.

## 20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	June 30, 2016	December 31, 2015	June 30, 2015
Due to banks	\$ 113,151,629	\$ 116,665,130	\$ 104,332,009
Call loans from banks	76,586,464	72,030,073	91,105,969
Deposits from Chunghwa Post Co., Ltd.	13,177,262	14,531,307	18,596,871
Bank overdraft	3,507,941	857,336	1,238,746
Due to the Central Bank	<u>315,634</u>	<u>511,968</u>	<u>524,985</u>
	<u>\$ 206,738,930</u>	<u>\$ 204,595,814</u>	<u>\$ 215,798,580</u>

## 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$41,529,259 thousand, \$51,141,231 thousand and \$43,332,007 thousand under repurchase agreements as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively, would subsequently be purchased for \$41,543,292 thousand, \$51,162,708 thousand and \$43,357,188 thousand, respectively.

## 22. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$12,488,000 thousand, \$15,564,000 thousand and \$10,297,000 thousand and the annual discount rates were from 0.480% to 0.918%, from 0.658% to 1.068% and from 0.878% to 1.108% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively, and the commercial paper will mature by August 5, 2016, March 4, 2016 and August 3, 2015, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of June 30, 2016, the Company had not used the amount of \$41,132,659 thousand, the sum of the amount of the commercial paper issued and the credit.

## 23. PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Checks for clearing	\$ 8,571,307	\$ 9,279,476	\$ 7,207,407
Collections payable	5,469,709	6,009,108	4,869,195
Collections of notes and checks for various financial institutions in other cities	5,636,211	5,201,546	5,925,065
Accrued expenses	3,098,935	4,507,153	2,776,160
Accrued interest	3,296,267	3,375,115	2,943,457
Acceptances	3,696,622	3,321,956	2,423,147
Payables on notes and checks collected for others	1,706,444	1,693,053	1,738,664

(Continued)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Settlement consideration	\$ 1,569,328	\$ 999,988	\$ 1,555,818
Settlement payable	1,881,471	739,927	1,069,894
Tax payable	539,975	547,210	570,789
Payable on securities	1,854,479	273,798	493,359
Dividends payable	3,563,703	242,035	5,499,387
Payables for short-sale transactions	214,141	215,834	115,608
Deposits on short-sale transactions	203,355	213,499	105,294
Factored accounts payable	359,616	114,474	109,831
Insurance claims and benefits payable	52,317	79,345	78,975
Others	<u>2,052,103</u>	<u>1,851,518</u>	<u>2,323,721</u>
	<u>\$ 43,765,983</u>	<u>\$ 38,665,035</u>	<u>\$ 39,805,771</u>

(Concluded)

## 24. DEPOSITS AND REMITTANCES

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Deposits			
Checking	\$ 35,416,202	\$ 40,477,016	\$ 36,480,619
Demand	489,351,585	484,984,597	438,002,399
Savings - demand	757,571,914	744,683,401	705,208,582
Time	519,261,447	472,293,325	461,300,047
Negotiable certificates of deposit	9,116,600	3,543,000	1,607,200
Savings - time	677,879,552	683,100,935	697,296,689
Treasury	88,915,558	73,374,578	75,572,757
Remittances	<u>295,035</u>	<u>318,238</u>	<u>438,278</u>
	<u>\$ 2,577,807,893</u>	<u>\$ 2,502,775,090</u>	<u>\$ 2,415,906,571</u>

## 25. BONDS PAYABLE

Details of bank debentures issued by Taiwan Cooperative Bank, Ltd. (TCB) are as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
First subordinated bonds in 2010: TCB's floating interest rate for 1-year time deposit plus 0.25%; maturity - June 21, 2017	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
Second subordinated bonds in 2010, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.15%; maturity - October 25, 2017	3,000,000	3,000,000	3,000,000
Second subordinated bonds in 2010, Type B: Fixed rate of 1.45%; maturity - October 25, 2017	1,000,000	1,000,000	1,000,000

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
First subordinated bonds in 2011, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.15%; maturity - May 25, 2018	\$ 7,300,000	\$ 7,300,000	\$ 7,300,000
First subordinated bonds in 2011, Type B: Fixed rate of 1.65%; maturity - May 25, 2018	2,700,000	2,700,000	2,700,000
Second subordinated bonds in 2011, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.25%; maturity - July 28, 2018	1,200,000	1,200,000	1,200,000
Second subordinated bonds in 2011, Type B: Fixed rate of 1.70%; maturity - July 28, 2018	3,410,000	3,410,000	3,410,000
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	11,650,000	11,650,000	11,650,000
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	1,000,000	1,000,000	1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	4,000,000	4,000,000	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	3,500,000	3,500,000	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	900,000	900,000	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - May 26, 2024	<u>5,800,000</u>	<u>5,800,000</u>	<u>5,800,000</u>
	<u>\$ 69,610,000</u>	<u>\$ 69,610,000</u>	<u>\$ 69,610,000</u> (Concluded)

FSC approved the TCB's redemption of the First cumulative subordinated bonds issued in 2007, which amounted to \$13,000,000 thousand on February 17, 2015. The TCB decided to redeem the bonds on April 28, 2015.

To expand its long-term USD capital, the TCB applied for the issuance of unsecured bank debentures amounting to US\$1,000,000 thousand. The application was approved by the Financial Supervisory Commission (FSC) on January 22, 2015. The TCB issue unsecured bank debentures with an aggregate face value of US\$400,000 thousand, consisting of type A bonds worth US\$300,000 thousand with 0% interest rate and type B bonds worth US\$100,000 thousand with 0% interest rate; the TCB may exercise its redemption rights at an agreed price after two years and three years, respectively, from the issue dates. If the TCB do not exercise its redemption rights during issue period, all unsecured bank debentures will be refunded on settlement date, March 30, 2045. To manage exposure to adverse changes in interest rates, the TCB enters into interest rate swap contracts measured at fair value through profit or loss and to eliminate a measurement or recognition inconsistency, the unsecured bank debentures are reclassified as designated as at FVTPL upon initial recognition. They were as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,760,281	\$ 9,515,762	\$ 8,554,613
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,298,600</u>	<u>3,187,301</u>	<u>2,866,780</u>
	<u>\$ 13,058,881</u>	<u>\$ 12,703,063</u>	<u>\$ 11,421,393</u>

## 26. OTHER BORROWINGS

	<b>June 30, 2016</b>		<b>December 31, 2015</b>		<b>June 30, 2015</b>	
	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>
Short-term borrowings (Note 22)	<u>\$ 1,414,320</u>	0.970-4.785	<u>\$ 851,606</u>	0.878-2.386	<u>\$ 1,039,360</u>	1.100-2.188

## 27. PROVISIONS

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Reserve for life insurance liabilities	\$ 31,222,687	\$ 32,743,854	\$ 36,231,202
Reserve for insurance contracts with financial instrument features	11,650,791	11,735,236	11,950,590
Provision for employee benefits	6,383,916	8,668,086	7,852,642
Provision for losses on guarantees	1,442,236	1,439,421	1,603,494
Others	<u>364,698</u>	<u>361,202</u>	<u>259,572</u>
	<u>\$ 51,064,328</u>	<u>\$ 54,947,799</u>	<u>\$ 57,897,500</u>

a. Details of reserve for life insurance liabilities were as follows:

	<b>June 30, 2016</b>		
		<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
	<b>Insurance Contracts</b>		
Life insurance	\$ 8,388,374	\$ 10,923,336	\$ 19,311,710
Health insurance	216,852	-	216,852
Annuity insurance	-	11,656,103	11,656,103
Investment insurance	<u>38,022</u>	<u>-</u>	<u>38,022</u>
	8,643,248	22,579,439	31,222,687
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,643,248</u>	<u>\$ 22,579,439</u>	<u>\$ 31,222,687</u>
	<b>December 31, 2015</b>		
		<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
	<b>Insurance Contracts</b>		
Life insurance	\$ 7,304,700	\$ 12,202,679	\$ 19,507,379
Health insurance	169,512	-	169,512
Annuity insurance	-	13,035,184	13,035,184
Investment insurance	<u>31,779</u>	<u>-</u>	<u>31,779</u>
	7,505,991	25,237,863	32,743,854
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,505,991</u>	<u>\$ 25,237,863</u>	<u>\$ 32,743,854</u>
	<b>June 30, 2015</b>		
		<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
	<b>Insurance Contracts</b>		
Life insurance	\$ 6,316,307	\$ 14,996,874	\$ 21,313,181
Health insurance	128,741	-	128,741
Annuity insurance	-	14,767,286	14,767,286
Investment insurance	<u>21,994</u>	<u>-</u>	<u>21,994</u>
	6,467,042	29,764,160	36,231,202
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,467,042</u>	<u>\$ 29,764,160</u>	<u>\$ 36,231,202</u>

The changes in the reserve for life insurance liabilities are summarized below:

<b>For the Six Months Ended June 30, 2016</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Balance, January 1	\$ 7,505,991	\$ 25,237,863	\$ 32,743,854
Provision	1,235,703	188,800	1,424,503
Recovery	<u>(98,446)</u>	<u>(2,847,224)</u>	<u>(2,945,670)</u>
Ending balance	8,643,248	22,579,439	31,222,687
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30	<u>\$ 8,643,248</u>	<u>\$ 22,579,439</u>	<u>\$ 31,222,687</u>

<b>For the Six Months Ended June 30, 2015</b>			
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Balance, January 1	\$ 5,585,297	\$ 31,769,505	\$ 37,354,802
Provision	976,963	249,506	1,226,469
Recovery	<u>(95,218)</u>	<u>(2,254,851)</u>	<u>(2,350,069)</u>
Ending balance	6,467,042	29,764,160	36,231,202
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30	<u>\$ 6,467,042</u>	<u>\$ 29,764,160</u>	<u>\$ 36,231,202</u>

b. Details of liability adequacy reserves are as follows:

<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>			
	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Life insurance liability reserve	\$ 31,222,687	\$ 32,743,854	\$ 36,231,202
Unearned premium reserve	123,039	93,548	60,510
Premium deficiency reserve	52,302	64,980	71,890
Claims reserve	<u>28,727</u>	<u>31,463</u>	<u>31,474</u>
Book value of insurance reserve	<u>\$ 31,426,755</u>	<u>\$ 32,933,845</u>	<u>\$ 36,395,076</u>
Present value of discounted cash flows	<u>\$ 28,149,693</u>	<u>\$ 30,205,201</u>	<u>\$ 33,649,599</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

The liability adequacy test method, scope and assumptions were as follows:

<b>June 30, 2016, December 31, 2015 and June 30, 2015</b>	
Test method	Total premium measurement method
Tested group	All insurance contracts as a whole
Assumptions	The discount rate assumption for every year was based on the best estimate scenario as well as the rate of return on investment with current information

c. Reserve for insurance contracts with financial instrument features were as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Life insurance	<u>\$ 11,650,791</u>	<u>\$ 11,735,236</u>	<u>\$ 11,950,590</u>
		<b>For the Six Months Ended June 30</b>	
		<b>2016</b>	<b>2015</b>
Balance, January 1		\$ 11,735,236	\$ 12,136,190
Insurance claim payments for the period		(192,773)	(296,249)
Reserve for insurance contracts with financial instrument features		<u>108,328</u>	<u>110,649</u>
Balance, June 30		<u>\$ 11,650,791</u>	<u>\$ 11,950,590</u>

d. Explanations for the reserve of foreign exchange variation are as follows:

1) Hedging strategy and foreign exchange exposure

To ensure the effectiveness and appropriateness of hedge for overseas investment, BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) uses cross-currency swap and currency swap to hedge exchange rate risks. BPCTLI maintains the hedging ratio at over 95%.

2) Reconciliation of the reserve of foreign exchange variation

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Balance, January 1	\$ 171,211	\$ 115,688
Provisions		
Compulsory provisions	4,142	3,556
Additional provisions	<u>37,758</u>	<u>22,067</u>
	213,111	141,311
Recovery	<u>(52,481)</u>	<u>(45,613)</u>
Balance, June 30	<u>\$ 160,630</u>	<u>\$ 95,698</u>

3) Impact of the reserve of foreign exchange variation

For the six months ended June 30, 2016

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 6,879,579	\$ 6,890,160	\$ 10,581
Earnings per share (NT\$)	0.57	0.57	-
Reserve of foreign exchange variation	-	160,630	160,630
Equity	195,311,521	195,150,891	(160,630)

For the six months ended June 30, 2015

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 6,259,667	\$ 6,279,657	\$ 19,990
Earnings per share (NT\$)	0.54	0.54	-
Reserve of foreign exchange variation	-	95,698	95,698
Equity	181,880,536	181,784,838	(95,698)

e. Net changes in reserves for insurance liabilities are summarized below:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Reserve for life insurance liabilities, net	\$ (921,265)	\$ (489,988)	\$ (1,521,167)	\$ (1,123,600)
Reserve for insurance contracts with financial instrument features, net	55,860	56,365	108,328	110,649
Others, net	<u>27,065</u>	<u>3,905</u>	<u>8,636</u>	<u>(16,538)</u>
	<u>\$ (838,340)</u>	<u>\$ (429,718)</u>	<u>\$ (1,404,203)</u>	<u>\$ (1,029,489)</u>

f. Provisions for employee benefits are summarized below:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Net defined benefit liabilities	\$ 2,460,090	\$ 4,658,134	\$ 4,051,567
Present value of retired employees' preferential interest deposit obligation	<u>3,923,826</u>	<u>4,009,952</u>	<u>3,801,075</u>
	<u>\$ 6,383,916</u>	<u>\$ 8,668,086</u>	<u>\$ 7,852,642</u>



- g. The changes in provision for losses on guarantees are summarized below:

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Balance, January 1	\$ 1,439,421	\$ 1,695,541
Provision (reversal of provision) for losses on guarantees	2,953	(91,803)
Effects of exchange rate changes and other changes	<u>(138)</u>	<u>(244)</u>
Balance, June 30	<u>\$ 1,442,236</u>	<u>\$ 1,603,494</u>

## 28. EMPLOYEE BENEFITS PLAN

### a. Defined contribution plan

The pension plan under the Labor Pension Act (the “Act”) is a defined contribution plan. Based on the Act, the Company’s monthly contributions to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labor pension accounts at the Bureau of Labor Insurance.

The Company recognized expense of \$78,716 thousand and \$71,104 thousand in the consolidated statement of comprehensive income for the six months ended June 30, 2016 and 2015, respectively, in accordance with the defined contribution plan.

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy. Pension contributions are deposited in the Company of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

For the six months ended June 30, 2016 and 2015, the pension expenses under defined benefit plan recognized in the statements of comprehensive income amounted to \$447,408 thousand and \$467,740 thousand, respectively. For more information about the defined benefit plan, please refer to Note 28 of the consolidated financial statements for the year ended December 31, 2015.

c. Employees' preferential deposit plan

The TCB's payment obligations on fixed-amount preferential interest deposits for retired employees and current employees after retirement are in compliance with the TCB's internal rules. Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, the TCB should determine the excess interest from the preferential interest deposits of employees by applying an actuarial valuation method when the employees retire.

For the six months ended June 30, 2016 and 2015, the employee preferential deposit expense under employee's preferential deposit plan recognized in the statements of comprehensive income amounted to \$317,909 thousand and \$301,523 thousand, respectively. For more information about the employee preferential deposit plan, please refer to Note 28 of the consolidated financial statements for the year ended December 31, 2015.

## 29. OTHER FINANCIAL LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Structured products - host contracts	\$ 4,772,271	\$ 5,422,591	\$ 4,703,859
Guarantee deposits received	1,505,098	1,553,783	1,003,428
Appropriation for loans	726,215	761,370	830,730
Separate-account liabilities	<u>80,663,971</u>	<u>76,908,449</u>	<u>74,187,886</u>
	<u>\$ 87,667,555</u>	<u>\$ 84,646,193</u>	<u>\$ 80,725,903</u>

The status of the Company's investment-linked products - separate account as of June 30, 2016, December 31, 2015 and June 30, 2015, are summarized as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Fund assets for investment-linked products (part of other financial assets)			
Cash	\$ 1,168,791	\$ 477,400	\$ 1,071,488
Beneficial certificates	79,155,540	75,932,515	72,777,883
Other receivables	<u>339,640</u>	<u>498,534</u>	<u>338,515</u>
	<u>\$ 80,663,971</u>	<u>\$ 76,908,449</u>	<u>\$ 74,187,886</u>
Fund liabilities for investment-linked products (part of other financial liabilities)			
Reserve for investment-linked products	\$ 80,308,202	\$ 76,535,546	\$ 73,550,860
Other payables	<u>355,769</u>	<u>372,903</u>	<u>637,026</u>
	<u>\$ 80,663,971</u>	<u>\$ 76,908,449</u>	<u>\$ 74,187,886</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Income on investment-linked products				
Premium income	\$ 4,134,797	\$ 6,842,944	\$ 6,741,352	\$ 13,621,012
Unrealized gain on financial instruments	1,585,427	-	1,761,434	-
Loss on foreign exchange	-	(173,790)	-	-
Others	<u>78,218</u>	<u>52,202</u>	<u>151,884</u>	<u>101,719</u>
	<u>\$ 5,798,442</u>	<u>\$ 6,721,356</u>	<u>\$ 8,654,670</u>	<u>\$ 13,722,731</u>
Expense for investment-linked products				
Net investment-linked product provision of insurance reserves	\$ 3,475,414	\$ 3,790,200	\$ 3,953,566	\$ 7,156,459
Insurance claims and surrender	1,192,261	1,286,613	2,221,519	2,921,441
Loss on disposal and investment	864,527	185,413	1,797,032	489,788
Loss on foreign exchange	122,823	592,540	393,546	2,209,081
Insurance fees	95,512	58,871	196,396	108,708
Service charge and maintenance fees	47,905	31,496	92,611	61,031
Unrealized loss on financial instruments	<u>-</u>	<u>776,223</u>	<u>-</u>	<u>776,223</u>
	<u>\$ 5,798,442</u>	<u>\$ 6,721,356</u>	<u>\$ 8,654,670</u>	<u>\$ 13,722,731</u>

Income from and expense for investment-linked products were recognized under premium income, net.

### 30. OTHER LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Advance receipts	\$ 1,617,241	\$ 1,473,390	\$ 1,632,808
Others	<u>65,224</u>	<u>117,720</u>	<u>133,053</u>
	<u>\$ 1,682,465</u>	<u>\$ 1,591,110</u>	<u>\$ 1,765,861</u>

### 31. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest revenue				
From discounts and loans	\$ 9,971,969	\$ 10,023,251	\$ 20,222,362	\$ 19,946,856
From investments	1,612,294	1,123,309	2,999,449	2,187,208
From due from banks and call loans to other banks	1,141,389	1,601,214	2,473,504	3,323,739
Others	<u>334,657</u>	<u>450,019</u>	<u>738,080</u>	<u>990,976</u>
	<u>13,060,309</u>	<u>13,197,793</u>	<u>26,433,395</u>	<u>26,448,779</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest expense				
From deposits	\$ (4,236,840)	\$ (4,732,096)	\$ (8,678,623)	\$ (9,462,130)
From subordinated bank debentures	(237,751)	(300,837)	(479,715)	(691,025)
From funds borrowing from the Central Bank and other banks	(176,626)	(155,124)	(320,139)	(304,887)
From due to the Central Bank and other banks	(138,336)	(94,558)	(298,727)	(205,536)
From securities sold under repurchase agreements	(38,504)	(62,179)	(85,851)	(121,196)
From structure products	(8,167)	(16,417)	(18,519)	(40,630)
Others	<u>(16,879)</u>	<u>(14,161)</u>	<u>(31,777)</u>	<u>(27,752)</u>
	<u>(4,853,103)</u>	<u>(5,375,372)</u>	<u>(9,913,351)</u>	<u>(10,853,156)</u>
	<u>\$ 8,207,206</u>	<u>\$ 7,822,421</u>	<u>\$ 16,520,044</u>	<u>\$ 15,595,623</u>
				(Concluded)

### 32. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Service fee and commission revenues				
From insurance service	\$ 607,842	\$ 255,129	\$ 1,097,880	\$ 518,291
From trust business	252,619	388,445	469,736	745,941
From guarantee	155,863	124,636	304,530	256,299
From loans	173,765	174,037	299,514	393,662
From credit cards	139,138	135,529	273,006	267,732
From investment-linked products	112,008	102,560	220,522	202,117
From remittance	83,186	82,644	159,626	151,693
From cross-bank transactions	63,145	59,803	124,923	119,510
From brokerage service	54,780	65,265	112,226	119,649
Others	<u>356,023</u>	<u>376,927</u>	<u>680,136</u>	<u>700,935</u>
	<u>1,998,369</u>	<u>1,764,975</u>	<u>3,742,099</u>	<u>3,475,829</u>
Service charge and commission expenses				
From cross-bank transactions	(69,467)	(61,374)	(133,655)	(124,093)
From credit cards	(48,519)	(46,821)	(95,641)	(81,910)
From insurance business	(10,773)	(23,371)	(88,841)	(95,289)
From credit cards acquiring	(30,367)	(37,840)	(60,414)	(68,457)
Others	<u>(56,388)</u>	<u>(52,006)</u>	<u>(112,616)</u>	<u>(105,198)</u>
	<u>(215,514)</u>	<u>(221,412)</u>	<u>(491,167)</u>	<u>(474,947)</u>
	<u>\$ 1,782,855</u>	<u>\$ 1,543,563</u>	<u>\$ 3,250,932</u>	<u>\$ 3,000,882</u>

### 33. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Three Months Ended June 30, 2016					
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 86,529	\$ 3,256,735	\$ (2,726,568)	\$ 15,407	\$ 632,103
Financial assets designated as at fair value through profit or loss	79	-	(6)	-	73
Held-for-trading financial liabilities	-	(3,250,253)	2,863,073	-	(387,180)
Financial liabilities designated as at fair value through profit or loss	<u>(140,937)</u>	<u>-</u>	<u>(153,205)</u>	<u>-</u>	<u>(294,142)</u>
	<u>\$ (54,329)</u>	<u>\$ 6,482</u>	<u>\$ (16,706)</u>	<u>\$ 15,407</u>	<u>\$ (49,146)</u>
For the Three Months Ended June 30, 2015					
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 127,592	\$ 4,560,938	\$ (2,524,143)	\$ 1,505	\$ 2,165,892
Financial assets designated as at fair value through profit or loss	1,591	7,829	1,187	-	10,607
Held-for-trading financial liabilities	-	(3,441,126)	587,657	-	(2,853,469)
Financial liabilities designated as at fair value through profit or loss	<u>(127,949)</u>	<u>(7,698)</u>	<u>887,540</u>	<u>-</u>	<u>751,893</u>
	<u>\$ 1,234</u>	<u>\$ 1,119,943</u>	<u>\$ (1,047,759)</u>	<u>\$ 1,505</u>	<u>\$ 74,923</u>
For the Six Months Ended June 30, 2016					
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 166,385	\$ 9,321,076	\$ (2,131,011)	\$ 16,145	\$ 7,372,595
Financial assets designated as at fair value through profit or loss	181	-	(87)	-	94
Held-for-trading financial liabilities	-	(7,434,144)	252,124	-	(7,182,020)
Financial liabilities designated as at fair value through profit or loss	<u>(278,410)</u>	<u>-</u>	<u>(585,650)</u>	<u>-</u>	<u>(864,060)</u>
	<u>\$ (111,844)</u>	<u>\$ 1,886,932</u>	<u>\$ (2,464,624)</u>	<u>\$ 16,145</u>	<u>\$ (673,391)</u>
For the Six Months Ended June 30, 2015					
	Interest Revenue	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 250,461	\$ 9,209,762	\$ (5,244,148)	\$ 2,208	\$ 4,218,283
Financial assets designated as at fair value through profit or loss	6,604	-	10,681	-	17,285
Held-for-trading financial liabilities	-	(7,200,053)	1,277,073	-	(5,922,980)
Financial liabilities designated as at fair value through profit or loss	<u>(130,815)</u>	<u>(7,698)</u>	<u>893,798</u>	<u>-</u>	<u>755,285</u>
	<u>\$ 126,250</u>	<u>\$ 2,002,011</u>	<u>\$ (3,062,596)</u>	<u>\$ 2,208</u>	<u>\$ (932,127)</u>

### 34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Employee benefits				
Salaries	\$ 2,080,863	\$ 2,048,223	\$ 4,158,494	\$ 4,425,734
Incentives	823,944	1,051,966	1,522,665	1,335,189
Excessive interest from preferential interest deposits	266,653	263,198	531,248	517,649
Post-employment benefits, termination benefits and compensation	266,090	280,822	545,435	875,478
Overtime	101,008	98,008	191,165	187,802
Others	464,259	414,729	883,486	804,170
Depreciation expenses	249,507	256,511	501,397	512,583
Amortization expenses	49,440	71,897	101,450	143,255

Under the TCFHC's Articles of Incorporation amended on June 20, 2014, the bonus to employees and remuneration to directors and supervisors were estimated on the basis of past experience. The employee bonus and remuneration to directors and supervisors for the six months ended June 30, 2015 were \$1,083 thousand and \$35,213 thousand, respectively. Under the Company Act as amended in May 2015, the Company's Articles of Incorporation should stipulate a fixed amount or ratio of annual profit to be distributed as employee remuneration. On June 24, 2016, the Articles of Incorporation was amended by the stockholders' meeting. Under the amended Articles, TCFHC will make distributions at fixed ratios of 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensation to employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the bonus and remuneration should be made only from the annual net income less any accumulated deficit. For the six months ended June 30, 2016, the employees' compensation and remuneration to directors were estimated at \$1,043 thousand and \$37,020 thousand, respectively.

Under the TCB's Articles of Incorporation amended on February 25, 2015, the bonus to employees for the six months ended June 30 2015 was estimated at \$270,500 thousand on the basis of past experience. When the Company Act was amended in May 2015, TCB's stockholders amended its Articles of Incorporation on March 28, 2016. Under the amended Articles, TCB will distribute employees' compensation at a fixed ratio 1% to 8% of its annual profit (pretax income which exclude compensation to employees). However, the actual appropriation of the bonus should be made only from the annual net income less any accumulated deficit. For the six months ended June 30, 2016, the compensation to employees was \$390,000 thousand, based on the amended Company Act and the amended Articles.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the compensation and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of bonus and compensation to employees for 2015 and 2014 have been proposed by the board of directors on March 28, 2016 and resolved in stockholders' meeting on June 12, 2015, respectively, were as follows:

	For the Year Ended December 31	
	2015	2014
Employees' compensation/bonus to employees - cash	\$ 1,897	\$ 1,843
Remuneration to directors - cash	70,984	64,489

There was no difference between the amounts of the bonus to employees proposed by the board of directors and resolved in the stockholders' meeting and the amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014, respectively.

Information of employees' compensation, the bonus to employees and remuneration to directors and supervisors proposed by the TCFHC's board of directors and stockholder's meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

### 35. INCOME TAX

#### a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current tax				
Current year	\$ 523,345	\$ 718,124	\$ 1,227,129	\$ 1,598,661
Additional 10% income tax on unappropriated earnings	28,586	4,104	28,586	4,104
Prior year's adjustments	<u>1,769</u>	<u>(5)</u>	<u>1,769</u>	<u>(5)</u>
	553,700	722,223	1,257,484	1,602,760
Deferred tax				
Current year	<u>(43,318)</u>	<u>(202,443)</u>	<u>(207,280)</u>	<u>(606,836)</u>
Income tax expense recognized in profit or loss	<u>\$ 510,382</u>	<u>\$ 519,780</u>	<u>\$ 1,050,204</u>	<u>\$ 995,924</u>

#### b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
<u>Deferred tax</u>				
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of financial statements of foreign operations	\$ (8,821)	\$ (5,931)	\$ (40,960)	\$ (74,863)
Unrealized gains on available-for-sale financial assets	<u>8,143</u>	<u>(26,664)</u>	<u>27,696</u>	<u>(22,112)</u>
Total income tax recognized in other comprehensive income	<u>\$ (678)</u>	<u>\$ (32,595)</u>	<u>\$ (13,264)</u>	<u>\$ (96,975)</u>

c. Deferred tax assets and liabilities

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Deferred tax assets</u>			
Temporary differences			
Available-for-sale financial assets	\$ 785	\$ 5,520	\$ 3,301
Investments accounted for using equity method	4,904	14,194	22,103
Properties and equipment	9,508	9,994	10,267
Payable for annual leave	104,854	68,789	106,234
Defined benefit obligation	-	374,255	295,341
Employee's preferential interest deposit obligation	667,050	681,692	646,183
Other liabilities	5,079	6,355	6,988
Exchange differences on foreign operations	4,331	-	10,927
Allowance for possible losses	76,687	77,156	61,500
Collaterals assumed	316	316	316
Other assets	-	-	747
Financial instruments at fair value through profit or loss	168,956	597	42,068
Pension liabilities	907	1,002	-
Employee benefit	2,550	3,060	3,060
Unrealized interest expense	116,140	68,810	-
Unrealized foreign exchange gains	1,154	-	-
Revenue from disposal of acquired loans	<u>17,240</u>	<u>17,240</u>	<u>-</u>
	<u>\$ 1,180,461</u>	<u>\$ 1,328,980</u>	<u>\$ 1,209,035</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 19,101	\$ 415,781	\$ -
Available-for-sale financial assets	35,562	12,601	5,479
Intangible assets	364,322	364,322	364,322
The reserve for land revaluation increment tax	2,596,230	2,596,230	2,596,230
Exchange differences on foreign operations	36,765	73,394	2,161
Investments accounted for using equity method	4,897	4,897	2,049
Collaterals assumed	397	397	397
Lease incentive	4,763	4,570	-
Properties and equipment	-	218	-
Unrealized foreign exchange gains	90,235	51,761	-
Others	<u>8,341</u>	<u>5,505</u>	<u>-</u>
	<u>\$ 3,160,613</u>	<u>\$ 3,529,676</u>	<u>\$ 2,970,638</u>



d. Imputed tax credits are summarized as follows:

	TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT
Balances of stockholders' imputed tax credit							
June 30, 2016	\$ 3,309,746	\$ 125,248	\$ 140	\$ 10,110	\$ -	\$ 110,703	\$ -
December 31, 2015	1,422,676	140,889	987	16,506	5,276	110,703	-
June 30, 2015	2,425,128	41,523	6,359	16,286	3,601	58,320	-
Estimated creditable tax ratio for distributing the 2015 earnings	10.29%	0.63%	0.26%	2.07%	3.33%	20.48%	-
Actual creditable tax ratio for distributing the 2014 earnings	12.22%	0.22%	1.99%	5.12%	-	-	-

The actual stockholders' imputation credits should be based on the balance of the imputation credit account as of the dividend distribution date. As a result, the estimated creditable ratio for the 2015 earnings may differ from the actual creditable ratio.

- e. Under the Income Tax Law, the unappropriated retained earnings of \$19,985 thousand generated by Taiwan Cooperative Bank, Ltd. (TCB) until December 31, 1997 were included in the unappropriated retained earnings as of June 30, 2016, December 31, 2015 and June 30, 2015. Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC), Co-operative Assets Management Co., Ltd. (CAM), Taiwan Cooperative Bills Finance Co., Ltd. (TCBF), Taiwan Cooperative Securities Co., Ltd. (TCS), BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI), and Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT) had no retained earnings generated until December 31, 1997.
- f. The years for which TCFHC and other subsidiaries' income tax returns had been examined by tax authorities were as follows:

TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT
2011	2011	2011	2011	2011	2014 (Except 2013 not examined by tax authorities)	2014

TCB initiated administrative litigations due to the taxable income authorized by tax authorities was different from TCB's income tax returns from 2006 to 2011. Please refer to Note 40 for more information.

### 36. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended June 30, 2016</u>			
Basic earnings per share (EPS)	\$ 3,564,438	11,847,285	<u>\$ 0.30</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>73</u>	
Diluted EPS	<u>\$ 3,564,438</u>	<u>11,847,358</u>	<u>\$ 0.30</u>
<u>For the three months ended June 30, 2015</u>			
Basic EPS	\$ 3,287,324	11,847,285	<u>\$ 0.28</u>
Effect of dilutive common stock:			
Bonus to employees	<u>-</u>	<u>164</u>	
Diluted EPS	<u>\$ 3,287,324</u>	<u>11,847,449</u>	<u>\$ 0.28</u>

(Continued)

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the six months ended June 30, 2016</u>			
Basic EPS	\$ 6,699,507	11,847,285	<u>\$ 0.57</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>136</u>	
Diluted EPS	<u>\$ 6,699,507</u>	<u>11,847,421</u>	<u>\$ 0.57</u>
<u>For the six months ended June 30, 2015</u>			
Basic EPS	\$ 6,019,634	11,083,802	<u>\$ 0.54</u>
Effect of dilutive common stock:			
Bonus to employees	<u>-</u>	<u>177</u>	
Diluted EPS	<u>\$ 6,019,634</u>	<u>11,083,979</u>	<u>\$ 0.54</u>
			(Concluded)

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earning appropriation.

	<u>Before Adjusted Retrospectively</u>		<u>After Adjusted Retrospectively</u>	
	<u>For the Three Months Ended June 30, 2015</u>	<u>For the Six Months Ended June 30, 2015</u>	<u>For the Three Months Ended June 30, 2015</u>	<u>For the Six Months Ended June 30, 2015</u>
Basic EPS (NT\$)	<u>\$ 0.30</u>	<u>\$ 0.58</u>	<u>\$ 0.28</u>	<u>\$ 0.54</u>
Diluted EPS (NT\$)	<u>\$ 0.30</u>	<u>\$ 0.58</u>	<u>\$ 0.28</u>	<u>\$ 0.54</u>

The Company can elect to distribute bonus to employees or employees' compensation by stock or by cash. If the bonus or compensation is in the form of cash or shares, the Company should presume that the entire amount of the bonus or compensation will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating diluted earnings per share (EPS) if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus or compensation by the closing price of the shares on the balance sheet date. The dilutive effects of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees in the following year.

### 37. EQUITY

#### a. Capital stock

##### Common stocks

	June 30, 2016	December 31, 2015	June 30, 2015
Numbers of shares authorized (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Authorized capital	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>11,072,229</u>	<u>11,072,229</u>	<u>10,544,980</u>
Common stocks issued	<u>\$ 110,722,290</u>	<u>\$ 110,722,290</u>	<u>\$ 105,449,800</u>

Fully paid common stocks, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On June 12, 2015, the stockholders of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) resolved to issue 527,249 thousand shares, which included the 2014 earnings amounting to \$4,217,992 thousand and the capital surplus amounting to \$1,054,498 thousand. This issuance was approved by the Financial Supervisory Commission (FSC) and Ministry of Economic Affairs (MOEA).

On June 24, 2016, the stockholders of TCFHC resolved to issue 775,056 thousand shares, which included the 2015 earnings amounting to \$7,750,560 thousand. This issuance was approved by FSC and MOEA.

b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. But capital surplus from the issuance of shares in excess of par value (including additional paid-in capital from the issuance of common shares and capital surplus from mergers and treasury stock transactions) and donations may be distributed as cash dividends or transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under the Financial Holding Company Law and related directives issued by the Securities and Futures Bureau (SFB), the distribution of the ex-conversion unappropriated earnings that are generated by financial institutions (the subsidiaries) and become part of capital surplus of the financial holding company through a share swap is exempted from the appropriation restriction of the Securities and Exchange Law. These unappropriated earnings should be net of the appropriation of legal reserve or special reserve.

On December 22, 2014, the Company's board of directors resolved to issue shares, 15% of which are reserved for Company's employees, and the Company recognized \$330,750 thousand, the fair value of the stock options under salary expenses and capital surplus for share-based payment on the grant date in 2015.

The capital surplus as of June 30, 2016 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

Sources

From subsidiaries

Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	\$ 27,783,766
Legal reserve	15,799,245
Special reserve	195,968
Unappropriated earnings	<u>10,410,804</u>
	54,189,783
Additional paid-in capital from TCFHC's share issuance in excess of par value	3,861,434
Cash dividends from TCFHC received by subsidiary	148,857
Additional paid-in capital from TCFHC's share issuance in excess of par value	12,642,000
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	<u>618,750</u>
	71,460,824
	(Continued)

### Uses

Issuance of TCFHC's stock and cash dividends in 2012	\$ (6,360,660)
Issuance of TCFHC's stock dividends in 2013	(1,625,333)
Subsidiary disposal of the shares of TCFHC regarded as reissue of treasury stock	(148,857)
Issuance of TCFHC's stock dividends in 2014	(4,307,133)
Issuance of TCFHC's stock dividends in 2015	<u>(1,054,498)</u>
	<u>\$ 57,964,343</u>
	(Concluded)

#### c. Special reserve

On the first-time adoption of IFRSs, TCFHC should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate a special reserve is not eliminated.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, TCFHC appropriated to the special reserve an amount of \$1,086,876 thousand on January 1, 2013, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Information regarding the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve was as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Balance on January 1	\$ 996,026	\$ 996,026
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	<u>-</u>	<u>-</u>
Balance on June 30	<u>\$ 996,026</u>	<u>\$ 996,026</u>

#### d. Appropriation of earnings

As for expanding the business scale and enhancing the profitability, and under the related law, TCFHC adopts surplus dividend policy.

Before TCFHC amended its Article of Incorporation on June 24, 2016, when TCFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated depending on regulations and operating needs. Any remainder should be appropriated as follows:

- 1) 0.02% to 0.16% as bonus to employees;

- 2) 1% or less as remuneration to directors;
- 3) Dividends, determined annually by the board of directors.

After TCFHC amended its Articles of Incorporation on June 24, 2016, when TCFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated depending on regulations and operating needs. Any remainder should be appropriated as dividends, determined annually by the board of directors.

Unless otherwise restricted by related regulations, TCFHC's policy indicates that cash dividends must be 10% or above of the total dividends and bonus distributed. If the cash dividend per share is less than NT\$0.1, the cash dividend will not be distributed unless the distribution is resolved in the stockholders' meetings.

Under the Company Law, legal reserve should be appropriated until the reserve equals TCFHC's paid-in capital. This reserve should only be used to offset a deficit. When the reserve exceeds 25% of TCFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under the Company Act as amended in May 2015, the appropriation of dividends and bonus should be limited to stockholders and should not include employees. The Company has already amended its Articles. For more information about employees' compensation or bonus to employees, please refer to Note 34.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as exchange differences in translation of financial statements of foreign operations and unrealized gains or losses on available-for-sale financial assets). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated.

If there is difference between appropriation of special reserve and net amount of deduction in other stockholder's equity, the Company should appropriate on additional amount of special reserve in the first-time adoption of IFRSs. Afterwards, if there is any reversal in of the deduction in other stockholder's equity, the Company is allowed to appropriating retained earnings from the reversal amount.

The appropriations from the earnings of 2015 and 2014 were approved in the stockholders' meeting on June 24, 2016 and June 12, 2015, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>2015</b>	<b>2014</b>	<b>(NT\$)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Legal reserve	\$ 1,286,613	\$ 1,023,635		
Cash dividends	3,321,669	5,272,490	\$ 0.3	\$ 0.5
Stock dividends	7,750,560	4,217,992	0.7	0.4

Information on the appropriation of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

Under the Income Tax Law, except for non-ROC resident stockholders, all stockholders are allowed tax credits for the income tax paid by the Company. Effective from January 1, 2015, ROC resident stockholders are only allowed half of original tax credits for the income tax paid by the Company according to the revised Income Tax Law.

e. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Balance on January 1	\$ 3,727,455	\$ 3,235,303
Attributable to non-controlling interests		
Net income	190,653	260,023
Exchange differences in translation of financial statements of foreign operations	(338)	(20,127)
Unrealized gains on available-for-sale financial assets	68,906	81,124
Cash dividends distributed by subsidiary	<u>(34,820)</u>	<u>-</u>
Balance on June 30	<u>\$ 3,951,856</u>	<u>\$ 3,556,323</u>

### 38. RELATED-PARTY TRANSACTIONS

Taiwan Cooperative Financial Holding Co., Ltd. is the ultimate parent of the Company, and the Ministry of Finance is the major government stockholder. Based on IAS 24 “Related Party Disclosures” the Company’s transactions with government-related parties are exempt from disclosure requirements. All transactions, account balances, earnings, expenses and gains (losses) on transactions between the Company and subsidiaries have all been excluded from consolidation and are not disclosed in this note.

In addition to those mentioned in other notes, the related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
United Real Estate Management Co., Ltd.	Associated enterprise
TCB Fund of Emerging Markets Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Giga Solution Tech. Co., Ltd. (“Giga”)	Giga’s independent director is also the parent company’s independent director.
Others	Main management of the parent company and other related parties.

b. Significant transactions between the Company and related parties:

1) Due from banks (part of cash and cash equivalents)

	June 30, 2016	December 31, 2015	June 30, 2015
Main management	<u>\$ -</u>	<u>\$ 47,965</u>	<u>\$ 67,233</u>

2) Call loans to banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the six months ended <u>June 30, 2016</u>				
Others	\$ <u>4,700,000</u>	\$ <u>3,000,000</u>	\$ <u>4,205</u>	0.300-0.430
For the six months ended <u>June 30, 2015</u>				
Main management	\$ 5,564,725	\$ 346,100	\$ 337	0.120-0.400
Others	<u>6,000,000</u>	<u>3,500,000</u>	<u>9,474</u>	0.390-0.600
	<u>\$ 11,564,725</u>	<u>\$ 3,846,100</u>	<u>\$ 9,811</u>	

3) Due to banks

	<b>For the Six Months Ended June 30</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Balance</b>	<b>Interest Expense</b>
Main management	\$ -	\$ -	\$ 242,848	\$ 1,792
Others	<u>24,979,977</u>	<u>131,750</u>	<u>24,401,724</u>	<u>146,763</u>
	<u>\$ 24,979,977</u>	<u>\$ 131,750</u>	<u>\$ 24,644,572</u>	<u>\$ 148,555</u>

4) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the six months ended <u>June 30, 2015</u>				
Main management	\$ 10,940,011	\$ 2,612,566	\$ 4,971	0.100-0.750
Others	<u>3,000,000</u>	<u>-</u>	<u>32</u>	0.390
	<u>\$ 13,940,011</u>	<u>\$ 2,612,566</u>	<u>\$ 5,003</u>	

5) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the six months ended <u>June 30, 2016</u>				
Main management	\$ 142,801	\$ 138,927	\$ 992	1.315-2.498
Others	<u>92,984</u>	<u>31,266</u>	<u>501</u>	1.330-2.360
	<u>\$ 235,785</u>	<u>\$ 170,193</u>	<u>\$ 1,493</u>	

(Continued)

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
<u>For the six months ended June 30, 2015</u>				
Main management	\$ 163,060	\$ 149,598	\$ 1,152	1.540-2.708
Others	<u>71,905</u>	<u>66,239</u>	<u>610</u>	1.540-2.650
	<u>\$ 234,965</u>	<u>\$ 215,837</u>	<u>\$ 1,762</u>	(Concluded)

Under the Banking Law, except for customer loans and government loans, credits extended by TCB to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

6) Securities sold under repurchase agreements

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the six months ended June 30, 2016</u>			
Others	<u>\$ 249,710</u>	<u>\$ 687</u>	0.300-0.380
<u>For the six months ended June 30, 2015</u>			
Main management	\$ 798,421	\$ 1,139	0.620-0.630
Others	<u>579,254</u>	<u>1,314</u>	0.580-0.600
	<u>\$ 1,377,675</u>	<u>\$ 2,453</u>	

7) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the six months ended June 30, 2016</u>			
Associates	\$ 173,100	\$ 283	0-1.130
Main management	498,020	5,191	0-13.000
Others	<u>30,788,733</u>	<u>34,821</u>	0-13.000
	<u>\$ 31,459,853</u>	<u>\$ 40,295</u>	
<u>For the six months ended June 30, 2015</u>			
Associates	\$ 206,821	\$ 524	0-1.130
Main management	536,563	5,679	0-13.000
Others	<u>8,338,393</u>	<u>21,319</u>	0-13.000
	<u>\$ 9,081,777</u>	<u>\$ 27,522</u>	



	June 30, 2016	December 31, 2015	June 30, 2015
8) Accrued income (part of receivables)			
Others	\$ <u>16,254</u>	\$ <u>14,279</u>	\$ <u>12,319</u>
9) Accrued interest (part of receivables)			
Others	\$ <u>224</u>	\$ <u>85</u>	\$ <u>160</u>
10) Accrued dividends (part of receivables)			
Associates	\$ <u>5,726</u>	\$ <u>-</u>	\$ <u>7,203</u>
11) Accrued interest (part of payables)			
Main management	\$ <u>-</u>	\$ <u>2,113</u>	\$ <u>1,941</u>
12) Accrued expense (part of payables)			
Main management	\$ -	\$ 18,339	\$ 15,511
Others	<u>-</u>	<u>891</u>	<u>987</u>
	\$ <u>-</u>	\$ <u>19,230</u>	\$ <u>16,498</u>
		<b>For the Six Months Ended June 30</b>	
		<b>2016</b>	<b>2015</b>
13) Service fee income (part of service fee and commission income, net)			
Associates		\$ 42	\$ 18
Main management		63	234
Others		<u>97,011</u>	<u>73,897</u>
		\$ <u>97,116</u>	\$ <u>74,149</u>
14) Service charge (part of service fee and commission income, net)			
Main management		\$ 13	\$ 70,107
Others		<u>6,487</u>	<u>6,590</u>
		\$ <u>6,500</u>	\$ <u>76,697</u>
15) Rental income (part of other noninterest gain, net)			
Others		\$ <u>6,114</u>	\$ <u>6,354</u>

		<b>For the Six Months Ended June 30</b>	
		<b>2016</b>	<b>2015</b>
16) Other income (part of other noninterest gain, net)			
Associates		\$ -	\$ 24
Others		<u>-</u>	<u>104</u>
		<u>\$ -</u>	<u>\$ 128</u>

Terms of other transactions with related parties were similar to those for third parties, except for the more favorable interest rate for managers' savings within a prescribed limit.

17) Purchases and sales of securities

<b>For the Six Months Ended June 30, 2016</b>				
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Main management	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,663,249</u>	<u>\$ -</u>
<b>For the Six Months Ended June 30, 2015</b>				
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Main management	\$ -	\$ 299,904	\$ 4,544,297	\$ -
Others	<u>-</u>	<u>-</u>	<u>11,547,317</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 299,904</u>	<u>\$ 16,091,614</u>	<u>\$ -</u>

18) Derivatives

<b>For the Six Months Ended June 30, 2016</b>						
<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Consolidated Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2016.06.07-2016.07.08	US\$ 1,000	\$ (107)	Financial liabilities at fair value through profit or loss	\$ (107)
Other - TCB Global High Yield Bond Fund	Currency swap	2016.06.17-2016.07.18	US\$ 7,300	(1,321)	Financial liabilities at fair value through profit or loss	(1,321)
	Currency swap	2016.06.17-2016.07.18	US\$ 930	(168)	Financial liabilities at fair value through profit or loss	(168)
	Currency swap	2016.06.17-2016.07.18	US\$ 3,000	(543)	Financial liabilities at fair value through profit or loss	(543)
	Currency swap	2016.06.17-2016.07.18	US\$ 460	(549)	Financial liabilities at fair value through profit or loss	(549)

(Continued)

For the Six Months Ended June 30, 2016						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - Giga Solution Tech. Co., Ltd.	Forward	2016.04.14-2016.07.18	US\$ 300	\$ (23)	Financial liabilities at fair value through profit or loss	\$ (23)
	Forward	2016.04.21-2016.07.11	US\$ 350	15	Financial assets at fair value through profit or loss	15
	Forward	2016.04.28-2016.08.10	US\$ 500	(20)	Financial liabilities at fair value through profit or loss	(20)
	Forward	2015.05.04-2016.08.10	US\$ 500	(16)	Financial liabilities at fair value through profit or loss	(16)
	Forward	2016.06.28-2016.08.31	US\$ 500	(91)	Financial liabilities at fair value through profit or loss	(91)
(Concluded)						

For the Six Months Ended June 30, 2015						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2015.05.20-2015.07.20	US\$ 4,000	\$ 1,856	Financial assets at fair value through profit or loss	\$ 1,856
	Currency swap	2015.04.27-2015.07.27	US\$ 2,000	(303)	Financial liabilities at fair value through profit or loss	(303)
Other - TCB Global High Yield Bond Fund	Currency swap	2015.06.11-2015.07.13	US\$ 7,300	(1,099)	Financial liabilities at fair value through profit or loss	(1,099)
	Currency swap	2015.06.11-2015.07.13	US\$ 2,200	(331)	Financial liabilities at fair value through profit or loss	(331)
	Currency swap	2015.06.11-2015.07.13	US\$ 730	(110)	Financial liabilities at fair value through profit or loss	(110)
	Currency swap	2015.06.11-2015.07.13	US\$ 3,000	(452)	Financial liabilities at fair value through profit or loss	(452)
	Currency swap	2015.06.11-2015.07.13	US\$ 600	46	Financial assets at fair value through profit or loss	46

The realized profit or loss resulted from the currency swap and cross-currency swap transactions with related parties was as follows:

For the Six Months Ended June 30		
	2016	2015
Financial assets and liabilities at fair value through profit or loss		
Others	\$ (5,548)	\$ (3,170)

## 19) Loans

### June 30, 2016

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 2016 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperformi ng Loans		
Consumer loans	40	\$ 103,212	\$ 52,757	\$ 52,757	\$ -	Land and buildings	None
Self-used housing mortgage loans	29	132,474	117,436	117,436	-	Land and buildings	None

### June 30, 2015

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 2015 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperformi ng Loans		
Consumer loans	43	\$ 124,375	\$ 117,169	\$ 117,169	\$ -	Land and buildings	None
Self-used housing mortgage loans	22	110,590	98,668	98,668	-	Land and buildings	None

Note: The highest balance is the largest sum in the period of all daily accounts for each type.

- c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand

#### 1) Taiwan Cooperative Bank, Ltd.

- a) Due from banks (part of cash and cash equivalents)

	June 30, 2016	December 31, 2015	June 30, 2015
Subsidiaries	\$ 627,571	\$ 582,372	\$ 44,290
Others	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 627,571</u>	<u>\$ 582,373</u>	<u>\$ 44,290</u>

- b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended <u>June 30, 2016</u>				
Subsidiaries	\$ 8,340,560	\$ 7,490,030	\$ 10,805	0.001-2.800
Sister companies	4,500,000	4,500,000	6,249	0.300-0.440
Others	<u>4,700,000</u>	<u>3,000,000</u>	<u>4,205</u>	0.300-0.430
	<u>\$ 17,540,560</u>	<u>\$ 14,990,030</u>	<u>\$ 21,259</u>	

(Continued)

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the six months ended <u>June 30, 2015</u>				
Subsidiaries	\$ 101,116,861	\$ 7,454,884	\$ 24,574	0.050-3.300
Sister companies	4,000,000	3,500,000	7,616	0.420-0.650
Main management	5,564,725	346,100	337	0.120-0.400
Others	<u>6,000,000</u>	<u>3,500,000</u>	<u>9,474</u>	0.390-0.600
	<u>\$ 116,681,586</u>	<u>\$ 14,800,984</u>	<u>\$ 42,001</u>	(Concluded)

c) Due to banks

	<b>For the Six Months Ended June 30</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Balance</b>	<b>Interest Expense</b>
Subsidiaries	\$ 2,745	\$ -	\$ 4,417	\$ -
Main management	-	-	241,035	1,792
Others	<u>24,979,977</u>	<u>131,750</u>	<u>24,401,724</u>	<u>146,763</u>
	<u>\$ 24,982,722</u>	<u>\$ 131,750</u>	<u>\$ 24,647,176</u>	<u>\$ 148,555</u>

d) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the six months <u>ended June 30, 2015</u>				
Main management	\$ 10,491,500	\$ 2,164,050	\$ 4,597	0.100-0.750
Others	<u>3,000,000</u>	<u>-</u>	<u>32</u>	0.390
	<u>\$ 13,491,500</u>	<u>\$ 2,164,050</u>	<u>\$ 4,629</u>	

e) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the six months <u>ended June 30, 2016</u>				
Sister companies	\$ 84,120	\$ -	\$ 18	2.335-2.405
Main management	142,801	138,927	992	1.315-2.498
Others	<u>92,984</u>	<u>31,266</u>	<u>501</u>	1.330-2.360
	<u>\$ 319,905</u>	<u>\$ 170,193</u>	<u>\$ 1,511</u>	(Continued)

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the six months ended June 30, 2015				
Sister companies	\$ 4,806	\$ -	\$ 2	2.545
Main management	163,060	149,598	1,152	1.540-2.708
Others	<u>71,905</u>	<u>66,239</u>	<u>610</u>	1.540-2.650
	<u>\$ 239,771</u>	<u>\$ 215,837</u>	<u>\$ 1,764</u>	(Concluded)

Under the Banking Law, except for customer loans and government loans, credits extended by TCB to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those to third parties.

f) Securities purchased under resell agreements

	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the six months ended June 30, 2016			
Sister companies	<u>\$ 4,973,162</u>	<u>\$ 1,948</u>	0.320-0.450
For the six months ended June 30, 2015			
Sister companies	<u>\$ 1,098,870</u>	<u>\$ 2,971</u>	0.590-0.810

g) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the six months ended June 30, 2016			
Parent company	\$ 97,712	\$ 41	0-0.110
Sister companies	2,697,286	7,893	0-1.360
Associates	173,100	283	0-1.130
Main management	498,020	5,191	0-13.000
Others	<u>30,788,733</u>	<u>34,821</u>	0-13.000
	<u>\$ 34,254,851</u>	<u>\$ 48,229</u>	
For the six months ended June 30, 2015			
Parent company	\$ 95,307	\$ 1,052	0-0.170
Sister companies	2,345,181	2,669	0-1.360
Associates	206,821	524	0-1.130
Main management	536,563	5,679	0-13.000
Others	<u>8,338,393</u>	<u>21,319</u>	0-13.000
	<u>\$ 11,522,265</u>	<u>\$ 31,243</u>	

h) Accrued income (part of receivables)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Sister companies	\$ 74,685	\$ 102,298	\$ 83,536
Others	<u>163</u>	<u>300</u>	<u>74</u>
	<u>\$ 74,848</u>	<u>\$ 102,598</u>	<u>\$ 83,610</u>

i) Tax receivable - consolidated tax return (part of current tax assets)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Parent company	<u>\$ 897,078</u>	<u>\$ 744,306</u>	<u>\$ 743,899</u>

j) Dividends payable (part of payables)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Parent company	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,608,928</u>

k) Tax payable - consolidated tax return (part of current tax liabilities)

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Parent company	<u>\$ 748,255</u>	<u>\$ 1,251,673</u>	<u>\$ 1,036,415</u>

l) Service fee (part of service fee income, net)

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Sister companies	\$ 472,639	\$ 506,249
Associates	42	18
Main management	63	234
Others	<u>172</u>	<u>108</u>
	<u>\$ 472,916</u>	<u>\$ 506,609</u>

m) Purchases and sales of securities

	<b>For the Six Months Ended June 30, 2016</b>			
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Sister companies	<u>\$ 1,498,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,703,328</u>

For the Six Months Ended June 30, 2015				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Parent company	\$ -	\$ -	\$ 1,093,873	\$ -
Sister companies	-	-	-	12,034,720
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,873</u>	<u>\$ 12,034,720</u>

n) Derivatives

For the Six Months Ended June 30, 2016						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts
Sister company - BPCTLI	Currency swap	2016.03.22-2016.09.22	US\$ 4,935	\$ (567)	Financial liabilities at fair value through profit or loss	\$ (567)
	Currency swap	2016.03.22-2016.09.22	US\$ 10,033	(1,152)	Financial liabilities at fair value through profit or loss	(1,152)
	Currency swap	2016.03.22-2016.09.22	US\$ 13,000	(1,493)	Financial liabilities at fair value through profit or loss	(1,493)
	Currency swap	2016.05.06-2016.07.06	US\$ 3,187	(6)	Financial liabilities at fair value through profit or loss	(6)
	Currency swap	2016.06.13-2016.07.13	US\$ 6,981	(384)	Financial liabilities at fair value through profit or loss	(384)
	Currency swap	2016.04.11-2017.04.11	US\$ 3,499	(174)	Financial liabilities at fair value through profit or loss	(174)
	Currency swap	2016.06.13-2016.07.13	US\$ 1,699	(93)	Financial liabilities at fair value through profit or loss	(93)
	Currency swap	2016.03.15-2016.09.19	US\$ 11,386	(5,958)	Financial liabilities at fair value through profit or loss	(5,958)
	Currency swap	2016.05.09-2016.07.11	US\$ 10,259	(757)	Financial liabilities at fair value through profit or loss	(757)
	Currency swap	2016.06.15-2016.07.15	US\$ 3,129	(360)	Financial liabilities at fair value through profit or loss	(360)
	Currency swap	2016.06.15-2016.07.15	US\$ 4,850	(559)	Financial liabilities at fair value through profit or loss	(559)
	Currency swap	2016.06.15-2016.07.15	US\$ 3,129	(360)	Financial liabilities at fair value through profit or loss	(360)
	Currency swap	2016.05.09-2016.07.11	US\$ 20,579	(1,519)	Financial liabilities at fair value through profit or loss	(1,519)
	Currency swap	2016.06.14-2016.07.14	US\$ 1,920	204	Financial assets at fair value through profit or loss	204
	Currency swap	2016.03.15-2017.03.15	US\$ 10,488	(4,975)	Financial liabilities at fair value through profit or loss	(4,975)
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2016.06.07-2016.07.08	US\$ 1,000	(107)	Financial liabilities at fair value through profit or loss	(107)

(Continued)



For the Six Months Ended June 30, 2016						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Other - TCB Global High Yield Bond Fund	Currency swap	2016.06.17-2016.07.18	US\$ 7,300	\$ (1,321)	Financial liabilities at fair value through profit or loss	\$ (1,321)
	Currency swap	2016.06.17-2016.07.18	US\$ 930	(168)	Financial liabilities at fair value through profit or loss	(168)
	Currency swap	2016.06.17-2016.07.18	US\$ 3,000	(543)	Financial liabilities at fair value through profit or loss	(543)
	Currency swap	2016.06.17-2016.07.18	US\$ 460	(549)	Financial liabilities at fair value through profit or loss	(549)
Other - Giga Solution Tech. Co., Ltd.	Forward	2016.04.14-2016.07.18	US\$ 300	(23)	Financial liabilities at fair value through profit or loss	(23)
	Forward	2016.04.21-2016.07.11	US\$ 350	15	Financial assets at fair value through profit or loss	15
	Forward	2016.04.28-2016.08.10	US\$ 500	(20)	Financial liabilities at fair value through profit or loss	(20)
	Forward	2015.05.04-2016.08.10	US\$ 500	(16)	Financial liabilities at fair value through profit or loss	(16)
	Forward	2016.06.28-2016.08.31	US\$ 500	(91)	Financial liabilities at fair value through profit or loss	(91)

(Concluded)

For the Six Months Ended June 30, 2015						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Cross currency swap	2010.11.17-2015.09.08	US\$ 5,000	\$ (4,736)	Financial assets at fair value through profit or loss	\$ 4,397
	Cross currency swap	2010.12.10-2015.09.28	US\$ 5,000	(5,118)	Financial assets at fair value through profit or loss	5,327
	Currency swap	2014.12.22-2015.09.22	US\$ 4,935	(2,949)	Financial liabilities at fair value through profit or loss	(1,559)
	Currency swap	2014.12.22-2015.12.22	US\$ 10,033	(5,511)	Financial liabilities at fair value through profit or loss	(2,595)
	Currency swap	2014.12.22-2015.12.22	US\$ 13,000	(7,141)	Financial liabilities at fair value through profit or loss	(3,362)
	Currency swap	2015.05.06-2016.05.06	US\$ 3,187	340	Financial assets at fair value through profit or loss	340
	Currency swap	2015.06.08-2015.09.08	US\$ 6,981	(617)	Financial liabilities at fair value through profit or loss	(617)
	Currency swap	2014.12.10-2015.09.10	US\$ 9,989	(6,053)	Financial liabilities at fair value through profit or loss	(1,492)
	Currency swap	2015.06.30-2015.08.31	US\$ 11,219	(1,798)	Financial liabilities at fair value through profit or loss	(1,798)
	Currency swap	2014.12.08-2015.09.08	US\$ 3,499	(2,126)	Financial liabilities at fair value through profit or loss	(308)
	Currency swap	2015.06.30-2015.08.31	US\$ 10,897	(1,746)	Financial liabilities at fair value through profit or loss	(1,746)
	Currency swap	2015.05.07-2015.07.07	US\$ 1,699	236	Financial assets at fair value through profit or loss	236

(Continued)

For the Six Months Ended June 30, 2015						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
	Currency swap	2014.12.15-2015.09.15	US\$ 11,386	\$ (6,859)	Financial liabilities at fair value through profit or loss	\$ (1,940)
	Currency swap	2015.06.30-2015.08.31	US\$ 6,722	(1,077)	Financial liabilities at fair value through profit or loss	(1,077)
	Currency swap	2015.06.30-2015.08.31	US\$ 3,000	(481)	Financial liabilities at fair value through profit or loss	(481)
	Currency swap	2015.06.30-2015.08.31	US\$ 5,000	(801)	Financial liabilities at fair value through profit or loss	(801)
	Currency swap	2015.04.07-2016.04.07	US\$ 10,259	(4,524)	Financial liabilities at fair value through profit or loss	(4,524)
	Currency swap	2015.04.15-2016.04.15	US\$ 3,129	(1,102)	Financial liabilities at fair value through profit or loss	(1,102)
	Currency swap	2015.04.15-2016.04.15	US\$ 3,129	(1,102)	Financial liabilities at fair value through profit or loss	(1,102)
	Currency swap	2015.04.15-2016.04.15	US\$ 4,850	(1,708)	Financial liabilities at fair value through profit or loss	(1,708)
	Currency swap	2015.05.08-2016.05.09	US\$ 20,579	2,325	Financial assets at fair value through profit or loss	2,325
	Currency swap	2015.05.13-2016.05.13	US\$ 10,443	1,664	Financial assets at fair value through profit or loss	1,664
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2015.05.20-2015.07.20	US\$ 4,000	1,856	Financial assets at fair value through profit or loss	1,856
	Currency swap	2015.04.27-2015.07.27	US\$ 2,000	(303)	Financial liabilities at fair value through profit or loss	(303)
Other - TCB Global High Yield Bond Fund	Currency swap	2015.06.11-2015.07.13	US\$ 7,300	(1,099)	Financial liabilities at fair value through profit or loss	(1,099)
	Currency swap	2015.06.11-2015.07.13	US\$ 2,200	(331)	Financial liabilities at fair value through profit or loss	(331)
	Currency swap	2015.06.11-2015.07.13	US\$ 730	(110)	Financial liabilities at fair value through profit or loss	(110)
	Currency swap	2015.06.11-2015.07.13	US\$ 3,000	(452)	Financial liabilities at fair value through profit or loss	(452)
	Currency swap	2015.06.11-2015.07.13	US\$ 600	46	Financial assets at fair value through profit or loss	46

(Concluded)

## o) Loans

### June 30, 2016

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 2016 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	40	\$ 103,312	\$ 52,757	\$ 52,757	\$ -	Land and buildings,	None
Self-used housing mortgage loans	29	132,474	117,436	117,436	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	84,120	-	-	-	Bonds	None

## June 30, 2015

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 2015 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	43	\$ 124,375	\$ 117,169	\$ 117,169	\$ -	Land and buildings	None
Self-used housing mortgage loans	22	110,590	98,668	98,668	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	4,806	-	-	-	Bonds and time deposits	None

Note: The highest balance is the largest sum in the period of all daily accounts for each type.

- p) On December 30, 2013, TCB's board of directors approved a property sale and leaseback transaction with CAM. The selling price was \$962,000 thousand and the net gain on this disposal was \$580,423 thousand after the deduction of a land revaluation increment tax of \$17,792 thousand. The gain on disposal should be deferred and amortized over the lease period. TCB recognized \$154,779 thousand as realized gain (part of gains/losses on disposal of properties and equipment, net) for the six months ended June 30, 2015.
- 2) Taiwan Cooperative Securities Co., Ltd (TCS).
- a) Collections for underwriting stock value (part of other current assets)

	June 30, 2016	December 31, 2015	June 30, 2015
Sister companies	\$ -	\$ 277,079	\$ -

- b) To settle security transactions, TCS applied to TCB in March 2016 for a guarantee of \$500,000 thousand for short-term loan and overdraft. As of June 30, 2016, December 31, 2015 and June 30, 2015, TCS had no borrowing and overdraft.

The overdraft for the six months ended June 30, 2016 and 2015 were as follows:

	For the Six Months Ended June 30, 2016			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 84,120</u>	<u>\$ -</u>	<u>\$ 17</u>	2.335-2.405
	For the Six Months Ended June 30, 2015			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 4,806</u>	<u>\$ -</u>	<u>\$ 2</u>	2.545

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Revenue</b>
<u>June 30, 2016</u>				
Sister companies	\$ 303,214	\$ 167,071	0.020-1.345	\$ 8
<u>December 31, 2015</u>				
Sister companies	972,407	55,478	0.020-1.345	22
<u>June 30, 2015</u>				
Sister companies	391,181	94,800	0.060-1.345	12

b) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
<u>For the six months ended June 30, 2016</u>				
Sister companies	\$ 4,500,000	\$ 4,500,000	0.30-0.44	\$ 6,249
<u>For the six months ended June 30, 2015</u>				
Sister companies	4,000,000	3,500,000	0.42-0.65	7,616

c) Securities sold under repurchase agreement

	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
<u>For the six months ended June 30, 2016</u>			
Sister companies	\$ 5,318,005	0.30-0.45	\$ 2,278
Others	249,710	0.30-0.38	687
<u>For the six months ended June 30, 2015</u>			
Parent company	-	0.54	6
Sister companies	1,568,532	0.55-0.81	4,198

- d) Non-guarantee commercial paper issued (part of financial assets at fair value through profit or loss)

<b>June 30, 2016</b>				
	<b>Ending Balance</b>	<b>Face Amount</b>	<b>Premiums (%)</b>	<b>Service Fee</b>
Parent company	\$ <u>-</u>	\$ <u>-</u>	0.44	\$ <u>18</u>
<b>December 31, 2015</b>				
	<b>Ending Balance</b>	<b>Face Amount</b>	<b>Premiums (%)</b>	<b>Service Fee</b>
Parent company	\$ 500,000	\$ -	0.640-0.650	\$ 249
Sister companies	<u>-</u>	<u>-</u>	0.800-1.000	<u>279</u>
	\$ <u>500,000</u>	\$ <u>-</u>		\$ <u>528</u>
<b>June 30, 2015</b>				
	<b>Ending Balance</b>	<b>Face Amount</b>	<b>Premiums (%)</b>	<b>Service Fee</b>
Sister companies	\$ <u>-</u>	\$ <u>-</u>	0.80-1.00	\$ <u>279</u>

4) BNP Paribas Cardif TCB Life Insurance Co., Ltd.

- a) Cash in bank (part of cash and cash equivalents, refundable deposits and separate account assets)

	<b>June 30, 2016</b>		<b>December 31, 2015</b>		<b>June 30, 2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sister companies	\$ 2,389,450	67	\$ 2,007,078	55	\$ 2,179,972	53
Others	<u>27,126</u>	<u>1</u>	<u>47,895</u>	<u>1</u>	<u>67,195</u>	<u>2</u>
	\$ <u>2,416,576</u>	<u>68</u>	\$ <u>2,054,973</u>	<u>56</u>	\$ <u>2,247,167</u>	<u>55</u>

- b) Securities purchased under resell agreements (part of cash and cash equivalents)

	<b>For the Six Months Ended June 30, 2016</b>			
	<b>Purchased Securities (Note)</b>	<b>Securities Purchased Under Resell Agreements</b>		
		<b>Amount</b>	<b>Rate (%)</b>	
Sister companies	\$ 5,562,615	\$ 344,843	0.300-0.390	
	<b>For the Six Months Ended June 30, 2015</b>			
	<b>Purchased Securities (Note)</b>	<b>Securities Purchased Under Resell Agreements</b>		
		<b>Amount</b>	<b>Rate (%)</b>	
Sister companies	\$ 6,974,212	\$ 469,662	0.550-0.590	

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

June 30, 2016

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister companies	2016.03.11-2017.04.11	US\$ 107,154	\$ 18,357	Financial assets at fair value through profit or loss	\$ 18,357
Currency swap	Sister companies	2016.06.08-2016.07.14	US\$ 1,920	(204)	Financial liabilities at fair value through profit or loss	(204)

December 31, 2015

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister companies	2015.04.01-2016.05.13	US\$ 166,344	\$ (131,446)	Financial liabilities at fair value through profit or loss	\$ (131,446)

June 30, 2015

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Cross-currency swap	Sister companies	2010.11.15-2015.09.08	US\$ 10,000	\$ 9,819	Financial liabilities at fair value through profit or loss	\$ (9,718)
Currency swap	Sister companies	2014.12.04-2016.04.15	US\$ 118,028	45,595	Financial assets at fair value through profit or loss	26,212
		2015.05.04-2016.05.13	US\$ 35,908	(4,565)	Financial liabilities at fair value through profit or loss	(4,565)

In for the six months ended June 30, 2016 and 2015, the realized gains or losses on cross-currency swaps and currency swaps with sister companies were \$70,620 thousand losses and \$18,455 thousand gains, respectively.

d) Payables

	June 30, 2016	December 31, 2015	June 30, 2015
Sister companies	\$ 73,301	\$ 102,204	\$ 97,163
Others	<u>15,322</u>	<u>17,533</u>	<u>15,375</u>
	<u>\$ 88,623</u>	<u>\$ 119,737</u>	<u>\$ 112,538</u>

e) Operating expenses

	For the Six Months Ended June 30	
	2016	2015
Insurance contract expenses		
Sister companies	\$ 458,841	\$ 506,080
Others	<u>100,633</u>	<u>67,811</u>
	<u>\$ 559,474</u>	<u>\$ 573,891</u>

The above insurance contract expenses were recorded as operating cost - commission expenses and were deducted from the reserve for insurance contracts with financial instrument features.

d. Salaries, bonuses and remunerations to main management

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Salaries and other short-term employment benefits	\$ 71,100	\$ 68,191
Post-employment benefits	3,142	3,175
Interest arising from the employees' preferential rate in excess of normal rates	<u>1,058</u>	<u>1,318</u>
	<u>\$ 75,300</u>	<u>\$ 72,684</u>

### 39. PLEDGED ASSETS

a. In addition to those mentioned in other notes, the face values of the pledged bonds and certificates of deposit are summarized as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collaterals for day-term overdraft	31,110,000	31,110,000	31,110,000
Collaterals for overdraft of domestic RMB settlement	2,427,000	3,994,400	3,984,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,005,200	730,600	842,400
Guarantee deposits for the insurance operation	900,000	900,000	900,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Guarantee deposits for securities operation	345,000	345,000	325,000
Overseas branches' capital adequate reserve	361,760	305,784	435,902
Guarantee deposits for the bills finance business	227,400	227,400	227,400
Guarantee deposits for the trust business compensation reserve	200,000	180,000	180,000
Collaterals for overseas branch U.S. dollar settlement	16,150	36,168	27,823
Others	<u>100,860</u>	<u>94,400</u>	<u>29,400</u>
	<u>\$ 88,193,370</u>	<u>\$ 89,423,752</u>	<u>\$ 89,561,925</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit as collateral for day-term overdraft. The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as TCB's liquidity reserve.

- b. To expand their capital sourcing and enhance their liquidity position, TCB's Seattle Branch and Los Angeles Branch obtained access privileges at the Discount Window Account of the Federal Reserve Bank of San Francisco. For this access, the two branches pledged the following assets:

(In Thousands of U.S. Dollars)

Date	Outstanding Balance			Collateral Value
	Loan	Bond	Total	
June 30, 2016	<u>\$ 283,098</u>	<u>\$ 17,000</u>	<u>\$ 300,098</u>	<u>\$ 215,188</u>
December 31, 2015	<u>\$ 316,666</u>	<u>\$ 22,000</u>	<u>\$ 338,666</u>	<u>\$ 227,840</u>
June 30, 2015	<u>\$ 309,159</u>	<u>\$ 37,000</u>	<u>\$ 346,159</u>	<u>\$ 252,237</u>

#### 40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, the significant commitments and contingencies were as follows:

- a. Taiwan Cooperative Financial Holding Co., Ltd.

As of June 30, 2016, TCFHC's outstanding major construction and procurement contracts amounted to \$30,807 thousand, of which \$23,615 thousand was still unpaid.

- b. Taiwan Cooperative Bank, Ltd.

- 1) Lease agreements on premises occupied by TCB's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of June 30, 2016, refundable deposits on these leases totaled \$164,725 thousand. Minimum future annual rentals are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Within one year	\$ 584,042	\$ 592,570	\$ 553,078
One to five years	1,096,973	1,016,771	958,689
Over five years	<u>110,197</u>	<u>36,656</u>	<u>35,482</u>
	<u>\$ 1,791,212</u>	<u>\$ 1,645,997</u>	<u>\$ 1,547,249</u>

The lease payments recognized as expenses are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Minimum lease payments	\$ 175,447	\$ 165,703	\$ 331,691	\$ 329,668
Contingent rentals	<u>324</u>	<u>363</u>	<u>498</u>	<u>515</u>
	<u>\$ 175,771</u>	<u>\$ 166,066</u>	<u>\$ 332,189</u>	<u>\$ 330,183</u>



- 2) Lease agreements on investment properties owned by TCB and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of June 30, 2016, refundable deposits on these leases totaled \$30,601 thousand. Minimum future annual rentals are as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Within one year	\$ 100,607	\$ 117,718	\$ 105,272
One to five years	224,486	313,913	196,013
Over five years	<u>-</u>	<u>-</u>	<u>2,710</u>
	<u><b>\$ 325,093</b></u>	<u><b>\$ 431,631</b></u>	<u><b>\$ 303,995</b></u>

- 3) As of June 30, 2016, TCB's outstanding major construction and procurement contracts amounted to \$4,746,761 thousand, of which \$1,029,944 thousand was still unpaid.
- 4) According to the joint venture contract signed with BNP Paribas Assurance (BNPPA), TCB signed the tri-party agreement with BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTI) and Cooperative Insurance Broker Co., Ltd. (CIB) on April 13, 2010, which identified BPCTI as the sole supplier of life insurance products for TCB and CIB, also applying TCB's marketing channels to sell life insurance products exclusively. However, the rights and obligations were assumed by TCB since the merger on June 24, 2016.
- 5) For TCB's income tax returns (ITRs) from 2006 to 2011, the Taipei National Tax Administration (TNTA) claimed that the appraisal of goodwill was not reasonable and that there were no unrecognized losses on the sale of nonperforming loans in TCB's records on the date of the merger with the Farmers Bank of China (FBC). Thus, TNTA denied the expenses for the goodwill amortization of \$3,170,005 thousand and the deferred loss amortization of \$3,105,522 thousand on the sale of nonperforming loans. TCB disagreed with the TNTA's decision and initiated administrative litigations. On December 30, 2014, TNTA allowed the partial amortization of goodwill expenses and of the losses on sales of nonperforming loans in the tax returns of 2006 to 2011 after negotiating with TCB. TCB recognized related income tax expenses of \$228,990 thousand in 2014. On February 25 and April 9, 2015, TNTA reassessed TCB's 2006 to 2010 ITRs application. Because the Bank did not file an administrative appeal, the final court decision has been determined. Thus, ITRs have been returned (part of tax refund receivable of current tax assets). Besides the administrative litigation of the Bank's 2011 ITRs application is still in process.

c. United Taiwan Bank S.A.

United Taiwan Bank S.A. has operating lease agreements on its office premises. Minimum future annual rentals are as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Within one year	\$ 4,147	\$ 3,914	\$ 3,555
One to five years	<u>17,549</u>	<u>16,865</u>	<u>15,317</u>
	<u><b>\$ 21,696</b></u>	<u><b>\$ 20,779</b></u>	<u><b>\$ 18,872</b></u>

d. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of June 30, 2016, the commitments or contingencies arose from business were as follows:

	<b>June 30, 2016</b>
Guarantees of commercial paper	<u>\$ 20,825,500</u>
Purchase of reference-rate commercial paper	<u>\$ 3,800,000</u>

e. Taiwan Cooperative Securities Co., Ltd (TCS).

As of June 30, 2016, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$44,503 thousand, of which \$18,649 thousand was still unpaid.

In May 2012, TCS laid off a certain Ms. Chen in accordance with the Labor Standards Act, but Ms. Chen, claiming the layoff was illegal, applied to the Taipei District Court (the "Court") on April 10, 2014 for clarification of this employment issue. The Taipei Department of Labor (TDOL) investigated this case in March 2014 and TDOL later concluded that there was no evidence that TCS had violated the Labor Standards Act. TCS estimated that it would have no loss on this litigation.

On March 18, 2016, the Taipei District Court ascertained the existence of the employment relationship in the first instance. TCS is required to pay monthly salary of \$30.5 thousand plus accrued interests to Ms. Chen from April 25, 2014 until her reinstatement. The rest of the appeal of the plaintiff had been dismissed by the Court. Four fifth of the litigation fee is to be paid by TCS and the rest of the litigation fee is to be paid by the plaintiff. TCS filed an appeal on April 13, 2016. TCS appointed lawyers to handle the litigation and the case is still in process. TCS has already recognized \$831 thousand loss.

f. Co-operative Assets Management Co., Ltd (CAM).

CAM leases its own investment properties with lease term from 1 to 20 years. Lessee won't have the right of bargaining purchase at the end of lease period.

As of June 30, 2016, refundable deposits on these leases to totaled \$11,856 thousand. Minimum future annual rentals are as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Within one year	\$ 62,373	\$ 54,014	\$ 41,736
One to five years	188,399	164,405	165,052
Over five years	<u>589,966</u>	<u>640,251</u>	<u>629,561</u>
	<u>\$ 840,738</u>	<u>\$ 858,670</u>	<u>\$ 836,349</u>

## 41. FINANCIAL INSTRUMENTS

### a. Fair values of financial instruments that are not measured at fair value

Except for the financial assets and liabilities shown in the following table, management considers that either the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or the fair values of the financial instruments cannot be reasonably measured.

	<u>June 30, 2016</u>		<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 466,943,727	\$ 468,570,968	\$ 45,199,348	\$ 46,084,422	\$ 35,442,779	\$ 35,602,875
Debt instruments with no active market	93,054,200	95,538,256	94,584,846	95,581,253	91,288,939	91,465,835
<u>Financial liabilities</u>						
Bonds payable	69,610,000	70,953,005	69,610,000	70,258,774	69,610,000	69,943,946

Fair value hierarchy as at June 30, 2016, December 31, 2015 and June 30, 2015:

#### June 30, 2016

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 468,570,968	\$ 7,416,009	\$ 461,154,959	\$ -
Debt instruments with no active market	95,538,256	416,520	95,121,736	-
<u>Financial liabilities</u>				
Bonds payable	70,953,005	-	70,953,005	-

#### December 31, 2015

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 46,084,422	\$ -	\$ 46,084,422	\$ -
Debt instruments with no active market	95,581,253	406,048	95,175,205	-
<u>Financial liabilities</u>				
Bonds payable	70,258,774	-	70,258,774	-

#### June 30, 2015

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 35,602,875	\$ -	\$ 35,602,875	\$ -
Debt instruments with no active market	91,465,835	402,156	91,063,679	-
<u>Financial liabilities</u>				
Bonds payable	69,943,946	-	69,943,946	-

- b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial instruments traded on active markets are based on quoted market prices. However, in many instances where there are no quoted market prices for the Company's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies. Fair values of forward contracts, currency swap contracts, foreign-currency margin contracts, cross-currency swap contracts and interest rate swap contracts are calculated using the discounted cash flow method, unless the fair values are provided by counter-parties. Fair values of option contracts are based on estimates using the Black Scholes pricing model.

The Company estimates the fair value of each forward contract on the basis of the swap points quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the Bloomberg information system, unless the fair values are provided by counterparties. The calculation of the fair value of each option contract is based on the mid-price (the average of bid and ask prices) quoted by Reuters.

For debt instruments with no active market, if there are theoretical prices from Taipei Exchange (GTSM, an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.6293% to 1.0682%, 0.7361% to 1.0960% and 0.9992% to 1.5506% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

- c. The fair value hierarchy of the Company's financial instruments as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

Financial Instruments Measured at Fair Value	June 30, 2016			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 360,680	\$ 357,991	\$ 2,689	\$ -
Debt instruments	3,671,458	3,671,458	-	-
Others	43,997,171	57,746	43,939,425	-
Financial assets designated as at FVTPL	20,008	-	20,008	-
Available-for-sale financial assets				
Stocks	5,298,342	4,487,649	810,693	-
Debt instruments	151,569,366	36,353,912	115,215,454	-
Others	5,070,981	5,070,981	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(13,058,881)	-	(13,058,881)	-

(Continued)

Financial Instruments Measured at Fair Value	June 30, 2016			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	\$ 2,358,523	\$ 84,124	\$ 2,274,399	\$ -
<u>Liabilities</u>				
Financial liabilities at FVTPL	(2,687,329)	(2,336)	(2,684,993)	- (Concluded)
Financial Instruments Measured at Fair Value	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 262,273	\$ 260,881	\$ 1,392	\$ -
Debt instruments	2,439,198	2,439,198	-	-
Others	30,133,164	52,106	30,081,058	-
Financial assets designated as at FVTPL	40,095	-	40,095	-
Available-for-sale financial assets				
Stocks	4,536,688	3,985,033	551,655	-
Debt instruments	142,278,588	46,341,353	95,937,235	-
Others	5,272,281	5,272,281	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,703,063)	-	(12,703,063)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,263,964	42,602	4,221,362	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(2,810,156)	-	(2,810,156)	-

Financial Instruments Measured at Fair Value	June 30, 2015			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 192,687	\$ 191,579	\$ 1,108	\$ -
Debt instruments	1,953,479	1,953,479	-	-
Others	58,963,530	30,467	58,933,063	-
Financial assets designated as at FVTPL	142,564	92,049	50,515	-
Available-for-sale financial assets				
Stocks	4,193,054	4,193,054	-	-
Debt instruments	128,516,188	71,071,417	57,444,771	-
Others	5,177,608	5,177,608	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(11,421,393)	-	(11,421,393)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,912,535	19,405	2,893,130	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(4,206,023)	-	(4,206,023)	-

- d. Information on financial assets designated as at fair value through profit or loss that should be originally measured at amortized cost is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Carrying amounts of debt instruments designated as at fair value through profit or loss	\$ -	\$ -	\$ 92,049
			<b>Change in Fair Values Resulting from Credit Risk Variations</b>
Change in amount in the period			
For the six months ended June 30, 2016			\$ -
For the six months ended June 30, 2015			\$ 4,591
Accumulated amount of change			
As of June 30, 2016			\$ -
As of December 31, 2015			\$ -
As of June 30, 2015			\$ (1,720)

The change in fair value of debt instruments designated as at fair value through profit or loss resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations on these debt instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair value of debt instruments is the present value of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates for the debt issuers' financial assets with similar maturities.

As of the balance sheet date, the debt instruments designated as at fair value through profit or loss have no concentration of credit risk. Their carrying amounts are the amount of the maximum exposure to credit risks of these debt instruments.

- e. Information of financial liabilities designated as at fair value through profit or loss is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Difference between carrying amount and contractual amount at maturity			
Fair value	\$ 13,058,881	\$ 12,703,063	\$ 11,421,393
Amount payable at maturity	<u>12,920,000</u>	<u>13,152,000</u>	<u>12,366,000</u>
	<u>\$ 138,881</u>	<u>\$ (448,937)</u>	<u>\$ (944,607)</u>
			<b>Change in Fair Values Resulting from Credit Risk Variations</b>
Change in amount in the period			
For the six months ended June 30, 2016			<u>\$ (2,168)</u>
For the six months ended June 30, 2015			<u>\$ 50,809</u>
Accumulated amount of change			
As of June 30, 2016			<u>\$ -</u>
As of December 31, 2015			<u>\$ 2,168</u>
As of June 30, 2015			<u>\$ 50,809</u>

The change in fair value attributable to change in credit risk was calculated as the difference between total change in fair value of bank debentures and the change in fair value due to change in market risk factors alone. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding. The fair value of bank debentures were estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowing of similar maturity to estimate credit risk margin.

- f. Information on financial risk management is as follows:

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

TCFHC and its subsidiaries' risk management goals are to develop a sound risk management mechanism under the principles of customer service, business continuity management, risk appetite, and compliance with related laws and regulations and expected-return standards and to enhance stockholder's equity. Major risks faced by TCFHC and its subsidiaries include on-balance-sheet and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity security and financial product risks), and liquidity risks.

To effectively identify, measure, manage, and monitor various types of risks and to achieve profit objectives under a reasonable risk, both TCFHC and its subsidiaries have developed risk management policies, regulations and procedures, which have been approved by the board of directors.

The board of directors is the highest decision-making unit of TCFHC's risk management system and takes the ultimate overall responsibility for risk management. The risk management committee is in charge of setting risk management policies and indicators, monitoring TCFHC and its subsidiaries' various risk situations and operating procedures, and coordinating and supervising the execution of risk management. The risk management division is in charge of TCFHC's risk management policy planning, capital adequacy calculating and assessing, emergency contingency plan making, and periodically monitoring and reporting TCFHC and its subsidiaries' risk control and management execution as required by regulations.

Each subsidiary' board of directors is the highest decision-making unit of each subsidiaries' risk management system and takes the ultimate overall responsibility for risk management. Each subsidiary has also established a risk management committee or independent risk management unit, which is in charge of the execution of risk management procedures.

2) Credit risk

Credit risk refers to borrowers, issuers or counterparties' deterioration or other factors (dispute between a borrower and its counterparty, for instance), which leads to borrowers, issuers or counterparties' breach of contracts, resulting in default losses. Credit risk comes from both on-balance-sheet and off-balance-sheet transactions. TCFHC and its subsidiaries' on-balance-sheet credit-risk exposure come from loans, due from and call loans to other banks, security investments and derivatives. The off-balance-sheet credit risk exposure comes from guarantees, letters of acceptance, letters of credit and loan contracts.

TCFHC and its subsidiaries must closely analyze every on-balance-sheet and off-balance-sheet transaction to recognize existing and potential credit risk. On the basis of the Company's operating conditions and the principle of sound risk distribution, every risk factor should be managed, risk situations should be analyzed and assessed, limits on concentration of credit risk should be set, and a risk monitoring and warning mechanism should be established.

3) Market risk

Market risk refers to unfavorable market price fluctuations, which affect the on-balance-sheet and off-balance-sheet positions. Market price refers to interest rate, foreign-exchange rate, equity security price and financial product prices. TCFHC and its subsidiaries' risk market management procedures include risk identification, measurement, assessment, monitoring and reporting.



TCFHC and its subsidiaries' risk management staff analyze and assess market risk position data, monitor market risks position and gains or losses, and periodically make reports to the risk management committee and board of directors for managements' decision making. Each subsidiary has various authorized investment amounts and stop loss regulations based on the overall risk management target and product attributes and periodically prepare management reports on the control and management of each market risk.

#### 4) Liquidity risk

Liquidity risk refers to the possible financial losses that may arise because of the inability to liquidate assets or to pay financial liabilities when they become due. Examples of liquidity risk-related situations are the early withdrawal of deposits, transaction terms becoming more stringent, increase in borrowers' defaults, a financial instrument becoming illiquid, and the early cancellation of a floating rate insurance product policy. These situations may deplete TCFHC and its subsidiaries' capital resources, requiring them to seek loans, and do fund-raising and investment activities. In extreme situations, lack of liquidity may cause the potential risk of the inability to enter into lending transactions. For the reduction of liquidity strains on the bank funding market, there is a bank liquidity risk channel.

TCFHC and its subsidiaries separately execute their respective liquidity management procedures, and this execution is monitored by an independent risk management division, which periodically prepares related reports for submission to TCFHC and its subsidiaries' risk management committees and the board of directors.

#### Taiwan Cooperative Bank Ltd. and subsidiaries

##### 1) Risk management

The objective of risk management is to develop a sound risk management mechanism, and on the basis of the risk tolerance level and the expected return level, pursue the maximum value of stockholders' investments. The main risks faced by TCB include the business credit risk in- and off-balance-sheet, market risks (including interest, exchange, equity security, and commodity risks) and liquidity risk.

TCB has risk management policies and risk monitoring procedures, which have been reviewed and approved by the Board and are used to effectively identify, measure, monitor and control credit, market, and operating and liquidity risks.

The Board, the highest decision-making unit for the risk management, takes charge of approving the risk management policy and system and building the risk management culture. It also takes ultimate responsibility for overall risk management.

Under the risk management decision approved by the Board, the risk management committee takes charge of and reviews all TCB's risk management implementation, capital adequacy assessment, and risk exposure management. It also communicates and the inter-departmental risk management issues and coordinates issue handling and continually monitors the execution of risk management procedures. The risk management department is responsible for planning and designing the risk management system, deliberating capital allocation, setting up the instruments for risk measurement and capital provision, and monitoring risk control. This department also regularly prepares reports for submission to senior management, the risk management committee and the Board.

Under the business management regulation and risk policy, the business supervising unit manages and oversees each business unit toward proper risk management and carries out risk review and control. In addition, the Audit Department independently audits at least once a year all risk-related businesses and timely provides suggestions for improvement.

## 2) Credit risk

Credit risk refers to a borrower, a financial instrument issuer or a transaction counterparty undergoing financial difficulty or other adverse situations (such as a dispute between the borrower and its business partner), which could result in loss due to breach of contract. Credit risk can come from in- and off-balance-sheet items. On-balance sheet items are mainly lending, due from bank and call loans to other banks, security investment and derivatives. Off-balance sheet items are mainly guarantees, acceptance, letters of credit and loan commitments.

The risk management policy, which is founded on the basic principles of safety, liquidity, profitability, welfare and growth, is implemented by the credit risk management division toward the cultivation of a risk management culture. All on- and off-balance sheet transactions are should be detailed analyzed in detail to identify existing and potential credit risk. Based on TCB's business characteristics and the principle of risk diversification, risk status is analyzed and evaluated, centralized limits are set, and a risk monitoring and alert mechanism has been developed and operated. For a more effective credit risk evaluation, an internal rating system has been created to enhance the ability to quantify risk.

TCB's main business items that are measured and managed for credit risks are as follows:

### a) Loans business (including loan commitment and guarantees)

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectible. TCB and its subsidiaries also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

TCB and its subsidiaries' apply to its credit business the so-called "5Ps of credit analysis" as the basis for lending approval and evaluation of its counterparties. These 5Ps are: People (know customers' background and their credit status well); purpose (what will the fund be used for); payment (the borrower's ability to repay an obligation when it falls due); protection (TCB and its subsidiaries' recourse on repayment defaults); and perspective (how the credit is seen in light of rewards and risks). After a loan is granted, the transaction is reviewed and monitored to ensure TCB and its subsidiaries' creditor's rights.

To quantify credit risk, TCB and its subsidiaries apply statistical methods using with customers' qualitative data and lending history to develop a rating module for corporate finance and consumer finance. This module is used to create an internal credit rating system for risk evaluation, in which 9 is the base grade of the credit quality of corporate customers, and 8 or 10 on the business segment consumer customers.

The 5P credit analysis and the module rating specifically apply to corporate customers. Micro credits and residential mortgages are assessed by using the credit rating model, and consumer loans are assessed individually for default risks.

### b) Due from and call loans to other banks

TCB and its subsidiaries evaluate the credit status of counterparties before closing deals. TCB and its subsidiaries grant different limits to the counterparties on the basis of their respective credit ratings as suggested by domestic and foreign credit rating agencies.

c) Investments in debt instruments and derivatives

TCB and its subsidiaries identify and manage credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

TCB and its subsidiaries conduct derivative transactions with other banks and sets the credit limits (including lending limits) at their credit rating and the ranking given by *the Banker* magazine. The credits extended to general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established through normal credit granting processes.

TCB and its subsidiaries have a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure a debt, TCB and its subsidiaries manage and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, TCB and its subsidiaries stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that TCB and its subsidiaries reserve the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in TCB and its subsidiaries in order to reduce the credit risks.

To avoid the concentration of credit risks, TCB and its subsidiaries set up centralized credit limits for business segments, countries, collaterals, groups, and construction financing. Monthly, or more frequently, as needed, TCB and its subsidiaries review credit limits, monitor the actual risk-exposure condition and whether the usage rate of limits meets relevant regulations and reports the review results to superior management, risk management committee and the Board periodically. If there is a possibility of breach of the credit limits, the related department or division will apply appropriate procedures to ensure that the credit limits are followed.

TCB and its subsidiaries settle most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or in some circumstances where the transactions are terminated because of a counterparty's default.

The maximum exposures to credit risks of assets on the consolidated balance sheets without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instruments are as follows:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Irrevocable loan commitments issued	\$ 102,300,428	\$ 101,337,530	\$ 95,143,138
Irrevocable credit card commitments	41,146,331	37,667,998	36,760,008
Letters of credit issued yet unused	21,637,060	17,365,650	19,289,952
Other guarantees	78,406,917	75,846,447	68,940,682

TCB and its subsidiaries' management believes its ability to minimize credit risk exposures on off-balance sheet items is mainly due to its rigorous evaluation of credit extended and the periodic reviews of these credits.

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The profile by group or industry, regions and collaterals of obligations that were 10% or more of total outstanding loans is as follows:

Credit Risk Profile by Group or Industry	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 824,830,619	40	\$ 811,865,538	39	\$ 769,191,953	39
Manufacturing	371,288,054	18	322,834,983	16	318,983,596	16

Some financial assets held by TCB and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have high credit ratings.

In addition to the above assets, credit quality analysis of other financial assets are as follows:

a) Credit quality analysis of discounts, loans and receivables

June 30, 2016	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 4,408,179	\$ 29,524	\$ 68,408	\$ 4,506,111	\$ 27,915	\$ 22,197	\$ 4,455,999
Others	11,393,437	26,033	539,174	11,958,644	354,600	278,474	11,325,570
Discounts and loans	1,942,372,000	7,667,942	26,389,447	1,976,429,389	5,902,368	15,270,496	1,955,256,525

December 31, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 2,549,807	\$ 27,980	\$ 74,336	\$ 2,652,123	\$ 34,983	\$ 18,435	\$ 2,598,705
Others	10,828,753	26,551	519,669	11,374,973	323,002	220,344	10,831,627
Discounts and loans	1,968,578,879	8,385,747	25,749,526	2,002,714,152	7,016,444	14,445,553	1,981,252,155

June 30, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 3,678,246	\$ 28,793	\$ 80,796	\$ 3,787,835	\$ 37,816	\$ 21,702	\$ 3,728,317
Others	10,212,903	28,366	438,379	10,679,648	276,086	224,636	10,178,926
Discounts and loans	1,883,352,056	8,657,007	24,314,422	1,916,323,485	6,935,366	14,291,313	1,895,096,806

b) Credit quality analysis of discounts and loans not past due and not impaired

Items	June 30, 2016	December 31, 2015	June 30, 2015
Loans			
Secured	\$ 1,401,091,556	\$ 1,393,174,736	\$ 1,316,185,654
Unsecured	541,280,444	575,404,143	567,166,402
Total	\$ 1,942,372,000	\$ 1,968,578,879	\$ 1,883,352,056

c) Credit quality analysis of securities

June 30, 2016	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	\$ 99,954,249	\$ -	\$ -	\$ 99,954,249	\$ -	\$ 99,954,249
Equities	4,322,680	-	-	4,322,680	-	4,322,680
Others	379,869	-	-	379,869	-	379,869
Held-to-maturity financial assets						
Debt instruments	57,865,554	-	-	57,865,554	11,323	57,854,231
Others	406,300,390	-	-	406,300,390	-	406,300,390
Other financial assets						
Debt instruments	83,690,907	-	-	83,690,907	-	83,690,907
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	15,751,874	-	-	15,751,874	-	15,751,874

December 31, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	\$ 91,593,863	\$ -	\$ -	\$ 91,593,863	\$ 3,288	\$ 91,590,575
Equities	3,975,015	-	-	3,975,015	-	3,975,015
Others	319,261	-	-	319,261	-	319,261
Held-to-maturity financial assets						
Debt instruments	42,106,395	-	-	42,106,395	14,802	42,091,593
Others	305,784	-	-	305,784	-	305,784
Other financial assets						
Debt instruments	84,539,585	-	-	84,539,585	-	84,539,585
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	14,030,137	-	-	14,030,137	-	14,030,137

June 30, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	\$ 79,832,420	\$ -	\$ -	\$ 79,832,420	\$ -	\$ 79,832,420
Equities	3,557,438	-	-	3,557,438	-	3,557,438
Others	270,485	-	-	270,485	-	270,485
Held-to-maturity financial assets						
Debt instruments	30,018,921	-	-	30,018,921	11,815	30,007,106
Others	2,435,902	-	-	2,435,902	-	2,435,902
Other financial assets						
Debt instruments	83,568,721	-	-	83,568,721	3,092	83,565,629
Equities	3,397,849	-	48,769	3,446,618	23,835	3,422,783
Others	13,814,390	-	-	13,814,390	-	13,814,390

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing TCB and its subsidiaries' risk management, financial asset that are past due within 90 days are not deemed as impaired, unless there are evidences that indicate impairment.

The vintage analysis of financial assets that are past due but not impaired is as follows:

Item	June 30, 2016		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 23,858	\$ 5,666	\$ 29,524
Others	16,435	9,598	26,033
Loans			
Secured	5,451,014	1,424,194	6,875,208
Unsecured	721,283	71,451	792,734
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Item	December 31, 2015		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 22,337	\$ 5,643	\$ 27,980
Others	16,298	10,253	26,551
Loans			
Secured	5,879,070	1,356,697	7,235,767
Unsecured	902,419	247,561	1,149,980
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Item	June 30, 2015		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 23,737	\$ 5,056	\$ 28,793
Others	16,576	11,790	28,366
Loans			
Secured	6,121,386	1,523,327	7,644,713
Unsecured	872,681	139,613	1,012,294
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

### 3) Market risks

Market risk refers to the risk of losses in positions arising from adverse movements of market prices. It refers to interest rates, exchange rates, equity security prices, commodity prices, etc.

The main market risks that TCB and its subsidiaries face are equity security, interest rates, and exchange rate risks. The market risk position of equity security mainly includes domestic listed and OTC stocks, domestic stock index options and stock market index futures; the position of interest rate mainly includes short-term bills, bonds and interest rate derivative instruments; and the instruments exposed to exchange rate risk mainly include spot contracts and forward contracts and derivatives denominated in foreign currency.

Under the market risk management policies approved by the board of directors, the new Basel Capital Accord and regulations implemented by relevant authorities and in consideration of the Bank's own market risk management system and its overall risk management goals and product features, TCB and its subsidiaries have set all types of investment authorization limits and stop-loss rules, regularly reviews the customers' credit status and compiles management information reports to control all types of market risks effectively.

TCB and its subsidiaries' market risk management procedures include risk identification, evaluation, measurement, monitoring, and reporting. Every units' risk management personnel analyze data on market risk position and evaluate measurement methods, including the statistical basic measurement method, sensitivity analysis, and situational analysis. Monitoring content includes trading processes, collective and individual, of all transaction units and all financial instruments, such as change of position, change of profit and loss, trading pattern, and if trading objects are transacted within the authorized scope and limits.

TCB and its subsidiaries' business units and risk management unit have established market risk factors for identifying risk exposure positions and use these factors to measure market risks. The market risk factors refer to the components of financial instruments' position, such as profit and loss and sensitivity to risk, which might be affected by interest rates, exchange rates and equity security market prices.

TCB and its subsidiaries' risk management unit reports to management periodically the execution status of measures on market risk management, investment positions, and profit and loss control so that management can fully understand the status of market risk management. TCB and its subsidiaries' also have cleared reporting procedures and rules for all types of transaction limits and the stop-loss order. If any transaction amount reaches the limit, the stop-loss order is executed immediately; if the stop-loss order is not executed, the transaction unit is required to explain the reasons for non-execution and prepare a response plan for management's approval.

TCB applies market risk sensitivity as a risk control instrument. Market risk sensitivity position refers to the change in the value of a position due to a change in a certain market risk factor. Market risk factors include interest rates, exchange rates, and equity security prices. TCB's position sensitivity exposure trading book contains all types of positions exposed to market risk and the range of change to which sensitivity analysis applied under various pressure scenarios for all types of risk factors.

Assuming all other factors are held constant, the effects of risks within defined change scenarios are shown below:

Main Risk	Change Scenario	June 30, 2016	December 31, 2015	June 30, 2015
Interest rate risk	Interest rate curve increased 100 basis points	\$ (77,101)	\$ (25,435)	\$ (152,402)
	Interest rate curve fell 100 basis points	81,892	25,524	156,693
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(84,955)	(86,027)	(51,478)
	USD/NT\$, EUR/NT\$ fell 3%	84,897	86,027	40,426
	Others (RMB, AUD etc.)/ NT\$ increased 5%	(1,467)	(18,673)	(24,912)
	Others (RMB, AUD etc.)/ NT\$ fell 5%	1,292	18,673	3,779
Equity security price risk	Equity security price increased by 15%	27,086	12,369	20,196
	Equity security price fell by 15%	(27,086)	(12,369)	(20,196)

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities are as follows:

Average balance is calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.



a) Taiwan Cooperative Bank, Ltd.

For the Six Months Ended June 30				
	2016		2015	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets -				
due from banks	\$ 25,979,188	1.83	\$ 35,739,350	2.77
Due from the Central Bank	564,550,465	0.59	610,602,698	0.76
Call loans to banks	125,143,828	0.92	90,836,840	1.18
Held-for-trading financial assets	17,277,384	0.54	36,445,856	0.78
Financial assets designated as at fair value				
through profit or loss	-	-	203,517	6.02
Securities purchased under resell agreements	1,204,836	0.37	2,186,389	0.51
Discounts and loans	1,971,178,822	2.05	1,873,757,940	2.14
Available-for-sale financial assets	93,756,351	2.06	74,887,091	1.76
Held-to-maturity financial assets	66,542,941	1.66	25,135,775	1.83
Debt instruments with no active market	83,570,298	2.03	80,812,952	1.69
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	207,536,878	0.54	225,959,027	0.41
Financial liabilities designated as at fair value				
through profit or loss	13,066,198	4.28	6,313,149	4.18
Securities sold under repurchase agreements	13,957,972	0.30	21,729,066	0.48
Demand deposits	485,682,534	0.14	427,223,891	0.41
Savings - demand deposits	756,794,013	0.36	708,098,775	0.39
Time deposits	495,689,491	1.06	456,022,380	1.22
Time savings deposits	681,909,914	1.21	700,973,261	1.36
Treasury deposits	79,775,416	0.75	71,588,822	0.87
Negotiable certificates of deposits	5,562,871	0.33	1,814,359	0.41
Structured products	5,516,086	0.68	7,615,539	1.08
Bank debentures	69,610,000	1.39	84,424,917	1.65

b) United Taiwan Bank S.A.

For the Six Months Ended June 30				
	2016		2015	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks	\$ 52,749	0.06	\$ 667,391	-
Due from the Central Bank	160,394	0.01	216,338	0.02
Call loans to banks	-	-	20,651	0.03
Discounts and loans	9,112,833	2.16	6,988,155	2.21
Debt instruments with no active market	1,803,593	0.97	2,267,326	1.45
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	8,578,019	0.38	8,015,764	0.68
Demand deposits	43,685	-	56,727	-
Time deposits	88,180	0.76	86,566	0.54

The exchange rate risk of TCB and its subsidiaries is as follows:

(In Thousands)

	June 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,954,908	32.3000	\$ 321,543,528
RMB	10,337,594	4.8540	50,178,680
AUD	840,212	24.0350	20,194,486
JPY	46,235,383	0.3147	14,550,275
EUR	405,159	35.8800	14,537,099
HKD	1,526,439	4.1630	6,354,564
GBP	104,364	43.3100	4,520,012
ZAR	1,528,684	2.1800	3,332,530
CAD	51,181	24.9400	1,276,458
NZD	21,884	22.9300	501,793
SGD	15,767	23.9400	377,460
CHF	4,186	32.9550	137,952
SEK	4,473	3.8200	17,087
KHR	768,380	0.0079	6,078
THB	2,996	0.9223	2,763
PHP	2,897	0.6871	1,991
MYR	7	8.0210	56
<u>Financial liabilities</u>			
Monetary items			
USD	11,110,779	32.3000	358,878,167
RMB	9,398,664	4.8540	45,621,114
AUD	884,595	24.0350	21,261,233
EUR	265,933	35.8800	9,541,682
JPY	23,889,960	0.3147	7,518,170
ZAR	2,762,475	2.1800	6,022,196
HKD	853,192	4.1630	3,551,836
GBP	73,657	43.3100	3,190,068
NZD	79,688	22.9300	1,827,243
CAD	47,978	24.9400	1,196,584
SGD	6,392	23.9400	153,025
CHF	4,189	32.9550	138,040
SEK	14,421	3.8200	55,088
THB	9,045	0.9223	8,342
PHP	49	0.6871	34
KHR	2,887	0.0079	23
MYR	-	8.0210	3

December 31, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,438,349	32.8800	\$ 310,332,926
RMB	9,443,309	4.9930	47,150,444
EUR	431,528	35.9200	15,500,469
AUD	627,564	23.9750	15,045,854
JPY	48,863,783	0.2730	13,339,813
HKD	1,465,852	4.2420	6,218,146
ZAR	972,188	2.1200	2,061,039
GBP	28,763	48.7500	1,402,194
CAD	27,447	23.7200	651,032
NZD	19,499	22.5000	438,733
CHF	3,627	33.2350	120,544
SGD	2,417	23.2500	56,207
SEK	4,358	3.9100	17,040
THB	10,234	0.9168	9,383
KHR	751,603	0.0081	6,068
PHP	2,581	0.7007	1,809
MYR	7	7.6510	54
<u>Financial liabilities</u>			
Monetary items			
USD	10,105,448	32.8800	332,267,122
RMB	9,190,733	4.9930	45,889,329
AUD	678,335	23.9750	16,263,088
JPY	32,415,488	0.2730	8,849,428
GBP	157,243	48.7500	7,665,610
EUR	186,511	35.9200	6,699,476
ZAR	2,568,244	2.1200	5,444,677
HKD	593,004	4.2420	2,515,523
NZD	85,355	22.5000	1,920,493
CAD	69,632	23.7200	1,651,680
CHF	5,251	33.2350	174,523
SGD	6,124	23.2500	142,383
SEK	14,172	3.9100	55,413
THB	11,050	0.9168	10,131
PHP	133	0.7007	93
KHR	2,885	0.0081	23
MYR	-	7.6510	3

June 30, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,667,094	30.9150	\$ 298,858,214
AUD	574,918	23.7350	13,645,673
JPY	40,574,060	0.2525	10,244,950
EUR	356,950	34.6100	12,354,028
HKD	2,264,072	3.9870	9,026,855
RMB	9,493,073	4.9800	47,275,503
GBP	32,239	48.6500	1,568,421
CAD	56,217	24.9000	1,399,811
NZD	41,607	21.1000	877,910
CHF	4,900	33.3250	163,299
ZAR	654,796	2.5200	1,650,086
SGD	1,774	22.9500	40,716
SEK	42,443	3.7600	159,585
THB	14,209	0.9201	13,073
PHP	1,904	0.6845	1,304
MYR	7	8.1810	57
KHR	530,207	0.0075	3,977
<u>Financial liabilities</u>			
Monetary items			
USD	10,572,008	30.9150	326,833,650
JPY	32,192,964	0.2525	8,128,723
AUD	510,614	23.7350	12,119,414
ZAR	2,427,386	2.5200	6,117,014
EUR	183,228	34.6100	6,341,503
GBP	21,793	48.6500	1,060,243
HKD	978,595	3.9870	3,901,657
NZD	187,751	21.1000	3,961,549
RMB	7,876,748	4.9800	39,226,207
CAD	60,199	24.9000	1,498,961
SGD	6,542	22.9500	150,149
CHF	3,566	33.3250	118,845
SEK	166,467	3.7600	625,914
THB	13,608	0.9201	12,520
PHP	69	0.6845	47
MYR	-	8.1810	3
KHR	2,884	0.0075	22

#### 4) Liquidity risk

Liquidity risk is inherent in all bank operations and might be affected by specific or general industry and environmental events. These events include credit-related events, mergers or acquisitions, systemic changes and natural disasters. TCB and its subsidiaries define liquidity risk as the inability to realize assets or to obtain financing for meeting obligations when they fall due, resulting in loss.

The liquidity risk management strategy is based on the overall risk management objectives and involves liquidity risk, identification, measurement, monitoring and control to maintain TCB's appropriate liquidity and ensure adequate funding for meeting liability obligations or for capital growth.

The liquidity risk management procedures cover all types of businesses and business activities and should financing products.

For adequate liquidity for all types of deposits, TCB follows the relevant regulations issued by the Central Bank to estimate the liquidity reserves and calculates and controls daily the liquidity reserve ratios.

For TCB's operating liquidity, the fund disbursement unit performs daily cash flow management and monitoring of the payments schedule on the basis of detailed reports by different departments and relevant rules.

The risk management department regularly generates risk reports, which include the liquidity reserve ratios and the maturity analysis of instruments and transactions denominated in major foreign currencies, and submits them to the Asset and Liability Management Committee and the Board as reference for decision making.

TCB stipulates liquidity risk limits, which are regularly monitored and reviewed by the risk management department. If a liquidity risk limit is exceeded or other exception situations occur, the business supervising unit immediately develops appropriate contingency measures and submits them to the Asset and Liability Management Committee for approval and implementation.

TCB contingency measures for business emergency or sudden liquidity crisis are aimed at quick crisis resolution and resumption of normal operations.

TCB's liquidity reserve ratios were 25.37% in June 2016, 23.48% in December 2015 and 24.71% in June 2015.

The Company disclosed the analysis of cash outflows on non-derivative financial liabilities by their residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 133,559,361	\$ 54,692,513	\$ 7,759,970	\$ 5,037,086	\$ -	\$ 201,048,930
Financial liabilities at fair value through profit or loss	-	-	-	-	12,920,000	12,920,000
Securities sold under repurchase agreements	7,033,213	2,948,999	1,828,488	27,052	-	11,837,752
Payables	27,383,811	1,096,849	993,323	3,564,979	1,389,428	34,428,390
Deposits and remittances	284,394,156	312,589,777	382,405,414	628,631,381	971,406,361	2,579,427,089
Bank debentures	-	-	-	8,000,000	61,610,000	69,610,000
Other items of cash outflow on maturity	6,185,823	99,576	28,616	75,608	574,231	6,963,854

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 129,943,568	\$ 61,620,412	\$ 499,880	\$ 8,181,954	\$ -	\$ 200,245,814
Financial liabilities at fair value through profit or loss	-	-	-	-	13,152,000	13,152,000
Securities sold under repurchase agreements	11,324,769	4,138,888	1,961,817	27,006	-	17,452,480
Payables	26,641,525	1,250,741	3,724,904	1,642,602	1,574,763	34,834,535
Deposits and remittances	238,906,777	349,548,292	356,297,049	608,264,851	951,494,918	2,504,511,887
Bank debentures	-	-	-	-	69,610,000	69,610,000
Other items of cash outflow on maturity	6,944,010	51,121	28,891	76,156	609,190	7,709,368

<b>June 30, 2015</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Due to the Central Bank and other banks	\$ 131,707,079	\$ 54,933,400	\$ 16,208,749	\$ 6,949,352	\$ -	\$ 209,798,580
Financial liabilities at fair value through profit or loss	-	-	-	-	12,366,000	12,366,000
Securities sold under repurchase agreements	13,550,747	3,242,024	2,483,291	510,922	-	19,786,984
Payables	23,606,244	6,522,998	1,000,903	3,993,202	527,479	35,650,826
Deposits and remittances	236,684,553	293,600,590	378,756,211	614,867,045	893,366,694	2,417,275,093
Bank debentures	-	-	-	-	69,610,000	69,610,000
Other items of cash outflow on maturity	4,068,548	1,628,385	64,303	93,334	669,577	6,524,147

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiaries' historical experience. Assuming that all demand deposits as of June 30, 2016, December 31, 2015 and June 30, 2015 must be repaid soon, the capital expenditure will be increased by \$1,290,920,693 thousand, \$1,265,775,142 thousand and \$1,181,308,503 thousand, respectively, within 30 days these balance sheet dates.

TCB and its subsidiaries assess the maturity dates of contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities is as follows:

a) Derivative financial liabilities to be settled at net amounts

<b>June 30, 2016</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days- 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ -	\$ 124	\$ 13,986	\$ 1,107	\$ -	\$ 15,217
Interest	(2,610)	(99)	(2,742)	(3,122)	(8,418)	(16,991)

<b>December 31, 2015</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days- 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 1,452	\$ 3,668	\$ 2,279	\$ 1,360	\$ -	\$ 8,759
Interest	(2,141)	(435)	(2,810)	(4,510)	(11,384)	(21,280)

<b>June 30, 2015</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days- 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 576	\$ 599	\$ 1,655	\$ 3,318	\$ -	\$ 6,148
Interest	(1,998)	4,034	(306)	4,100	76,858	82,688

b) Derivative financial liabilities to be settled at gross amounts

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 108,327,009	\$ 67,125,384	\$ 34,961,548	\$ 17,999,457	\$ 329,807	\$ 228,743,205
Cash inflow	108,887,408	67,697,905	35,273,188	18,123,575	330,162	230,312,238
Interest derivatives						
Cash outflow	-	-	1,261	324,268	-	325,529
Cash inflow	-	-	-	308,500	-	308,500
Total cash outflow	108,327,009	67,125,384	34,962,809	18,323,725	329,807	229,068,734
Total cash inflow	108,887,408	67,697,905	35,273,188	18,432,075	330,162	230,620,738
Net cash flow	560,399	572,521	310,379	108,350	355	1,552,004

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 121,940,698	\$ 61,218,639	\$ 8,332,811	\$ 6,721,102	\$ 139,693	\$ 198,352,943
Cash inflow	122,438,787	61,450,896	8,404,151	6,782,455	139,717	199,216,006
Interest derivatives						
Cash outflow	136,070	1,887,838	1,394,754	140,160	851,454	4,410,276
Cash inflow	136,452	1,754,559	1,321,384	136,070	1,026,649	4,375,114
Total cash outflow	122,076,768	63,106,477	9,727,565	6,861,262	991,147	202,763,219
Total cash inflow	122,575,239	63,205,455	9,725,535	6,918,525	1,166,366	203,591,120
Net cash flow	498,471	98,978	(2,030)	57,263	175,219	827,901

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 112,574,064	\$ 72,142,093	\$ 13,214,551	\$ 19,646,597	\$ 355,424	\$ 217,932,729
Cash inflow	113,148,048	72,457,519	13,254,776	19,595,105	357,344	218,812,792
Interest derivatives						
Cash outflow	3,725,869	3,008,625	4,275,524	2,644,821	1,120,331	14,775,170
Cash inflow	3,617,087	2,896,236	4,085,332	2,616,834	1,262,137	14,477,626
Total cash outflow	116,299,933	75,150,718	17,490,075	22,291,418	1,475,755	232,707,899
Total cash inflow	116,765,135	75,353,755	17,340,108	22,211,939	1,619,481	233,290,418
Net cash flow	465,202	203,037	(149,967)	(79,479)	143,726	582,519

TCB and its subsidiaries conducted maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some of these amounts may not correspond to those shown in the balance sheets.

June 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,889,745	\$ 4,774,583	\$ 5,631,410	\$ 16,493,429	\$ 72,511,261	\$ 102,300,428
Irrevocable credit card commitments	8,611	267,850	613,819	2,144,836	38,111,215	41,146,331
Letters of credit issued yet unused	3,632,804	9,496,977	3,120,388	1,099,613	4,287,278	21,637,060
Other guarantees	2,839,743	6,451,722	6,320,831	8,284,922	54,509,699	78,406,917

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,175,415	\$ 6,237,551	\$ 7,763,379	\$ 11,348,130	\$ 74,813,055	\$ 101,337,530
Irrevocable credit card commitments	13,900	128,504	755,729	1,347,700	35,422,165	37,667,998
Letters of credit issued yet unused	4,430,340	8,766,697	2,230,412	483,024	1,455,177	17,365,650
Other guarantees	3,023,999	6,402,251	6,562,665	9,228,210	50,629,322	75,846,447

June 30, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,350,813	\$ 3,812,545	\$ 7,376,278	\$ 14,026,617	\$ 68,576,885	\$ 95,143,138
Irrevocable credit card commitments	19,306	341,797	865,090	1,338,207	34,195,608	36,760,008
Letters of credit issued yet unused	4,378,390	10,154,047	2,415,507	1,000,751	1,341,257	19,289,952
Other guarantees	2,816,412	5,967,784	4,302,070	9,584,180	46,270,236	68,940,682

#### BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI)

Financial risk arises when future cash flows generated from financial assets are insufficient to pay insurance and investment contracts. BPCTLI has already set up a risk management mechanism and control system that can effectively identify, measure, respond to, and monitor the level of risk BPCTLI is exposed to, including market risk, credit risk, liquidity risk, etc.

BPCTLI uses derivatives, such as cross-currency swaps and foreign exchange swaps, to manage its exposures on foreign investments. The management of BPCTLI effectively monitors and controls several risks. Control strategies implemented by BPCTLI are as follows:

#### 1) Market risk

##### a) Market risk source and market risk factors

Market risk results from the fluctuation in the fair values of financial instruments or future cash due to the market price changes. The risk factors causing market price changes include interest rates, exchange rates, stock prices and commodity prices, which may cause a gain or loss on or off the balance sheet.

##### b) Market risk strategy and procedures

BPCTLI has established management policies and market risk limits to monitor the market risk and tolerable losses.

BPCTLI monitors the limit management of financial instruments and the implementation of sensitivity analysis, stress testing and risk calculation. For management's decision making, the risk management department periodically reports to the board of directors and the Risk Management Committee.

In line with hedging against interest rate risk, the investment selection includes an assessment of the financial instrument issuers' credit and financial condition, the investing countries' risk condition and interest rate movements. If a foreign currency risk pertains to overseas investments, BPCTLI uses cross-currency swaps and foreign exchange swaps for each overseas investment and periodically measures the efficiency of these swaps. BPCTLI has investment limits and stop-loss order to control equity risk.

##### c) Market risk management framework

To quantify the possible loss resulting from the price fluctuations of BPCTLI assets, BPCTLI control market risk through calculating value-at-risk (VaR) regularly, combining with back testing, sensitivity analysis method and stress testing.



d) Market risk measurement

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were \$406,970 thousand, \$503,473 thousand and \$377,199 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

ii. Sensitivity analysis

i) Interest rate risk

Interest rate risk refers to the impact of interest rate changes on an investment portfolio value or investment gain or loss. The investment instruments exposed to interest rate risk are mainly bonds and derivative financial assets.

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of June 30, 2016, December 31, 2015 and June 30, 2015 the fair values of financial assets would have decreased by \$20,248 thousand, \$20,491 thousand and \$21,913 thousand, respectively.

ii) Equity risk

Equity risk is the risk that the market value of a stock investment will fall because of negative stock market movements.

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on June 30, 2016, December 31, 2015 and June 30, 2015, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$20,492 thousand, \$21,220 thousand and \$13,194 thousand, respectively.

iii) Foreign currency risk

Foreign currency risk arises when a financial asset or liability is denominated in a currency different from the BPCTLI’s base currency. This risk mainly refers to nonmonetary financial assets and liabilities.

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the six months ended June 30, 2016 and 2015, the income before income tax would have decreased \$177,918 thousand and \$181,722 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of June 30, 2016, December 31, 2015 and June 30, 2015.

June 30, 2016

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Savings accounts			
USD	\$ 7,009	32.28	\$ 226,249
AUD	1,765	24.02	42,396
EUR	372	35.83	13,327
Receivables			
USD	5,052	32.28	177,611
RMB	2,198	4.85	10,649
Available-for-sale financial assets			
USD	297,008	32.28	9,587,410
RMB	31,043	4.85	150,405
Debt investments with no active market			
USD	241,652	32.28	7,800,537
RMB	240,999	4.85	1,167,638
Refundable deposits			
USD	-	32.28	-

December 31, 2015

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Savings accounts			
USD	\$ 11,160	32.89	\$ 367,068
AUD	1,704	23.99	40,877
EUR	96	35.90	3,463
Receivables			
USD	6,046	32.89	198,842
RMB	2,832	4.99	14,132
Available-for-sale financial assets			
USD	288,921	32.89	9,502,601
RMB	29,716	4.99	148,283
Debt investments with no active market			
USD	256,847	32.89	8,447,713
RMB	239,998	4.99	1,197,591
Refundable deposits			
USD	12,450	32.89	409,480

June 30, 2015

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 13,606	30.90	\$ 420,412
AUD	1,379	23.70	32,690
Receivables			
USD	5,960	30.90	184,158
RMB	1,836	4.98	9,140
Available-for-sale financial assets			
USD	378,211	30.90	11,686,721
Debt investments with no active market			
USD	190,321	30.90	5,880,934
RMB	289,817	4.98	1,442,421

iii. Stress testing

If an extreme event or systematic risk occurs, stress testing is done to measure the potential impact of a negative development on trading book portfolio during an abnormal market period.

BPCTLI does stress testing by analyzing market risk stress testing and different stress testing scenarios from Bloomberg.

Assuming the Lehman crisis in 2008 reoccurred as of June 30, 2016, December 31, 2015 and June 30, 2015, the losses on financial assets would have been \$2,094,179 thousand, \$1,971,268 thousand and \$1,735,168 thousand, respectively. Also assuming the Japan earthquake on March 11, 2011 reoccurred as of June 30, 2016, December 31, 2015 and June 30, 2015, the loss on financial assets would have been \$261,759 thousand, \$289,939 thousand and \$227,584 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

Credit risk refers to the risks that debtors' credit is downgraded or the counterparty cannot make payments or refuses to perform contractual obligations. The credit exposure primarily refers to investments in debt and derivative instruments.

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

i. Investment credit limit and the control of concentration of credit risk

The investment department complies with insurance laws and applicable regulations, follows company credit limits and investment management policies for every type of investment product, and reviews the appropriateness of investment transactions to lower the concentration of risks. After the completion of each transaction, the risk management

department regularly monitors the credit risk and reports the exposure to various credit limits in each committee meeting.

ii. Stress testing

Using the scenario from the Insurance Bureau, BPCTLI periodically tests the impact on financial asset income and loss of the concentration of credit risk and credit default ratio.

iii. Credit risk reduction policy

If a bond is downgraded below the authorized minimum rating, the investment department will assess the impact caused and decide whether or not to dispose of the assets. When a decision is reached not to dispose of the assets, the investment department should provide the investment withdrawal committee a sufficient reason for its decision. If approval by the investment withdrawal committee is not given within two months of the proposed asset disposal, the assets are disposed of immediately by the investment department.

Some financial assets such as cash and cash equivalents, financial assets at fair value through profit or loss and refundable deposits are regarded as having very low credit risk because of the good credit ratings of counterparties. The credit analysis of other financial assets is as follows:

iv. Credit analysis for bonds

	<b>June 30, 2016</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 23,361,280	\$ 23,361,280	55
Domestic investment - corporate bonds (twAAA - twAA)	597,153	608,865	2
Overseas investment - corporate bonds (Aa2 - A2)	13,218,028	13,513,262	31
Overseas investment - corporate bonds (A3)	1,436,471	1,460,447	3
Overseas investment - corporate bonds (Baa1 - Ba1)	<u>3,868,605</u>	<u>3,950,624</u>	<u>9</u>
	<u>\$ 42,481,537</u>	<u>\$ 42,894,478</u>	<u>100</u>
	<b>December 31, 2015</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 23,385,286	\$ 23,385,286	54
Domestic investment - corporate bonds (twAAA - twAA)	399,957	406,048	1
Overseas investment - corporate bonds (Aa2 - A2)	12,834,215	12,931,069	30
Overseas investment - corporate bonds (A3)	3,903,283	3,922,062	9
Overseas investment - corporate bonds (Baa1 - Ba1)	<u>2,558,690</u>	<u>2,556,565</u>	<u>6</u>
	<u>\$ 43,081,431</u>	<u>\$ 43,201,030</u>	<u>100</u>

	<b>June 30, 2015</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 26,675,525	\$ 26,675,525	58
Domestic investment - corporate bonds (twAAA - twAA)	399,955	402,156	1
Overseas investment - corporate bonds (Aa2 - A2)	12,034,154	12,101,138	26
Overseas investment - corporate bonds (A3)	5,883,178	5,903,489	13
Overseas investment - corporate bonds (Ba1)	<u>1,092,744</u>	<u>1,075,940</u>	<u>2</u>
	<u>\$ 46,085,556</u>	<u>\$ 46,158,248</u>	<u>100</u>

Note 1: The above domestic government bonds include other assets - operating deposits.

Note 2: The sources of credit ratings are Taiwan Ratings Corp. and Moody's Investors Service, Inc.

### 3) Liquidity risk

#### a) Source and definition of liquidity risk

Liquidity risk means BPCTLI cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities.

#### b) Liquidity risk management strategy and principles

BPCTLI does annual and monthly cash flow analysis based on its budgets, makes daily cash estimates, and reviews the flow of funds to ensure the accuracy and timeliness of liquidity risk management. BPCTLI's liquidity risk is reviewed by the Asset Liability Committee quarterly and by the Investment Committee, monthly.

#### c) Maturity analysis

##### i. For the liquidity risk management of financial assets' and non-derivative instruments' maturity analysis

To ensure that it has sufficient cash on hand for liability payments and asset purchases, BPCTLI can use unrestricted cash, consisting of financial institution deposits, certificate deposits (including conditional bonds), quasi-foreign currency mutual funds, etc.

ii. Maturity analysis of derivatives

The following table shows BPCTLI's liquidity analysis of its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

<b>June 30, 2016</b>				
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Cross-currency swap contracts	\$ (122,201)	\$ (80,824)	\$ -	\$ -
Currency swap contracts	<u>72,885</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (49,316)</u>	<u>\$ (80,824)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2015</b>				
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Cross-currency swap contracts	\$ (191,899)	\$ (225,351)	\$ -	\$ -
Currency swap contracts	<u>(554,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (746,833)</u>	<u>\$ (225,351)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>June 30, 2015</b>				
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Cross-currency swap contracts	\$ (156,395)	\$ (126,086)	\$ -	\$ -
Currency swap contracts	<u>(5,270)</u>	<u>(10,597)</u>	<u>-</u>	<u>-</u>
	<u>\$ (161,665)</u>	<u>\$ (136,683)</u>	<u>\$ -</u>	<u>\$ -</u>

g. Insurance contracts

To pursue a sustainable development, to protect the interests of the policyholders and to ensure that capital is adequate for fulfilling its repayment obligations, BPCTLI has formed risk management policies, set up a risk management committee under the board of directors and a risk management department, which is independent from its operation departments, in accordance with the Risk Management Practice Manual for Insurance Industry and practice guideline No. 09802512072 issued by the Taiwan Financial Supervisory Commission on December 31, 2009.

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

Insurance risk refers to the possibility of BPCTLI's not having sufficient assets to meet future obligations on an insured event. The risk on an insurance contract is random and is thus unpredictable.

BPCTLI's risk exposures involve mortality, morbidity, withdrawal rates, interest rates and fee rates, as well as the uncertainty of the returns on insurance premium investments. Based on the nature of an insurance contract, the occurrence of a covered event, the uncertainty of the amount and the timing are the inherent risks. For life, injury or health insurance, underwriting risks include mortality, accident or morbidity. The significant insurance liability risks are the frequency and severity of the accident covered by the insurance and the actual liability payment exceeding the expected liability payment. BPCTLI is also exposed to loss from natural and man-made disasters, and the frequency and severity of and loss on these disasters are unpredictable. The risks on annuity insurance contracts pertain to the constantly improving health care in society, which helps extend people's life span.

The exposure to insurance risk is influenced by the policyholders' behavior, such as reducing insurance coverage in the future, stopping paying insurance premium or terminating the insurance contract.

BPCTLI spreads out its insurance risk by developing appropriate policy pricing and underwriting strategies and acquiring a sufficient number of policyholders in each risk range so that the variances in the average amounts of claim payments decrease as the number of claims increases. For added safety, BPCTLI manages its insurance risks through issuing a large number of mixed policies and obtaining reinsurance against natural disasters with reinsurance companies to avoid large claims.

2) Concentration of insurance risk and the development of claims

BPCTLI sells its products all over Taiwan and has no concentration of credit risk in a particular geographic region, clientele, age, or profession. To prevent the accumulated risk from going beyond what BPCTLI can tolerate, BPCTLI has evaluated the insurance risk associated with each product and obtained reinsurance against natural disasters with reinsurance companies to avoid the risk of large claims.

The following table shows the development of claims (the cases within one year are not included), and it explains how BPCTLI evaluates claims through development ages. The circumstance and development of reserve claims may change in the future. Thus, actual future claims cannot be determined just by using the following tables.

a) Development of direct business loss

	Development Ages							Claim Reserve
	1	2	3	4	5	6	7	
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	-
2012	12,366	20,155	21,177	21,070	21,115	21,154	21,154	39
2013	19,586	27,531	27,762	28,545	28,584	28,584	28,584	39
2014	25,862	28,357	30,759	31,193	31,242	31,242	31,242	483
2015	35,899	42,899	45,924	46,743	46,835	46,835	46,835	3,936
2016	41,822	55,454	60,047	61,335	61,480	61,480	61,480	19,658
						Incurred but not reported		24,155
						Reported but not paid		4,572
						Balance of claim reserve		<u>\$ 28,727</u>

b) Development of retained business

	Development Ages							Claim
	1	2	3	4	5	6	7	Reserve
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	-
2012	10,307	18,108	19,129	19,023	19,067	19,106	19,106	39
2013	19,497	26,841	27,071	27,854	27,893	27,893	27,893	39
2014	25,174	27,659	30,061	30,500	30,549	30,549	30,549	488
2015	31,538	38,530	40,577	41,147	41,210	41,210	41,210	2,680
2016	37,454	48,487	51,502	52,387	52,486	52,486	52,486	15,032
						Incurring but not reported		18,278
						Reported but not paid		4,572
						Balance of claim reserve		<u>\$ 22,850</u>

3) Sensitivity analysis of insurance risk

Based on relevant insurance laws and regulations, when calculating the liability reserve, assumptions used at the time of purchase are locked in, but such assumptions may change as time passes. According to IFRS 4 “Insurance Contracts,” a liability adequacy test is needed to determine whether BPCTLI has sufficient insurance liability. BPCTLI performed a sensitivity analysis with changes in the assumptions on death rate, illness rate, and withdrawal rate. The results are as follows:

Insurance contracts and investment contracts with a discretionary participation feature

	June 30, 2016		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 36,356	\$ 30,176
Discount rate	(0.25%)	(36,438)	(30,243)
Mortality rate	10%	(6,614)	(5,489)
Mortality rate	(10%)	6,613	5,489
Withdrawal rate	30%	2,161	1,794
Withdrawal rate	(30%)	(3,125)	(2,594)
Illness rate/loss rate	15%	(5,785)	(4,801)
Expense rate	10%	(29,213)	(24,247)

  

	December 31, 2015		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 73,972	\$ 61,397
Discount rate	(0.25%)	(74,137)	(61,534)
Mortality rate	10%	(11,622)	(9,638)
Mortality rate	(10%)	11,622	9,638
Withdrawal rate	30%	424	352
Withdrawal rate	(30%)	(2,288)	(1,899)
Illness rate/loss rate	15%	(10,155)	(8,429)
Expense rate	10%	(56,689)	(47,052)



	<b>June 30, 2015</b>		
	<b>Changes in the Assumptions</b>	<b>Impact on Income Before Income Tax</b>	<b>Impact on Equity</b>
Discount rate	0.25%	\$ 42,816	\$ 35,537
Discount rate	(0.25%)	(42,912)	(35,617)
Mortality rate	10%	(4,838)	(4,015)
Mortality rate	(10%)	4,837	4,015
Withdrawal rate	30%	2,473	2,052
Withdrawal rate	(30%)	(3,348)	(2,779)
Illness rate/loss rate	15%	(4,875)	(4,046)
Expense rate	10%	(25,035)	(20,779)

Note 1: After-tax balances were used to calculate the equity.

Note 2: The result is non-linear and is limited to changes in the assumptions presented above.

Note 3: Changes in the assumptions presented above are scenarios and the range of change may be interrelated.

Note 4: The sensitivity analysis does not consider market changes that have an impact on the operation (e.g., buy/sell asset positions, changes in the allocation of assets, adjustments in the declared interest rate of the policy, etc.).

#### 4) Credit risk, liquidity risk, and market risk

##### a) Market risk

Under the Regulations Governing the Reserves by Insurance Enterprises and relevant laws and regulations, BPCTLI calculates reserves at the assumed interest rate and risk occurrence rate set by the supervisory authorities. The expected rates are tied to the policy before sale. These rates are not affected by market rate changes since the long-term trend rate set by the authorities has taken into consideration the assumed interest and the related timing, amount and direction.

Based on IFRS 4, if the liability adequacy test is insufficient, BPCTLI should accrue the shortage as reserve for liability adequacy. The reserve for liability adequacy is not affected by market rate changes.

BPTCLI believes that the supervisory authorities would not soon change the calculation of life policy reserve from the fixed interest rate to float interest rate and that market risks would not significantly affect profit and loss.

##### b) Credit risk

BPCTLI has reinsurance on the insurance products it sells. BPCTLI evaluates the creditworthiness of the related reinsurance companies for any impairment.

##### c) Liquidity risk

BPCTLI predicts the future cash flows of assets and liabilities through an asset - liability matching model to ensure there are enough cash flows to cover a predicted liability obligation.

Under related laws and regulations, the individual face values of BPCTLI's insurance policies are all greater than their surrender value. Thus, the liquidity risks on agreement cancellations

would not be significant. In addition, under the materiality principle, if a policyholder cancels its coverage, BPCTLI will not disclose the cash flow maturity analysis in its financial statements if the coverage amount is not significant.

h. Transfers of financial assets

Under the Company operations, most of derecognized financial assets are securities sold under repurchase agreements, and the contractual cash flows have been transferred to others. The Company has the responsibility to repurchase transferred financial assets at fixed prices, and can not use, sell and pledge transferred financial assets. However, the Company is still in the risk exposure of interest rate and credit, so the transferred financial assets can not be removed entirely. The information on derecognized financial assets and liabilities is as follows:

June 30, 2016					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 18,571,988	\$ 19,153,828	\$ 18,571,988	\$ 19,153,828	\$ (581,840)
Available-for-sale financial assets - securities sold under repurchase agreements	21,065,014	21,165,431	21,065,014	21,165,431	(100,417)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,214,895	1,210,000	1,257,509	1,210,000	47,509

December 31, 2015					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 23,189,614	\$ 23,168,529	\$ 23,189,614	\$ 23,168,529	\$ 21,085
Available-for-sale financial assets - securities sold under repurchase agreements	25,513,538	26,092,702	25,513,538	26,092,702	(579,164)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,883,182	1,880,000	1,913,869	1,880,000	33,869

June 30, 2015					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 19,108,130	\$ 19,106,732	\$ 19,108,130	\$ 19,106,732	\$ 1,398
Available-for-sale financial assets - securities sold under repurchase agreements	21,151,954	22,663,866	21,151,954	22,663,866	(1,511,912)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,678,963	1,561,409	1,680,417	1,561,409	119,008

i. Offsetting financial assets and financial liabilities

The Company is eligible to present in the balance sheet on a net basis certain derivative assets and derivative liabilities pertaining to transactions with counterparties under enforceable master netting arrangements or similar agreements and there is an intention either to make settlements on a net basis or to realize the asset and settle the liability simultaneously. A master netting agreement provides for a single net settlement of all financial instruments covered by the agreement if the counterparty defaults on any contract. Parties may also settle transactions at gross amounts if a single settlement results in cash flows being equivalent to a single net amount.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

June 30, 2016

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,461,400	\$ -	\$ 1,461,400	\$ (1,461,400)	\$ -	\$ -

  

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 41,529,259	\$ -	\$ 41,529,259	\$ (40,436,233)	\$ -	\$ 1,093,026

## December 31, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,346,831	\$ -	\$ 1,346,831	\$ (1,346,831)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 51,141,231	\$ -	\$ 51,141,231	\$ (50,367,675)	\$ -	\$ 773,556

## June 30, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 2,457,734	\$ -	\$ 2,457,734	\$ (2,453,061)	\$ -	\$ 4,673

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 43,332,007	\$ -	\$ 43,332,007	\$ (41,755,970)	\$ -	\$ 1,576,037

## 42. CAPITAL MANAGEMENT

To monitor capital adequacy, the risk management department regularly reports capital adequacy ratios every month and also quarterly reviews the execution status of and actual operation data variation on the Company's capital adequacy evaluation plan. When the actual capital adequacy ratio might go lower than the target, the Company immediately reviews the causes, prepares a report and proposes a response strategy to maintain the appropriate capital adequacy levels.

Under the Financial Holding Company Act and related regulations, TCFHC should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted and the authorities may discipline TCFHC, depending on the situation.

The Banking Law and related regulations require that the Bank maintain the minimum requirement for unconsolidated and consolidated capital adequacy ratios (CAR), including the common equity Tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio.

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%. The CARs of TCBF were 15.28% 15.76% and 15.13% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 150% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 150%, the authority may impose certain restrictions on a firm's operations. The CAR of TCS was 470%, 691% and 1,118% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

The Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%. The CARs of BPCTLI were 1,077.51%, 887.02% and 844.56% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

Please refer to related information in Table 2 (attached).

#### **43. TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES' ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

a. Asset quality of Taiwan Cooperative Bank, Ltd.: Table 3 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2016		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 49,080,556	26.28
2	Group B Petroleum and coal products manufacturing	27,487,077	14.72
3	Group C Harbor services	20,602,367	11.03
4	Group D Computers and computing peripheral equipment manufacturing	12,806,785	6.86
5	Group E Shipping agency	10,827,174	5.80
6	Group F Cotton and textile	10,702,728	5.73
7	Group G Liquid crystal panel and component manufacturing	9,144,558	4.90
8	Group H Iron and steel smelting	8,813,850	4.72
9	Group I Cotton and textile	8,715,478	4.67
10	Group J Real estate development	7,901,288	4.23

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2015		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 52,867,167	31.04
2	Group B Petroleum and coal products manufacturing	24,522,133	14.40
3	Group C Harbor services	21,351,480	12.54
4	Group F Cotton and textile	13,803,178	8.10
5	Group E Shipping agency	11,181,368	6.56
6	Group G Liquid crystal panel and component manufacturing	10,560,387	6.20
7	Group K Other electronic parts and components manufacturing not classified elsewhere	9,981,618	5.86
8	Group I Cotton and textile	8,051,184	4.73
9	Group L Harbor services	8,037,650	4.72
10	Group M Iron and steel smelting	6,270,804	3.68

2) Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2016		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Other financial intermediation not elsewhere classified	\$ 930,000	19.16
2	Group B Aluminum refinery manufacturing	750,000	15.45
3	Group C Shipping agency	700,000	14.42
4	Group D Other financial intermediation not elsewhere classified	680,000	14.01
5	Group E Real estate development	670,000	13.80
6	Group F Wholesale of motor vehicles and motorcycles parts and accessories	600,000	12.36
7	Group G Private financing industry	520,000	10.71
8	Group H Manmade fiber manufacturing	520,000	10.71
9	Group I Other financial intermediation not elsewhere classified	500,000	10.30
10	Group J Catering industry	480,000	9.89

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2015		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Other financial intermediation not elsewhere classified	\$ 960,000	21.20
2	Group C Shipping agency	700,000	15.46
3	Group J Catering industry	680,000	15.02
4	Group D Other financial intermediation not elsewhere classified	650,000	14.35
5	Group E Real estate development	630,000	13.91
6	Group F Wholesale of motor vehicles and motorcycles parts and accessories	600,000	13.25
7	Group B Aluminum refinery manufacturing	500,000	11.04
8	Group K Real estate development	490,000	10.82
9	Group L Real estate development	480,000	10.60
10	Group M Real estate development	457,000	10.09

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.



c. Interest rate sensitivity information

1) Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity  
June 30, 2016**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,249,778,126	\$ 73,446,440	\$ 6,590,556	\$ 178,196,518	\$ 2,508,011,640
Interest rate-sensitive liabilities	889,799,568	1,239,276,756	140,773,983	53,734,091	2,323,584,398
Interest rate sensitivity gap	1,359,978,558	(1,165,830,316)	(134,183,427)	124,462,427	184,427,242
Net worth					177,632,247
Ratio of interest rate-sensitive assets to liabilities					107.94
Ratio of interest rate sensitivity gap to net worth					103.83

**Interest Rate Sensitivity  
June 30, 2015**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,140,294,514	\$ 94,621,426	\$ 29,316,239	\$ 152,971,110	\$ 2,417,203,289
Interest rate-sensitive liabilities	912,749,570	1,133,045,433	122,275,560	51,548,864	2,219,619,427
Interest rate sensitivity gap	1,227,544,944	(1,038,424,007)	(92,959,321)	101,422,246	197,583,862
Net worth					159,320,419
Ratio of interest rate-sensitive assets to liabilities					108.90
Ratio of interest rate sensitivity gap to net worth					124.02

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity  
June 30, 2016**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,670,985	\$ 912,188	\$ 586,349	\$ 611,398	\$ 12,780,920
Interest rate-sensitive liabilities	12,805,753	928,602	667,332	15,000	14,416,687
Interest rate sensitivity gap	(2,134,768)	(16,414)	(80,983)	596,398	(1,635,767)
Net worth					283,147
Ratio of interest rate-sensitive assets to liabilities					88.65
Ratio of interest rate sensitivity gap to net worth					(577.71)

**Interest Rate Sensitivity**  
**June 30, 2015**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,640,483	\$ 981,385	\$ 253,353	\$ 542,477	\$ 12,417,698
Interest rate-sensitive liabilities	11,284,966	1,100,038	1,012,149	10,000	13,407,153
Interest rate sensitivity gap	(644,483)	(118,653)	(758,796)	532,477	(989,455)
Net worth					355,830
Ratio of interest rate-sensitive assets to liabilities					92.62
Ratio of interest rate sensitivity gap to net worth					(278.07)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

2) United Taiwan Bank S.A.

**Interest Rate Sensitivity**  
**June 30, 2016**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 301,812	\$ 71,919	\$ -	\$ -	\$ 373,731
Interest rate-sensitive liabilities	205,721	91,243	7,959	-	304,923
Interest rate sensitivity gap	96,091	(19,324)	(7,959)	-	68,808
Net worth					62,231
Ratio of interest rate-sensitive assets to liabilities					122.57
Ratio of interest rate sensitivity gap to net worth					110.57

**Interest Rate Sensitivity**  
**June 30, 2015**

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 292,950	\$ 56,613	\$ -	\$ -	\$ 349,563
Interest rate-sensitive liabilities	210,796	71,816	1,416	-	284,028
Interest rate sensitivity gap	82,154	(15,203)	(1,416)	-	65,535
Net worth					59,244
Ratio of interest rate-sensitive assets to liabilities					123.07
Ratio of interest rate sensitivity gap to net worth					110.62

Note 1: The above amounts included only U.S. dollar amounts held by United Taiwan Bank S.A. and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

d. Profitability

1) Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	0.49	0.47
	After income tax	0.42	0.40
Return on equity	Before income tax	8.24	8.55
	After income tax	7.15	7.38
Net income ratio		32.10	31.82

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	6.54	6.70
	After income tax	6.55	6.72
Return on equity	Before income tax	7.09	7.20
	After income tax	7.09	7.22
Net income ratio		98.75	98.72

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	0.45	0.45
	After income tax	0.39	0.38
Return on equity	Before income tax	7.55	8.15
	After income tax	6.53	6.99
Net income ratio		28.94	29.28

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	1.54	1.24
	After income tax	1.50	1.23
Return on equity	Before income tax	13.50	10.24
	After income tax	13.16	10.19
Net income ratio		86.71	115.45

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	1.77	1.09
	After income tax	1.61	0.91
Return on equity	Before income tax	5.51	2.67
	After income tax	4.99	2.21
Net income ratio		29.86	15.81

6) BNP Paribas Cardif TCB Life Insurance Co., Ltd.

(%)

Items		June 30, 2016	June 30, 2015
Return on total assets	Before income tax	0.68	0.86
	After income tax	0.57	0.80
Return on equity	Before income tax	12.13	16.74
	After income tax	10.14	15.68
Net income ratio		48.94	62.77

Note 1: Return on total assets = Income before (after) income tax/Average total assets

Note 2: Return on equity = Income before (after) income tax/Average equity

Note 3: Net income ratio = Income after income tax/Total net revenues

Note 4: Income before (after) income tax represents income for each period-end date.

Note 5: The above profitability ratios are calculated on the basis of annualized figures.

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities  
June 30, 2016

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 2,879,592,506	\$ 407,687,743	\$ 394,617,200	\$ 182,266,936	\$ 164,973,389	\$ 259,369,780	\$ 1,470,677,458
Main capital outflow on maturity	3,430,820,160	204,913,676	202,588,505	394,414,644	421,852,210	711,907,964	1,495,143,161
Gap	(551,227,654)	202,774,067	192,028,695	(212,147,708)	(256,878,821)	(452,538,184)	(24,465,703)

Maturity Analysis of Assets and Liabilities  
June 30, 2015

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 2,768,179,232	\$ 376,423,826	\$ 375,875,155	\$ 178,016,288	\$ 161,923,107	\$ 272,229,961	\$ 1,403,710,895
Main capital outflow on maturity	3,286,622,454	214,686,506	173,258,946	391,972,597	411,981,781	704,567,721	1,390,154,903
Gap	(518,443,222)	161,737,320	202,616,209	(213,956,309)	(250,058,674)	(432,337,760)	13,555,992

Note: The above amounts included only New Taiwan dollar amounts held by TCB.

**Maturity Analysis of Assets and Liabilities**  
**June 30, 2016**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 20,656,349	\$ 8,226,506	\$ 3,784,315	\$ 1,751,663	\$ 1,524,229	\$ 5,369,636
Main capital outflow on maturity	24,321,081	11,729,311	3,961,700	2,712,204	3,346,492	2,571,374
Gap	(3,664,732)	(3,502,805)	(177,385)	(960,541)	(1,822,263)	2,798,262

**Maturity Analysis of Assets and Liabilities**  
**June 30, 2015**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 20,273,551	\$ 8,430,147	\$ 3,525,965	\$ 1,548,475	\$ 1,649,834	\$ 5,119,130
Main capital outflow on maturity	25,194,881	11,277,140	4,584,662	2,842,335	3,717,490	2,773,254
Gap	(4,921,330)	(2,846,993)	(1,058,697)	(1,293,860)	(2,067,656)	2,345,876

Note: The above amounts included only U.S. dollar amounts held by TCB.

2) United Taiwan Bank S.A.

**Maturity Analysis of Assets and Liabilities**  
**June 30, 2016**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 373,731	\$ 58,433	\$ 5,000	\$ 35,719	\$ 20,591	\$ 253,988
Main capital outflow on maturity	311,500	100,055	105,666	91,243	7,959	6,577
Gap	62,231	(41,622)	(100,666)	(55,524)	12,632	247,411

**Maturity Analysis of Assets and Liabilities**  
**June 30, 2015**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 349,563	\$ 48,957	\$ 11,214	\$ 16,263	\$ 14,640	\$ 258,489
Main capital outflow on maturity	290,319	75,705	135,090	71,816	1,417	6,291
Gap	59,244	(26,748)	(123,876)	(55,553)	13,223	252,198

Note: The above amounts included only U.S. dollar amounts held by United Taiwan Bank S.A.

- f. The statement of use/source funds of Taiwan Cooperative Bills Finance Corporation Ltd.

June 30, 2016

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 10,972,498	\$ 9,243,570	\$ 601,118	\$ -	\$ -
	Bonds	-	-	993,640	1,198,410	14,345,230
	Cash in bank	4,796,619	120,000	-	200	-
	Convertible bond asses swap	-	-	-	20,008	-
	Total	15,769,117	9,363,570	1,594,758	1,218,618	14,345,230
Source of funds	Borrowings	10,190,000	-	-	-	-
	Securities sold under repurchase agreements	25,782,187	1,274,030	8,006	-	-
	Total	35,972,187	1,274,030	8,006	-	-
Net flows		(20,203,070)	8,089,540	1,586,752	1,218,618	14,345,230
Accumulated capital net flows		(20,203,070)	(12,113,530)	(10,526,778)	(9,308,160)	5,037,032

June 30, 2015

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 9,771,875	\$ 9,229,806	\$ 522,087	\$ 100,385	\$ 1,039
	Bonds	550,439	-	498,241	200,593	11,920,417
	Cash in bank	4,604,097	120,000	-	200	-
	Convertible bond asses swap	-	-	-	19,986	30,529
	Total	14,926,411	9,349,806	1,020,328	321,164	11,951,985
Source of funds	Borrowings	9,500,000	-	-	-	-
	Securities sold under repurchase agreements	21,989,566	848,192	275,000	-	-
	Total	31,489,566	848,192	275,000	-	-
Net flows		(16,563,155)	8,501,614	745,328	321,164	11,951,985
Accumulated capital net flows		(16,563,155)	(8,061,541)	(7,316,213)	(6,995,049)	4,956,936

#### 44. TAIWAN COOPERATIVE BANK, LTD.'S TRUST BUSINESS UNDER THE TRUST LAW

- a. Trust-related items are those shown in the following balance sheets, statements of income and trust property list

These items were managed by TCB's Trust Department. However, these items were not included in the consolidated financial statements.

##### Balance Sheets of Trust Accounts

		December 31, 2015				December 31, 2015	
Trust Assets	June 30, 2016	June 30, 2015	June 30, 2015	Trust Liabilities	June 30, 2016	June 30, 2015	June 30, 2015
Cash in banks	\$ 7,279,262	\$ 1,459,189	\$ 3,022,495	Payables			
Short-term investments				Accrued expense	\$ 3,349	\$ 3,238	\$ 1,627
Mutual funds	159,043,052	155,580,004	150,128,358	Others	2,662	2,403	2,426
Stocks	1,770,521	1,628,673	1,278,790		6,011	5,641	4,053
Bonds	1,169,748	-	-	Accounts payable on securities under custody	69,539,810	67,632,891	66,035,940
Structured products	393,572	-	-				
	162,376,893	157,208,677	151,407,148	Trust capital			
Securities lending	738,102	804,036	319,439	Cash	167,863,999	157,015,238	153,129,278
Receivables	17,890	6,377	13,971	Real estate	42,641,851	35,583,450	31,208,450
Real estate				Securities	2,438,226	2,219,984	1,518,097
Land	36,230,842	31,454,680	29,546,157	Others	214,460	176,070	168,678
Buildings	18,958	15,948	9,948		213,158,536	194,994,742	186,024,503
Construction in process	6,582,484	4,287,799	1,819,930	Reserves and retained earnings			
	42,832,284	35,758,427	31,376,035	Net income	48,636	252,803	68,099
Securities under custody	69,539,810	67,632,891	66,035,940	Appropriation	(77,756)	(60,145)	(1,548)
				Retained earnings	109,004	43,665	43,981
					79,884	236,323	110,532
Total	\$ 282,784,241	\$ 262,869,597	\$ 252,175,028	Total	\$ 282,784,241	\$ 262,869,597	\$ 252,175,028

### Trust Property List

Investment Items	June 30, 2016	December 31, 2015	June 30, 2015
Cash in banks	\$ 7,279,262	\$ 1,459,189	\$ 3,022,495
Short-term investments			
Mutual funds	159,043,052	155,580,004	150,128,358
Stocks	1,770,521	1,628,673	1,278,790
Bonds	1,169,748	-	-
Structured products	393,572	-	-
Securities lending	738,102	804,036	319,439
Receivables			
Accrued interest	2,526	2,623	2,495
Cash dividend	3,017	-	6,717
Mutual funds	1,600	-	-
Others	10,747	3,754	4,759
Real estate			
Land	36,230,842	31,454,680	29,546,157
Buildings	18,958	15,948	9,948
Construction in process	6,582,484	4,287,799	1,819,930
Securities under custody	<u>69,539,810</u>	<u>67,632,891</u>	<u>66,035,940</u>
Total	<u>\$ 282,784,241</u>	<u>\$ 262,869,597</u>	<u>\$ 252,175,028</u>

### Statements of Income on Trust Accounts For the Six Months Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Interest revenue	\$ 2,442	\$ 2,140
Cash dividends	3,961	7,481
Realized gain on investment - stocks	11	34
Unrealized gain on investment - stocks	199,095	141,904
Realized gain on investment - mutual funds	7	233
Unrealized gain on investment - mutual funds	1,033	2,063
Rentals	17,047	3,170
Others	<u>1,573</u>	<u>2,732</u>
Total revenues	<u>225,169</u>	<u>159,757</u>
Expenses		
Management fees	4,664	1,476
Taxes	49	152
Service charge	439	128
Postage	24	5
Unrealized loss on investment - stocks	166,741	85,447
Realized loss on investment - mutual funds	-	413
Unrealized loss on investment - mutual funds	4,562	3,923
Others	<u>54</u>	<u>114</u>
Total expenses	<u>176,533</u>	<u>91,658</u>
Income before income tax	48,636	68,099
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 48,636</u>	<u>\$ 68,099</u>

b. Nature of trust business operations under the Trust Law: Note 1.

**45. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

Under cooperation arrangements, Taiwan Cooperative Bank, Ltd. (TCB) and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together; thus, related revenues received by TCB were calculated as follows: (a) revenue based on 20% of the net revenue derived from security transactions for five years; (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

To promote the credit card business together, TCB and TCS signed cooperation arrangements marketing expenses paid by TCB were based on the arrangements.

As of June 30, 2016, December 31, 2015 and June 30, 2015, TCB's accrued receivables were \$2,258 thousand, \$2,690 thousand and \$2,328 thousand, respectively. TCB's revenues from cross-selling transactions were \$3,491 thousand and \$3,434 thousand for the six months ended June 30, 2016 and 2015, respectively.

To promote the insurance business together, TCB and BNP Paribas Cardif TCB Life Insurance Co., Ltd. signed cooperation arrangements. The service fees earned by TCB were based on the agreed percentage of the premiums from the insurance companies' products sold by TCB.

As of June 30, 2016, December 31, 2015 and June 30, 2015, TCB's accrued receivables were \$4,599 thousand, \$2,111 thousand and \$2,317 thousand, respectively. TCB's revenues from cross-selling transactions were \$14,781 thousand and \$13,549 thousand for the six months ended June 30, 2016 and 2015, respectively.

**46. TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES**

Table 4 (attached).

**47. BUSINESS SEGMENT FINANCIAL INFORMATION**

Table 5 (attached).

**48. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT**

Table 6 (attached).

**49. NON-CASH FINANCING ACTIVITIES**

Undistributed cash dividends approved by shareholders' meetings are \$3,563,703 thousand, \$242,035 thousand and \$5,499,387 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.



## 50. OTHER SIGNIFICANT TRANSACTIONS

Taiwan Cooperative Bank, Ltd.'s (TCB) application to set up the Changsha Branch in Mainland China was approved by the Financial Supervisory Commission on December 31, 2015. TCB will invest RMB600,000 thousand in the Changsha Branch, under the "Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area." As of the date of the accompanying independent auditors' report, the approval of the investment in the Changsha Branch by the Investment Commission under Mainland China's Ministry of Economic Affairs and relevant authorities was being awaited.

## 51. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and b. investees:

- 1) Financing provided: TCFHC - none; investee company - none or not applicable.
- 2) Endorsement/guarantee provided: TCFHC - none; investee company - none or not applicable.
- 3) Marketable securities held: TCFHC, Taiwan Cooperative Bank, Ltd., United Taiwan Bank S.A., Taiwan Cooperative Bills Finance Corporation Ltd., Taiwan Cooperative Securities Co., Ltd. and BNP Paribas Cardif TCB Life Insurance Co., Ltd. - not applicable; investee company - Table 7 (attached).
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, Taiwan Cooperative Bank, Ltd. and United Taiwan Bank S.A. disclosed its investments acquired or disposed of): Taiwan Cooperative Securities Co., Ltd. and BNP Paribas Cardif TCB Life Insurance Co., Ltd. - not applicable; TCFHC and investee company - Table 8 (attached).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached).
- 7) Financial asset securitization by subsidiaries: None.
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 9) Sale of nonperforming loans by subsidiaries: Table 10 (attached).
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 11 (attached).
- 11) Percentage share in investees and related information: Table 12 (attached).
- 12) Derivative transactions: Notes 8, 38 and 41 to the consolidated financial statements.
- 13) Other significant transactions which may affect the decisions of users of financial reports: Note 50 to the consolidated financial statements.

c. Investment in Mainland China:

Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch and Fuzhou Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 13 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 14 (attached).

## 52. OPERATING SEGMENTS

The information reported to the Company’s chief operating decision makers for the assessment of segment performance focuses mainly on business and profit or loss. The Company’s reportable segments are as follows:

- a. TCB business, including deposit and loan, capital, trust and other business;
- b. Other noncore business.

The accounting policies of the reportable segments are the same as the Company’s accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenue, expenses and related information of the Company’s reportable segments for the six months ended June 30, 2016 and 2015 are as follows:

	<b>For the Six Months Ended June 30, 2016</b>				
	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 15,506,507	\$ 1,013,537	\$ 16,520,044	\$ -	\$ 16,520,044
Net revenues and gains other than interest	<u>5,338,553</u>	<u>6,525,579</u>	<u>11,864,132</u>	<u>(6,922,842)</u>	<u>4,941,290</u>
Net revenues	20,845,060	7,539,116	28,384,176	(6,922,842)	21,461,334
Bad-debt expenses and provision for losses on guarantees	(2,860,809)	(141,898)	(3,002,707)	-	(3,002,707)
Net change in reserves for insurance liabilities	-	1,404,203	1,404,203	-	1,404,203
Operating expenses	<u>(11,009,677)</u>	<u>(1,002,803)</u>	<u>(12,012,480)</u>	<u>90,014</u>	<u>(11,922,466)</u>
Income before income tax	<u>\$ 6,974,574</u>	<u>\$ 7,798,618</u>	<u>\$ 14,773,192</u>	<u>\$ (6,832,828)</u>	<u>\$ 7,940,364</u>

**For the Six Months Ended June 30, 2015**

	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 14,451,312	\$ 1,144,154	\$ 15,595,466	\$ 157	\$ 15,595,623
Net revenues and gains other than interest	<u>4,691,251</u>	<u>5,891,517</u>	<u>10,582,768</u>	<u>(6,445,376)</u>	<u>4,137,392</u>
Net revenues	19,142,563	7,035,671	26,178,234	(6,445,219)	19,733,015
Bad-debt expenses and provision for losses on guarantees	(1,077,052)	(100,544)	(1,177,596)	-	(1,177,596)
Net change in reserves for insurance liabilities	-	1,029,489	1,029,489	-	1,029,489
Operating expenses	<u>(11,530,447)</u>	<u>(873,926)</u>	<u>(12,404,373)</u>	<u>95,046</u>	<u>(12,309,327)</u>
Income before income tax	<u>\$ 6,535,064</u>	<u>\$ 7,090,690</u>	<u>\$ 13,625,754</u>	<u>\$ (6,350,173)</u>	<u>\$ 7,275,581</u>

**TABLE 1**

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED ENTITIES**  
**JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015**

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				June 30, 2016	December 31, 2015	June 30, 2015	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life Insurance	51.00	51.00	51.00	
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	-	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	Note
	Cooperative Insurance Brokers Co., Ltd.	Taipei City	Life and property insurance agent	-	100.00	100.00	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				June 30, 2016	December 31, 2015	June 30, 2015	
None	-	-	-	-	-	-	

Note: Cooperative Insurance Brokers Co., Ltd. was merged with Taiwan Cooperative Bank, Ltd. on June 24, 2016.

TABLE 2

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO  
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015

1. Taiwan Cooperative Financial Holding Co., Ltd.’s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

Company	Items	June 30, 2016			December 31, 2015			June 30, 2015		
		Proportionate Share	Group’s Net Eligible Capital	Group’s Statutory Capital Requirement	Proportionate Share	Group’s Net Eligible Capital	Group’s Statutory Capital Requirement	Proportionate Share	Group’s Net Eligible Capital	Group’s Statutory Capital Requirement
Taiwan Cooperative Financial Holding Co., Ltd.			\$ 191,195,040	\$ 204,779,105		\$ 186,588,779	\$ 200,480,193		\$ 178,221,385	\$ 191,831,568
Taiwan Cooperative Bank, Ltd.	100		227,957,351	158,652,475	100	229,564,943	145,277,688	100	219,899,563	140,780,497
Taiwan Cooperative Bills Finance Co., Ltd.	100		4,925,257	2,578,771	100	4,914,554	2,494,769	100	4,579,497	2,420,866
Taiwan Cooperative Securities Co., Ltd.	100		4,384,117	1,399,185	100	4,526,871	982,532	100	4,678,716	627,857
Co-operative Assets Management Co., Ltd.	100		3,207,992	2,773,961	100	3,177,251	2,671,546	100	3,007,498	2,617,043
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51		3,531,813	655,548	51	3,534,283	796,889	51	3,543,710	839,181
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100		340,887	182,555	100	334,606	180,369	100	339,654	185,441
Taiwan Cooperative Venture Capital Co., Ltd.	100		1,013,327	509,733	100	997,861	499,772	-	-	-
Deduction			(223,888,094)	(204,770,137)		(223,298,296)	(200,468,265)		(209,431,353)	(186,183,685)
Total			212,667,690	166,761,196		210,340,852	152,915,493		204,838,670	153,118,768
Group capital adequacy ratio			127.53%			137.55%			133.78%	

Note 1: The above amounts are calculated under the “Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies.”

Note 2: Group capital adequacy ratio = Group’s net eligible capital ÷ Group’s statutory capital requirement.

(Continued)

2. Taiwan Cooperative Financial Holding Co., Ltd.'s eligible capital

**Unit: In Thousands of New Taiwan Dollars**

<b>Items</b>	<b>June 30, 2016</b>
Common stock	\$ 118,472,850
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	3,643,188
Special reserve	996,026
Cumulative earnings	7,206,797
Equity adjustments	2,915,831
Less: Capital deduction	3,995
Total eligible capital	191,195,040

<b>Items</b>	<b>December 31, 2015</b>
Common stock	\$ 110,722,290
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	2,356,575
Special reserve	996,026
Cumulative earnings	12,866,132
Equity adjustments	1,689,065
Less: Capital deduction	5,652
Total eligible capital	186,588,779

<b>Items</b>	<b>June 30, 2015</b>
Common stock	\$ 110,722,290
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	2,356,575
Special reserve	996,026
Cumulative earnings	6,424,436
Equity adjustments	(235,155)
Less: Capital deduction	7,130
Total eligible capital	178,221,385

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

(Continued)

3. Taiwan Cooperative Bank, Ltd.'s capital adequacy ratio

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	June 30, 2016	
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 171,681,170	\$ 172,648,592	
	Other Tier 1 capital		-	-	
	Tier 2 capital		56,276,181	57,366,873	
	Eligible capital		227,957,351	230,015,465	
Risk-weighted assets	Credit risk	Standardized approach	1,753,487,082	1,755,051,115	
		Internal ratings based approach	-	-	
		Securitization	1,178,079	1,178,079	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	63,325,942	65,270,944	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	21,457,888	21,469,718	
		Internal model approach	-	-	
	Risk-weighted assets		1,839,448,991	1,842,969,856	
	Capital adequacy ratio			12.39	12.48
Ratio of the common equity to risk-weighted assets			9.33	9.37	
Ratio of Tier 1 capital to risk-weighted assets			9.33	9.37	
Ratio of leverage			5.20	5.22	

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	December 31, 2015		
			Standalone	Consolidated		
Eligible capital	Common equity		\$	169,179,043	\$	170,222,272
	Other Tier 1 capital			-		-
	Tier 2 capital			60,385,900		61,546,641
	Eligible capital			229,564,943		231,768,913
Risk-weighted assets	Credit risk	Standardized approach		1,737,278,354		1,739,194,177
		Internal ratings based approach		-		-
		Securitization		750,679		750,679
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		63,325,942		65,270,944
		Advanced measurement approach		-		-
	Market risk	Standardized approach		14,616,127		14,634,941
		Internal model approach		-		-
	Risk-weighted assets			1,815,971,102		1,819,850,741
	Capital adequacy ratio				12.64	
Ratio of the common equity to risk-weighted assets				9.32		9.35
Ratio of Tier 1 capital to risk-weighted assets				9.32		9.35
Ratio of leverage				5.25		5.28

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	June 30, 2015		
			Standalone	Consolidated		
Eligible capital	Common equity		\$	158,057,442	\$	158,993,884
	Other Tier 1 capital			-		-
	Tier 2 capital			61,842,121		62,885,522
	Eligible capital			219,899,563		221,879,406
Risk-weighted assets	Credit risk	Standardized approach		1,668,603,454		1,669,427,046
		Internal ratings based approach		-		-
		Securitization		-		-
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		58,820,779		59,992,738
		Advanced measurement approach		-		-
	Market risk	Standardized approach		32,331,975		32,345,515
		Internal model approach		-		-
	Risk-weighted assets			1,759,756,208		1,761,765,299
Capital adequacy ratio				12.50		12.59
Ratio of the common equity to risk-weighted assets				8.98		9.02
Ratio of Tier 1 capital to risk-weighted assets				8.98		9.02
Ratio of leverage				5.05		5.08

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and the “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Ratio of leverage = Tier 1 capital ÷ Exposure measurement.

(Concluded)



TABLE 3

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES  
JUNE 30, 2016 AND 2015  
(In Thousands of New Taiwan Dollars, %)

Period			June 30, 2016						June 30, 2015				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured		\$ 2,759,221	\$ 663,090,181	0.42	\$ 6,008,818	217.77	\$ 3,535,810	\$ 631,302,757	0.56	\$ 5,996,976	169.61	
	Unsecured		1,823,189	519,210,654	0.35	6,822,613	374.21	1,918,013	544,308,932	0.35	7,275,104	379.30	
Consumer banking	Housing mortgage (Note 4)		1,024,072	513,077,192	0.20	5,811,243	567.46	1,175,961	484,514,428	0.24	5,677,818	482.82	
	Cash card		-	-	-	-	-	-	-	-	-	-	
	Small-scale credit loans (Note 5)		53,310	13,444,534	0.40	230,889	433.11	32,922	12,134,170	0.27	201,994	613.55	
	Other (Note 6)	Secured	617,482	250,360,784	0.25	1,949,581	315.73	460,547	227,812,651	0.20	1,735,026	376.73	
		Unsecured	20,626	8,475,744	0.24	137,138	664.88	22,924	8,893,979	0.26	145,231	633.53	
Loan			6,297,900	1,967,659,089	0.32	20,960,282	332.81	7,146,177	1,908,966,917	0.37	21,032,149	294.31	
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Credit cards			8,058	4,514,803	0.18	65,707	815.43	7,883	3,794,948	0.21	81,826	1,038.01	
Accounts receivable factored without recourse (Note 7)			-	446,592	-	5,303	-	-	415,264	-	4,286	-	
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			2,385					16,226					
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			14,391					20,196					
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			21,041					24,765					
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			58,074					65,513					

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.  
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivable balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.  
Coverage ratio of receivables: Allowance for credit losses for receivables ÷ Nonperforming receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or minor children of the borrowers.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit cards, and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940).

## TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES  
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

## 1. TCFHC's financial statements

## Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2016	December 31, 2015	June 30, 2015	Liabilities and Equity	June 30, 2016	December 31, 2015	June 30, 2015
Cash and cash equivalents	\$ 97,519	\$ 33,317	\$ 305,035	<u>Liabilities</u>			
Receivables	162	175	5,633,000				
Current tax assets	1,752,030	2,082,043	1,828,877	Commercial paper issued, net	\$ 10,135,979	\$ 13,773,685	\$ 8,474,295
Investments accounted for using equity method	204,770,137	200,468,265	186,183,685	Payables	3,501,704	155,317	5,425,185
Properties and equipment, net	4,971	8,251	11,465	Current tax liabilities	1,789,075	2,072,032	1,839,118
Intangible assets	3,802	5,466	7,130	Other financial liabilities	286	285	625
Deferred tax assets	193	186	166	Other liabilities	<u>6,570</u>	<u>5,455</u>	<u>4,872</u>
Other assets	<u>3,835</u>	<u>3,502</u>	<u>3,252</u>	Total liabilities	<u>15,433,614</u>	<u>16,006,774</u>	<u>15,744,095</u>
				<u>Equity</u>			
				Capital stock	118,472,850	110,722,290	110,722,290
				Capital surplus	57,964,343	57,964,343	57,964,343
				Retained earnings	11,846,011	16,218,733	9,777,037
				Other equity	<u>2,915,831</u>	<u>1,689,065</u>	<u>(235,155)</u>
				Total equity	<u>191,199,035</u>	<u>186,594,431</u>	<u>178,228,515</u>
Total	<u>\$ 206,632,649</u>	<u>\$ 202,601,205</u>	<u>\$ 193,972,610</u>	Total	<u>\$ 206,632,649</u>	<u>\$ 202,601,205</u>	<u>\$ 193,972,610</u>

(Continued)

**Taiwan Cooperative Financial Holding Co., Ltd.**

**Statements of Comprehensive Income**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 3,617,234	\$ 3,348,091	\$ 6,818,100	\$ 6,143,838
Other revenues and gains	<u>1,069</u>	<u>1,918</u>	<u>1,159</u>	<u>2,265</u>
Total revenues and gains	<u>3,618,303</u>	<u>3,350,009</u>	<u>6,819,259</u>	<u>6,146,103</u>
Expenses and losses				
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	328	7,742	2,596	15,811
Operating expenses	42,479	51,352	89,062	90,671
Other expenses and losses	<u>15,062</u>	<u>16,163</u>	<u>32,098</u>	<u>32,562</u>
Total expenses and losses	<u>57,869</u>	<u>75,257</u>	<u>123,756</u>	<u>139,044</u>
Income before income tax	3,560,434	3,274,752	6,695,503	6,007,059
Income tax benefit	<u>4,004</u>	<u>12,572</u>	<u>4,004</u>	<u>12,575</u>
Net income	3,564,438	3,287,324	6,699,507	6,019,634
Other comprehensive income	<u>(57,733)</u>	<u>(213,679)</u>	<u>1,226,766</u>	<u>(70,702)</u>
Total comprehensive income	<u>\$ 3,506,705</u>	<u>\$ 3,073,645</u>	<u>\$ 7,926,273</u>	<u>\$ 5,948,932</u>
Earnings per share (New Taiwan dollars)				
Basic	<u>\$0.30</u>	<u>\$0.28</u>	<u>\$0.57</u>	<u>\$0.54</u>
Diluted	<u>\$0.30</u>	<u>\$0.28</u>	<u>\$0.57</u>	<u>\$0.54</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity  
For the Six Months Ended June 30, 2016 and 2015  
(In Thousands of New Taiwan Dollars)

	Other Equity										
	Capital Stock				Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Total Equity
	Shares (In Thousands)	Common Stock	Reserve for Capitalization	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2016	11,072,229	\$ 110,722,290	\$ -	\$ 57,964,343	\$ 2,356,575	\$ 996,026	\$ 12,866,132	\$ 300,415	\$ 1,386,482	\$ 2,168	\$ 186,594,431
Appropriation of the 2015 earnings											
Legal reserve	-	-	-	-	1,286,613	-	(1,286,613)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(3,321,669)	-	-	-	(3,321,669)
Stock dividends	-	-	7,750,560	-	-	-	(7,750,560)	-	-	-	-
Total comprehensive income											
Net income for the six months ended June 30, 2016	-	-	-	-	-	-	6,699,507	-	-	-	6,699,507
Other comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	-	-	(199,979)	1,428,913	(2,168)	1,226,766
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	-	6,699,507	(199,979)	1,428,913	(2,168)	7,926,273
BALANCE, JUNE 30, 2016	<u>11,072,229</u>	<u>\$ 110,722,290</u>	<u>\$ 7,750,560</u>	<u>\$ 57,964,343</u>	<u>\$ 3,643,188</u>	<u>\$ 996,026</u>	<u>\$ 7,206,797</u>	<u>\$ 100,436</u>	<u>\$ 2,815,395</u>	<u>\$ -</u>	<u>\$ 191,199,035</u>
BALANCE, JANUARY 1, 2015	9,044,980	\$ 90,449,800	\$ -	\$ 51,818,091	\$ 1,332,940	\$ 996,026	\$ 10,918,919	\$ 264,792	\$ (429,245)	\$ -	\$ 155,351,323
Appropriation of the 2014 earnings											
Legal reserve	-	-	-	-	1,023,635	-	(1,023,635)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(5,272,490)	-	-	-	(5,272,490)
Stock dividends	-	-	4,217,992	-	-	-	(4,217,992)	-	-	-	-
Capital surplus transferred to stock dividends	-	-	1,054,498	(1,054,498)	-	-	-	-	-	-	-
Capital increase in March 2015	1,500,000	15,000,000	-	6,870,000	-	-	-	-	-	-	21,870,000
Share-based payment for the employee’s subscription for new shares	-	-	-	330,750	-	-	-	-	-	-	330,750
Total comprehensive income											
Net income for the six months ended June 30, 2015	-	-	-	-	-	-	6,019,634	-	-	-	6,019,634
Other comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	-	-	(365,507)	243,996	50,809	(70,702)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	-	6,019,634	(365,507)	243,996	50,809	5,948,932
BALANCE, JUNE 30, 2015	<u>10,544,980</u>	<u>\$ 105,449,800</u>	<u>\$ 5,272,490</u>	<u>\$ 57,964,343</u>	<u>\$ 2,356,575</u>	<u>\$ 996,026</u>	<u>\$ 6,424,436</u>	<u>\$ (100,715)</u>	<u>\$ (185,249)</u>	<u>\$ 50,809</u>	<u>\$ 178,228,515</u>

(Continued)

**Taiwan Cooperative Financial Holding Co., Ltd.**

**Statements of Cash Flows**  
**(In Thousands of New Taiwan Dollars)**

	<b>For the Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Cash flows from operating activities		
Income before income tax	\$ 6,695,503	\$ 6,007,059
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(6,815,504)	(6,128,027)
Depreciation and amortization expenses	4,966	4,956
Interest expense	32,098	32,561
Interest revenue	(41)	(1,999)
Salary expenses on share-based payments	-	587
Net changes in operating assets and liabilities		
Decrease in receivables	13	-
Increase in other assets	(80)	(20)
Increase in payables	24,718	30,807
Increase in other liabilities	<u>1,115</u>	<u>1,322</u>
Cash used in operations	(57,212)	(52,754)
Interest received	41	1,972
Dividend received	9,040,903	1,692,908
Interest paid	(29,804)	(31,968)
Income tax refund (paid)	<u>51,053</u>	<u>(37,865)</u>
Net cash generated by operating activities	<u>9,004,981</u>	<u>1,572,293</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(5,300,505)	(23,350,088)
Acquisition of properties and equipment	(22)	-
Increase in refundable deposits	<u>(253)</u>	<u>-</u>
Net cash used in investing activities	<u>(5,300,780)</u>	<u>(23,350,088)</u>
Cash flows from financing activities		
Increase in commercial paper issued	-	190,000
Decrease in commercial paper issued	(3,640,000)	-
Capital increase	-	21,870,000
Increase in other financial liabilities	104	164
Decrease in other financial liabilities	<u>(103)</u>	<u>(993)</u>
Net cash generated by (used in) financing activities	<u>(3,639,999)</u>	<u>22,059,171</u>
Net increase in cash and cash equivalents	64,202	281,376
Cash and cash equivalents, beginning of the period	<u>33,317</u>	<u>23,659</u>
Cash and cash equivalents, end of the period	<u>\$ 97,519</u>	<u>\$ 305,035</u>

(Continued)

2. Subsidiaries' condensed balance sheets

**Taiwan Cooperative Bank, Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015 (Audited after Retrospected)</b>	<b>June 30, 2015 (Audited after Retrospected)</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015 (Audited after Retrospected)</b>	<b>June 30, 2015 (Audited after Retrospected)</b>
Cash and cash equivalents	\$ 40,726,093	\$ 42,442,571	\$ 39,393,112	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	362,033,517	711,892,231	705,089,304				
Financial assets at fair value through profit or loss	26,127,672	14,936,076	42,869,455	Due to the Central Bank and other banks	\$ 199,917,729	\$ 198,372,977	\$ 208,669,200
Securities purchased under resell agreements	5,638,627	209,592	2,857,349	Financial liabilities at fair value through profit or loss	15,544,043	14,706,922	15,308,105
Receivables	15,750,012	13,405,350	13,890,627	Securities sold under repurchase agreements	11,837,752	17,452,480	19,786,984
Current tax assets	1,170,455	987,343	884,867	Payables	34,939,844	35,350,986	36,193,655
Discounts and loans, net	1,946,206,170	1,972,923,223	1,887,462,530	Current tax liabilities	874,558	1,351,013	1,116,413
Available-for-sale financial assets, net	104,656,798	95,884,851	83,660,343	Deposits and remittances	2,579,290,998	2,504,386,291	2,417,152,502
Held-to-maturity financial assets	464,154,621	42,397,377	32,443,008	Bank debentures	69,610,000	69,610,000	69,610,000
Investments accounted for using equity method	1,929,536	1,880,899	1,765,764	Other financial liabilities	6,963,854	7,709,368	6,524,147
Other financial assets, net	102,075,362	101,187,401	99,088,068	Provisions	7,026,910	9,286,765	8,612,928
Properties and equipment, net	38,480,135	39,291,595	39,379,646	Deferred tax liabilities	3,021,864	3,453,496	2,962,733
Investment properties, net	2,696,511	2,269,500	2,176,278	Other liabilities	<u>1,231,302</u>	<u>1,185,632</u>	<u>998,331</u>
Intangible assets	3,605,594	3,628,906	3,636,888	Total liabilities	<u>2,930,258,854</u>	<u>2,862,865,930</u>	<u>2,786,934,998</u>
Deferred tax assets	1,075,136	1,227,279	1,133,411	<u>Equity</u>			
Other assets, net	<u>710,510</u>	<u>1,061,737</u>	<u>1,525,251</u>	Capital stock	85,863,000	83,493,000	81,293,000
				Capital surplus	55,985,497	53,054,992	50,458,992
				Retained earnings	42,695,846	45,153,797	39,246,661
				Other equity	<u>2,233,552</u>	<u>1,058,212</u>	<u>(677,750)</u>
				Total equity	<u>186,777,895</u>	<u>182,760,001</u>	<u>170,320,903</u>
TOTAL	<u>\$ 3,117,036,749</u>	<u>\$ 3,045,625,931</u>	<u>\$ 2,957,255,901</u>	Total	<u>\$ 3,117,036,749</u>	<u>\$ 3,045,625,931</u>	<u>\$ 2,957,255,901</u>

(Continued)

**Taiwan Cooperative Bills Finance Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Cash and cash equivalents	\$ 4,676,739	\$ 4,559,035	\$ 4,604,217	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	20,814,050	19,671,159	19,675,707				
Available-for-sale financial assets	14,010,754	14,670,128	10,169,919	Call loans from banks	\$ 10,190,000	\$ 7,850,000	\$ 9,500,000
Receivables, net	155,339	162,360	183,161	Securities sold under repurchase agreements	27,058,552	28,733,678	23,112,758
Current tax assets	54,566	85,572	58,441	Payables	49,440	64,553	96,619
Held-to-maturity financial assets	2,789,106	2,801,971	2,999,771	Provisions	799,242	820,742	843,208
Other financial assets	249,477	249,477	249,477	Other liabilities	<u>29,230</u>	<u>68,337</u>	<u>87,418</u>
Properties and equipment, net	13,502	14,571	12,976	Total liabilities	<u>38,126,464</u>	<u>37,537,310</u>	<u>33,640,003</u>
Intangible assets	2,963	1,624	1,490				
Other assets, net	<u>213,450</u>	<u>222,736</u>	<u>213,044</u>	<u>Equity</u>			
				Capital stock	3,547,270	3,547,270	3,547,270
				Capital surplus	3,240	3,240	3,240
				Retained earnings	1,191,070	1,189,310	940,759
				Other equity	<u>111,902</u>	<u>161,503</u>	<u>36,931</u>
				Total equity	<u>4,853,482</u>	<u>4,901,323</u>	<u>4,528,200</u>
Total	<u>\$ 42,979,946</u>	<u>\$ 42,438,633</u>	<u>\$ 38,168,203</u>	Total	<u>\$ 42,979,946</u>	<u>\$ 42,438,633</u>	<u>\$ 38,168,203</u>

**Taiwan Cooperative Securities Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Current assets	\$ 18,732,572	\$ 12,594,062	\$ 10,002,360	<u>Liabilities</u>			
Available-for-sale financial assets - non-current	43,054	43,046	-				
Properties and equipment, net	65,299	62,893	62,295	Current liabilities	\$ 14,039,785	\$ 7,924,771	\$ 5,376,473
Intangible assets	37,784	42,414	44,705	Other liabilities	8,438	9,322	5,275
Deferred tax assets	5,579	5,588	3,060	Deferred tax liabilities	<u>3,726</u>	<u>3,233</u>	<u>-</u>
Other non-current assets	<u>420,289</u>	<u>390,230</u>	<u>325,971</u>	Total liabilities	<u>14,051,949</u>	<u>7,937,326</u>	<u>5,381,748</u>
				<u>Equity</u>			
				Capital stock	4,724,200	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	177,999	158,673	32,865
				Other equity	<u>55,989</u>	<u>23,594</u>	<u>5,138</u>
				Total equity	<u>5,252,628</u>	<u>5,200,907</u>	<u>5,056,643</u>
Total	<u>\$ 19,304,577</u>	<u>\$ 13,138,233</u>	<u>\$ 10,438,391</u>	Total	<u>\$ 19,304,577</u>	<u>\$ 13,138,233</u>	<u>\$ 10,438,391</u>

(Continued)

**Co-operative Assets Management Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Current assets	\$ 31,742	\$ 22,591	\$ 100,008	<u>Liabilities</u>			
Accounts receivable - acquired loans, net	2,170,754	2,111,623	2,209,270				
Investments accounted for using the equity method	892,067	954,873	950,579	Current liabilities	\$ 2,300,305	\$ 2,132,378	\$ 2,206,522
Properties and equipment, net	3,738	1,975	1,792	Other liabilities	27,003	21,033	15,463
Investment properties, net	1,642,574	1,881,250	1,649,220	Deferred tax liabilities	<u>12,622</u>	<u>12,429</u>	<u>4,606</u>
Intangible assets	1,491	2,056	2,684	Total liabilities	<u>2,339,930</u>	<u>2,165,840</u>	<u>2,226,591</u>
Deferred tax assets	82,494	78,162	52,781				
Other assets	<u>723,062</u>	<u>290,561</u>	<u>267,755</u>	<u>Equity</u>			
				Capital stock	2,825,280	2,616,000	2,400,000
				Capital surplus	2,553	2,553	2,553
				Retained earnings	388,787	546,176	594,401
				Other equity	<u>(8,628)</u>	<u>12,522</u>	<u>10,544</u>
				Total equity	<u>3,207,992</u>	<u>3,177,251</u>	<u>3,007,498</u>
Total	<u>\$ 5,547,922</u>	<u>\$ 5,343,091</u>	<u>\$ 5,234,089</u>	Total	<u>\$ 5,547,922</u>	<u>\$ 5,343,091</u>	<u>\$ 5,234,089</u>

**BNP Paribas Cardif TCB Life Insurance Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Cash and cash equivalents	\$ 2,395,210	\$ 3,186,146	\$ 3,016,614	<u>Liabilities</u>			
Receivables	1,323,702	1,124,544	1,303,946				
Current tax assets	133,437	216,151	175,627	Payables	\$ 354,290	\$ 432,542	\$ 389,798
Investments	46,955,653	47,774,049	51,188,641	Financial liabilities at fair value through profit or loss	218,360	937,076	359,807
Reinsurance assets	82,501	27,088	8,677	Insurance liabilities	31,426,755	32,933,845	36,395,076
Equipment, net	74,444	83,732	82,027	Reserve for insurance contracts with financial			
Deferred tax assets	-	-	9,487	instruments features	11,650,791	11,735,236	11,950,590
Other assets	1,009,243	1,408,860	966,422	Reserve of foreign exchange variation	160,630	171,211	95,698
Separate-account assets	<u>80,663,971</u>	<u>76,908,449</u>	<u>74,187,886</u>	Deferred tax liabilities	122,402	60,301	3,298
				Other liabilities	385,375	341,065	672,448
				Separate-account liabilities	<u>80,663,971</u>	<u>76,908,449</u>	<u>74,187,886</u>
				Total liabilities	<u>124,982,574</u>	<u>123,519,725</u>	<u>124,054,601</u>
				<u>Equity</u>			
				Capital stock	6,000,000	6,000,000	6,000,000
				Capital surplus	9,310	9,310	9,310
				Retained earnings	656,173	350,506	110,749
				Other equity	<u>990,104</u>	<u>849,478</u>	<u>764,667</u>
				Total equity	<u>7,655,587</u>	<u>7,209,294</u>	<u>6,884,726</u>
Total	<u>\$ 132,638,161</u>	<u>\$ 130,729,019</u>	<u>\$ 130,939,327</u>	Total	<u>\$ 132,638,161</u>	<u>\$ 130,729,019</u>	<u>\$ 130,939,327</u>

(Continued)



**Taiwan Cooperative Securities Investment Trust Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>June 30, 2015</b>
Current assets	\$ 332,344	\$ 328,723	\$ 337,377	<u>Liabilities</u>			
Properties and equipment, net	444	2,576	4,837				
Intangible assets	144	1,499	3,160	Current liabilities	\$ 20,839	\$ 22,141	\$ 28,005
Prepayments for equipment	2,970	2,310	-	Non-current liabilities	<u>3,415</u>	<u>4,599</u>	<u>3,954</u>
Other assets	<u>29,239</u>	<u>26,238</u>	<u>26,239</u>	Total liabilities	<u>24,254</u>	<u>26,740</u>	<u>31,959</u>
				<u>Equity</u>			
				Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Accumulated deficit	<u>(34,973)</u>	<u>(41,254)</u>	<u>(36,206)</u>
				Total equity	<u>340,887</u>	<u>334,606</u>	<u>339,654</u>
Total	<u>\$ 365,141</u>	<u>\$ 361,346</u>	<u>\$ 371,613</u>	Total	<u>\$ 365,141</u>	<u>\$ 361,346</u>	<u>\$ 371,613</u>

**Taiwan Cooperative Venture Capital Co., Ltd.**

**Condensed Balance Sheets**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>	<b>Liabilities and Equity</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Current assets	\$ 977,955	\$ 996,653	<u>Liabilities</u>		
Financial assets carried cost - non-current	39,000	-			
Properties and equipment, net	2,291	2,564	Current liabilities	\$ 5,949	\$ 1,513
Intangible assets	108	113	Non-current liabilities	<u>321</u>	<u>191</u>
Other assets	<u>243</u>	<u>235</u>	Total liabilities	<u>6,270</u>	<u>1,704</u>
			<u>Equity</u>		
			Capital stock	1,000,000	1,000,000
			Accumulated deficit	(4,735)	(2,139)
			Other equity	<u>18,062</u>	<u>-</u>
			Total equity	<u>1,013,327</u>	<u>997,861</u>
Total	<u>\$ 1,019,597</u>	<u>\$ 999,565</u>	Total	<u>\$ 1,019,597</u>	<u>\$ 999,565</u>

3. Subsidiaries' condensed statements of comprehensive income

**Taiwan Cooperative Bank, Ltd.**

**Condensed Statements of Comprehensive Income  
For the Six Months Ended June 30, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2016</b>	<b>2015 (Audited after Retrospected)</b>
Interest revenues	\$ 25,287,585	\$ 25,162,347
Less: Interest expenses	<u>(9,781,078)</u>	<u>(10,711,035)</u>
Net interest	15,506,507	14,451,312
Net revenues and gains other than interest	<u>5,338,553</u>	<u>4,691,251</u>
Total net revenues	20,845,060	19,142,563
Bad-debt expenses and provision for losses on guarantees	(2,860,809)	(1,077,052)
Operating expenses	<u>(11,009,677)</u>	<u>(11,530,447)</u>
Income before income tax	6,974,574	6,535,064
Income tax expense	<u>(941,895)</u>	<u>(929,646)</u>
Net income	6,032,679	5,605,418
Other comprehensive income (loss)	<u>1,175,340</u>	<u>(164,868)</u>
Total comprehensive income	<u>\$ 7,208,019</u>	<u>\$ 5,440,550</u>
Earnings per share (NT\$)		
Basic	<u>\$0.72</u>	<u>\$0.73</u>

**Taiwan Cooperative Bills Finance Co., Ltd.**

**Condensed Statements of Comprehensive Income  
For the Six Months Ended June 30, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2016</b>	<b>2015</b>
Net interest	\$ 162,071	\$ 128,723
Net revenues and gains other than interest	<u>208,130</u>	<u>70,043</u>
Total net revenues	370,201	198,766
Reversal of allowance for credit losses and provision	21,759	92,789
Operating expenses	<u>(62,711)</u>	<u>(60,933)</u>
Income before income tax	329,249	230,622
Income tax expense	<u>(8,235)</u>	<u>(1,142)</u>
Net income	321,014	229,480
Other comprehensive income (loss)	<u>(49,601)</u>	<u>30,303</u>
Total comprehensive income	<u>\$ 271,413</u>	<u>\$ 259,783</u>
Earnings per share (NT\$)		
Basic	<u>\$0.90</u>	<u>\$0.65</u>

(Continued)

**Taiwan Cooperative Securities Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Six Months Ended June 30, 2016 and 2015**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016	2015
Revenues	\$ 457,513	\$ 286,467
Service charge	(10,956)	(10,985)
Other operating costs	(18,850)	(17,256)
Employee benefits	(184,615)	(134,351)
Other operating expenses	(108,131)	(94,093)
Other gains	<u>8,972</u>	<u>24,087</u>
Income before income tax	143,933	53,869
Income tax expense	<u>(13,541)</u>	<u>(9,243)</u>
Net income	130,392	44,626
Other comprehensive income (loss)	<u>32,395</u>	<u>(1,938)</u>
Total comprehensive income	<u>\$ 162,787</u>	<u>\$ 42,688</u>
Earnings per share (NT\$)		
Basic	<u>\$0.28</u>	<u>\$0.15</u>

**Co-operative Assets Management Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Six Months Ended June 30, 2016 and 2015**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016	2015
Operating revenues	\$ 392,311	\$ 455,672
Operating expenses	<u>(181,029)</u>	<u>(268,944)</u>
Operating benefits	211,282	186,728
Non-operating gains (losses)	<u>(46,821)</u>	<u>2,174</u>
Income before income tax	164,461	188,902
Income tax expense	<u>(28,858)</u>	<u>(28,441)</u>
Net income	135,603	160,461
Other comprehensive loss	<u>(21,150)</u>	<u>(18,635)</u>
Total comprehensive income	<u>\$ 114,453</u>	<u>\$ 141,826</u>
Earnings per share (NT\$)		
Basic	<u>\$0.48</u>	<u>\$0.57</u>

(Continued)

**BNP Paribas Cardif TCB Life Insurance Co., Ltd.**

**Condensed Statements of Comprehensive Income  
For the Six Months Ended June 30, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2016</b>	<b>2015</b>
Operating revenues	\$ 11,632,398	\$ 16,546,594
Operating costs	(10,862,678)	(15,729,637)
Operating expenses	<u>(319,034)</u>	<u>(269,209)</u>
Income before income tax	450,686	547,748
Income tax expenses	<u>(73,958)</u>	<u>(34,915)</u>
Net income	376,728	512,833
Other comprehensive income	<u>140,626</u>	<u>165,559</u>
Total comprehensive income	<u>\$ 517,354</u>	<u>\$ 678,392</u>
Earnings per share (NT\$)		
Basic	<u>\$0.63</u>	<u>\$0.85</u>

**Taiwan Cooperative Securities Investment Trust Co., Ltd.**

**Condensed Statements of Comprehensive Income  
For the Six Months Ended June 30, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2016</b>	<b>2015</b>
Operating revenues	\$ 97,312	\$ 73,990
Operating expenses	<u>(92,430)</u>	<u>(92,446)</u>
Operating gain (loss)	4,882	(18,456)
Non-operating gains and losses	<u>1,399</u>	<u>2,645</u>
Gain (loss) before income tax	6,281	(15,811)
Income tax expenses	<u>-</u>	<u>-</u>
Net income (loss)	6,281	(15,811)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ 6,281</u>	<u>\$ (15,811)</u>
Earnings (loss) per share (NT\$)		
Basic	<u>\$0.21</u>	<u>\$(0.52)</u>

**Taiwan Cooperative Venture Capital Co., Ltd.**

**Condensed Statements of Comprehensive Income**

**For the Six Months Ended June 30, 2016**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2016</b>
Operating revenues	\$ 2,317
Operating expenses	<u>(7,055)</u>
Operating loss	(4,738)
Non-operating gains and losses	<u>2,142</u>
Loss before income tax	(2,596)
Income tax expenses	<u>-</u>
Net loss	(2,596)
Other comprehensive income	<u>18,062</u>
Total comprehensive income	<u>\$ 15,466</u>
Loss per share (NT\$)	
Basic	<u>\$(0.03)</u>
	(Concluded)

**TABLE 5**

# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

<b>Business Segment</b> <b>Items</b>	<b>For the Six Months Ended June 30, 2016</b>				
	<b>Banking</b>	<b>Bill Finance</b>	<b>Insurance</b>	<b>Others</b>	<b>Consolidated</b>
Net interest	\$ 15,591,983	\$ 66,441	\$ 506,701	\$ 354,919	\$ 16,520,044
Net revenues and gains (losses) other than interest	4,520,645	312,265	(600,649)	709,029	4,941,290
Total net revenues (losses)	20,112,628	378,706	(93,948)	1,063,948	21,461,334
Bad-debt expenses and provision for losses on guarantees	(2,867,644)	21,759	-	(156,822)	(3,002,707)
Net change in reserves for insurance liabilities	-	-	1,404,203	-	1,404,203
Operating expenses	(11,035,665)	(58,416)	(298,417)	(529,968)	(11,922,466)
Income before income tax	6,209,319	342,049	1,011,838	377,158	7,940,364
Income tax expenses	(941,895)	(8,235)	(73,958)	(26,116)	(1,050,204)
Net income	5,267,424	333,814	937,880	351,042	6,890,160

<b>Business Segment</b> <b>Items</b>	<b>For the Six Months Ended June 30, 2015</b>				
	<b>Banking</b>	<b>Bill Finance</b>	<b>Insurance</b>	<b>Others</b>	<b>Consolidated</b>
Net interest	\$ 14,509,785	\$ 40,177	\$ 523,957	\$ 521,704	\$ 15,595,623
Net revenues and gains (losses) other than interest	3,216,367	170,030	(668,920)	1,419,915	4,137,392
Total net revenues (losses)	17,726,152	210,207	(144,963)	1,941,619	19,733,015
Bad-debt expenses and provision for losses on guarantees	(1,064,663)	92,788	-	(205,721)	(1,177,596)
Net change in reserves for insurance liabilities	-	-	1,029,489	-	1,029,489
Operating expenses	(11,445,388)	(56,671)	(242,537)	(564,731)	(12,309,327)
Income before income tax	5,216,101	246,324	641,989	1,171,167	7,275,581
Income tax expenses	(913,414)	(1,142)	(34,914)	(46,454)	(995,924)
Net income	4,302,687	245,182	607,075	1,124,713	6,279,657

**TABLE 6**

# TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT  
JUNE 30, 2016 AND 2015**

**(In Thousands of New Taiwan Dollars, %)**

June 30, 2016

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 417,250,000	218.23
National Treasury Administration, ROC	112,782,743	58.99
Tai Power Co., Ltd.	78,842,176	41.24
Taiwan High Speed Rail Corp.	49,613,556	25.95
Kaohsiung Financial Bureau	49,502,581	25.89
CPC Corporation, Taiwan	28,619,437	14.97
Kaohsiung rapid Transit Corp.	20,725,206	10.84
Clevo Corp.	11,099,741	5.81
Taiwan Semiconductor Manufacturing Co., Ltd.	9,820,473	5.14
Eva Airways Corp.	8,558,665	4.48
Highwealth Construction Co., Ltd.	8,545,044	4.47
China Steel Corp.	8,065,902	4.22
AUO Co., Ltd.	7,787,374	4.07
Industrial Development Bureau, Ministry of Economic Affairs, ROC	7,489,444	3.92
Chiayi County Government	6,935,000	3.63
Formosa Petrochemical Corp.	6,710,769	3.51
Innolux Corp.	6,023,000	3.15
Yilan County Government	5,821,942	3.04
China Airlines Ltd.	5,272,941	2.76
Taiwan Railways Administration	5,270,000	2.76
Yang Ming Marine Transport Corp.	5,138,859	2.69
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.51
Aerospace Industrial Development Corp.	4,705,173	2.46
Evergreen Marine (Singapore) Pte Ltd.	4,644,544	2.43
Taiwan Land Development Corporation	4,482,001	2.34
Evergreen Marine Corp. (Taiwan) Ltd.	4,284,818	2.24
Hanshin Asset Management Corp.	3,952,835	2.07
Formosa Chemical & Fibre Corp.	3,940,854	2.06
Formosa Group (Cayman) Ltd.	3,876,000	2.03
Pingtung County Government	3,860,000	2.02
Bank of America N. A.	3,600,308	1.88
Dragon Steel Corp.	3,542,973	1.85

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Client A	\$ 3,459,638	1.81
Chungwha Construction Corp.	3,342,382	1.75
Kaohsiung Transportation Bureau	3,263,761	1.71
China Petrochemical Development Corporation	3,180,552	1.66
Bank of Communications Co., Ltd.	3,093,313	1.62
Kaohsiung City Government	3,087,000	1.61
Formosa Plastics Corp.	3,055,742	1.60
Nan Ya Plastic Co., Ltd.	3,034,556	1.59
Pacific Sogo Department Stores Co., Ltd.	3,006,220	1.57
2. Same related parties		
Client A	11,274,253	5.90
Client B	9,823,100	5.14
Client C	9,697,389	5.07
Client D	4,799,167	2.51
Client E	4,606,501	2.41
Client F	4,091,183	2.14
Client G	3,836,530	2.01
Client H	3,831,012	2.00
Client I	3,831,012	2.00
Client J	3,831,012	2.00
Client K	3,634,327	1.90
3. Same affiliate		
Formosa Ha TINH (Cayman) Ltd.	20,339,263	10.64
Evergreen Marine Corp. (Taiwan) Ltd.	17,693,111	9.25
CLEVO (Cayman Islands) Holding Company	16,918,230	8.85
Evergreen Marine (UK) Ltd.	16,813,316	8.79
Eva Airways Corp.	16,581,991	8.67
Eva Cosmonautic Flight Precision Corp.	16,581,991	8.67
Clevo Corp.	16,433,730	8.60
China Steel Corp.	15,440,221	8.08
C.S. Aluminium Corp.	15,240,221	7.97
China Steel Corporation India Private Ltd.	15,240,221	7.97
CSE Transport Corp.	15,240,221	7.97
Chung Hung Steel Corp.	15,230,221	7.97
Far Eastern International Leasing Corp.	14,644,434	7.66
Formosa Synthetic Rubber (Ningbo) Industrial Co., Ltd.	14,387,376	7.52
Buynow (Zhengzhou) Corp.	13,252,815	6.93
Evergreen Aviation Technologies Corp.	13,093,483	6.85
Far Eastern New Century Corp.	12,938,132	6.77
Buynow (Anshan) Corp.	12,252,615	6.41
Buynow (Wuhan) Corp.	12,082,844	6.32
U-Ming Marine Transport Corp.	11,996,352	6.27

(Continued)



Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Dragon Steel Corp.	\$ 11,608,875	6.07
Buynow (Fujian) Corp.	11,584,241	6.06
Global Mobile Corp.	11,225,399	5.87
Hui Hong Investment Management Co., Ltd.	11,125,455	5.82
Ruentex Industries Ltd.	11,125,455	5.82
Buynow (Shenyang) Corp.	11,099,741	5.81
Far Eastern Construction Corp.	11,028,926	5.77
Yi Tai Fund Corp.	10,851,544	5.68
Nan Shan Life Insurance Company, Ltd.	10,623,925	5.56
Highwealth Construction Co., Ltd.	10,140,976	5.30
QiYu Construction Co., Ltd.	10,140,976	5.30
Run Long Construction Co., Ltd.	10,040,976	5.25
Taiwan Semiconductor Manufacturing Co., Ltd.	10,034,298	5.25
UNI Airways Corp.	9,986,186	5.22
Yuan Ding Investment Corp.	9,930,875	5.19
Hon Hai Precision Co., Ltd.	9,441,626	4.94
Ren Ying Enterprise Co., Ltd.	9,373,548	4.90
Forhouse Corp.	9,209,442	4.82
Far EasTone Telecommunications Co., Ltd.	9,130,875	4.78
EDA Hua Yue Hotel Corp.	9,025,014	4.72
Hung Li Steel Corp.	9,015,030	4.71
Bo Yuan Construction Co., Ltd.	8,835,064	4.62
BenQ Materials Corp.	8,834,875	4.62
Ruen Chen Investment Holding Co., Ltd.	8,744,184	4.57
Ruentex Development Co., Ltd.	8,736,169	4.57
EDA Skylark Hotel Corp.	8,732,499	4.57
China Steel Structure Co., Ltd.	8,667,923	4.53
United Steel Engineering & Construction Corp.	8,667,923	4.53
China Steel Machinery Corp.	8,606,700	4.50
AUO Co., Ltd.	8,534,571	4.46
China Ecotek Corp.	8,477,513	4.43
China Steel Chemical Corp.	8,393,298	4.39
Yieh Phui (Hong Kong) Holdings Ltd.	8,331,516	4.36
AUO (Kunshan) Co., Ltd.	8,224,393	4.30
Pao Industrial Co., Ltd.	8,075,902	4.22
AUO Sunpower Sdn. Bhd.	7,981,174	4.17
Asia Cement Corp.	7,970,983	4.17
Taiwan CFI Corp.	7,788,141	4.07
Lextar Electronics Corp.	7,787,374	4.07
Yang Ming Marine Transport Corp.	7,629,248	3.99
Inotera Memories, Inc.	7,324,099	3.83
China Aviation Development Foundation	7,272,941	3.80
Nan Ya Plastic Co., Ltd.	7,087,233	3.71
Yien United Steel Corp.	7,050,462	3.69
Yang Ming Marine Transport (Liberia) Corp.	7,026,368	3.67
Kuan-Ho Refractories Corp.	6,853,099	3.58

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Taiwan Cement Co., Ltd.	\$ 6,853,099	3.58
Taiwan Cement (Anshun) Co., Ltd.	6,853,099	3.58
Feng Sheng Enterprise Co., Ltd.	6,842,895	3.58
Formosa Petrochemical Corp.	6,710,769	3.51
Yieh Hsing Enterprise Co., Ltd.	6,268,709	3.28
Innolux Corp.	6,023,000	3.15
All Oceans Transportation Inc.	5,941,915	3.11
Kuang Ming Shipping Corp.	5,841,739	3.06
Kuang Ming (Liberia) Corp.	5,841,739	3.06
TCC International Ltd.	5,830,357	3.05
He Yao Construction Co., Ltd.	5,724,489	2.99
Yi Hsiang Construction Co., Ltd.	5,714,489	2.99
Kao Ming Container Terminal Corp.	5,698,374	2.98
United Microelectronics Corp.	5,604,640	2.93
Chung Kung Guard Corp.	5,434,672	2.84
Coreasia Co., Ltd.	5,429,772	2.84
Li Sheng Corporation	5,395,938	2.82
Nan Ya Technology Corp.	5,341,765	2.79
Nan Chung Petrochemical Corp.	5,305,283	2.77
China Airlines Ltd.	5,277,741	2.76
Taiwan Mobile Corp.	5,256,397	2.75
Pou Chen Industry Corp.	5,159,091	2.70
Yes Logistics Corp.	5,139,859	2.69
Formosa Chemical & Fibre Corp.	5,094,012	2.66
Mai-Liao Power Corporation	5,094,012	2.66
Wan Hai Lines Ltd.	4,966,222	2.60
Wan Hai Line (Singapore) Pte Ltd.	4,966,222	2.60
Far Eastern Department Stores Ltd.	4,905,846	2.57
Pacific Sogo Department Stores Co., Ltd.	4,905,846	2.57
Chung Kung Building Management Corp.	4,758,270	2.49
Chahui Power Corp.	4,655,066	2.43
Evergreen Marine (Singapore) Pte Ltd.	4,644,544	2.43
Chailease Finance Co., Ltd.	4,538,232	2.37
China Man-Made Fiber Corporation	4,535,266	2.37
Taiwan Land Development Corporation	4,527,001	2.37
Taiwan Innovation Development Corporation	4,527,001	2.37
Capital Machinery Corp.	4,507,484	2.36
Formosa PS (Ningbo) Co., Ltd.	4,493,153	2.35
Farglory Dome Co., Ltd.	4,488,564	2.35
Zhong Tai Hotel Co., Ltd.	4,464,228	2.33
Mandarin Oriental, Taipei	4,464,228	2.33
Taiwan (Guang An) Cement Holding Co., Ltd.	4,409,157	2.31
Greencompass Marine S. A.	4,392,485	2.30
Kuo Chang Industry Co., Ltd.	4,374,536	2.29
Funbon Financial Holding Co., Ltd.	4,337,698	2.27
Chailease Rental Corp.	4,327,064	2.26

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Chailease Holding Co., Ltd.	\$ 4,327,064	2.26
Chungwha Construction Corp.	4,190,419	2.19
Formosa Plastics Corp.	4,178,067	2.19
Formosa Biomedical Technology Corp.	4,042,854	2.11
Chung Hang Co., Ltd.	4,042,152	2.11
Taiwan Prosperity Chemical Corp.	4,026,127	2.11
Taiwan Acetic Acid Chemical Co., Ltd.	4,021,954	2.10
Fujian Fuxin special steel Co., Ltd.	4,017,407	2.10
Fubon China Bank Corp.	4,015,037	2.10
Hanshin Asset Management Corp.	3,952,835	2.07
Yieh Phui Enterprise Co., Ltd.	3,905,276	2.04
Chailease Consumer Finance Co., Ltd.	3,901,932	2.04
China Petrochemical Development Corporation	3,874,611	2.03
EDA Hospital Corp.	3,873,686	2.03
Inteplast Group Inc.	3,832,955	2.00
Tatung Co., Ltd.	3,828,370	2.00
Shih Wei Navigation Co., Ltd.	3,743,090	1.96
Spinnaker Pescadores S. A. Panama	3,743,090	1.96
Uni-President Enterprises Corp.	3,730,801	1.95
Radium Life Tech. Co., Ltd.	3,665,993	1.92
Chunghwa Picture Tubes, Ltd.	3,651,919	1.91
Giantplus Technology Co., Ltd.	3,651,919	1.91
Bank of America N. A.	3,600,308	1.88
Taipeifubon Commercial Bank Co., Ltd.	3,595,137	1.88
TTET Union Corp.	3,555,261	1.86
Farglory Land Development Co., Ltd.	3,514,123	1.84
Central Investment Corp.	3,439,072	1.80
TAYU-TAIWANGLASS Corporation	3,412,092	1.78
TJG-TAIWANGLASS Corporation	3,412,092	1.78
Formosa Acrylate (Ningbo) Industrial Co., Ltd.	3,400,189	1.78
Formosa (Ningbo) Industrial Co., Ltd.	3,368,083	1.76
WPG Holdings Ltd.	3,349,159	1.75
Pan Asia Chemical Co.	3,319,840	1.74
Formosa Polyethylene (Ningbo) Industrial Co., Ltd.	3,249,542	1.70
G-Tech Optoelectronics Corp.	3,227,337	1.69
ABN AMRO BANK N. V.	3,188,649	1.67
Nan Ya Plastics (Ningbo) Corp., Ltd.	3,143,084	1.64
Dong Lien Maritime S. A. Panama	3,141,025	1.64
Oriental Resources Development Ltd.	3,060,013	1.60

(Concluded)

June 30, 2015

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 440,565,000	247.19
Tai Power Co., Ltd.	109,431,616	61.40
National Treasury Administration, ROC	95,950,175	53.84
Taiwan High Speed Rail Corp.	54,867,167	30.78
Kaohsiung Financial Bureau	36,498,881	20.48
CPC Corporation, Taiwan	35,750,857	20.06
Kaohsiung rapid Transit Corp.	13,202,031	7.41
Industrial Development Bureau, Ministry of Economic Affairs, ROC	11,498,528	6.45
Kaohsiung Transportation Bureau	10,500,000	5.89
Eva Airways Corp.	10,490,834	5.89
Taiwan Railways Administration	9,770,000	5.48
Taiwan Semiconductor Manufacturing Co., Ltd.	9,183,613	5.15
AUO Co., Ltd.	7,785,870	4.37
Innolux Corp.	7,500,000	4.21
Formosa Petrochemical Corp.	7,184,265	4.03
Yilan County Government	6,463,856	3.63
China Airlines Ltd.	5,945,561	3.34
Aerospace Industrial Development Corp.	5,487,875	3.08
Yang Ming Marine Transport Corp.	5,212,147	2.92
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.70
Evergreen Marine (Singapore) Pte. Ltd.	4,753,273	2.67
Dragon Steel Corp.	4,635,269	2.60
China Aviation Development Foundation	4,500,000	2.52
China Steel Corp.	4,248,521	2.38
Formosa Chemical & Fibre Corp.	4,120,454	2.31
Chiayi County Government	3,965,000	2.22
Pacific Sogo Department Stores Co., Ltd.	3,856,220	2.16
Evergreen Marine Corp. (Taiwan) Ltd.	3,746,289	2.10
Bank of Communications Co., Ltd.	3,545,343	1.99
Yunlin County Government	3,482,865	1.95
Nantou County Government	3,417,000	1.92
Highwealth Construction Co., Ltd.	3,306,047	1.85
Macronix International Co., Ltd.	3,301,466	1.85
Nan Ya Plastic Co., Ltd.	3,166,033	1.78
China Petrochemical Development Corporation	3,086,943	1.73
Wan Hai Lines Ltd.	3,070,594	1.72
Far Eastern New Century Corp.	3,020,530	1.69
Chungwha Construction Corp.	3,011,216	1.69

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
2. Same related parties		
Client A	\$ 9,187,436	5.15
Client B	4,627,514	2.60
Client C	3,806,652	2.14
3. Same affiliate		
Evergreen Marine Corp. (Taiwan) Ltd.	18,901,311	10.61
Eva Airways Corp.	17,664,711	9.91
Eva Cosmonautic Flight Precision Corp.	17,664,711	9.91
Evergreen Marine (UK) Ltd.	17,618,445	9.89
Far Eastern International Leasing Corp.	16,572,178	9.30
Nan Hua Cement Corp.	15,388,025	8.63
Formosa Synthetic Rubber (Ningbo) Industrial Co., Ltd.	15,154,308	8.50
Evergreen Aviation Technologies Corp.	14,820,457	8.32
Far Eastern New Century Corp.	13,086,182	7.34
U-Ming Marine Transport Corp.	12,634,337	7.09
UNI Airways Corp.	12,029,848	6.75
Chung Hung Steel Corp.	11,898,333	6.68
C.S. Aluminium Corp.	11,898,333	6.68
China Steel Corporation India Private Ltd.	11,898,333	6.68
CSE Transport Corp.	11,898,333	6.68
Far Eastern Construction Corp.	11,800,555	6.62
Hon Hai Precision Co., Ltd.	11,641,260	6.53
China Steel Corp.	11,325,970	6.35
CSEI Transport (Panama) Corp.	11,073,933	6.21
AUO Co., Ltd.	10,754,232	6.03
China Aviation Development Foundation	10,445,561	5.86
Far EastOne Telecommunications Co., Ltd.	10,358,906	5.81
Global Mobile Corp.	9,860,865	5.53
Ruentex Industries Ltd.	9,860,865	5.53
Yi Tai Fund Corp.	9,410,505	5.28
BenQ Materials Corp.	9,316,734	5.23
Taiwan Semiconductor Manufacturing Co., Ltd.	9,188,712	5.16
Ren Ying Enterprise Co., Ltd.	8,918,956	5.00
Dragon Steel Corp.	8,883,790	4.98
Chimei Lighting Technology Corp.	8,550,003	4.80
AUO Sunpower Sdn. Bhd.	8,342,340	4.68
Taiwan Cement Co., Ltd.	8,334,302	4.68
EDA Hua Yue Hotel Corp.	8,308,046	4.66
M.SETEK Co., Ltd.	8,306,652	4.66
Lextar Electronics Corp.	8,285,870	4.65
Asia Cement Corp.	8,241,892	4.62
Yang Ming Marine Transport Corp.	8,237,899	4.62

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
EDA Skylark Hotel Corp. Ruentex Development Co., Ltd. Ruen Chen Investment Holding Co., Ltd. Kuan-Ho Refractories Corp. Feng Sheng Enterprise Co., Ltd. China Steel Global Trading Corporation Yieh Phui (Hong Kong) Holdings Ltd. Innolux Corp. Yang Ming Marine Transport (Liberia) Corp. Formosa Petrochemical Corp. Yien United Steel Corp. TCC International Ltd. All Oceans Transportation Inc. Inotera Memories, Inc. Nan Chung Petrochemical Corp. Kuang Ming (Liberia) Corp. China Airlines Ltd. United Microelectronics Corp. Kao Ming Container Terminal Corp. Nan Ya Plastic Co., Ltd. Taiwan Cement (Anshun) Co., Ltd. Wan Hai Lines Ltd. Wan Hai Lines (Singapore) Pte. Ltd. Far Eastern Department Stores Ltd. Yieh Hsing Enterprise Co., Ltd. Pou Chen Industry Corp. Chahui Power Corp. Pacific Sogo Department Stores Co., Ltd. Formosa Chemical & Fibre Corp. Mai-Liao Power Corporation Chung Kung Guard Corp. Taiwan Mobile Corp. Highwealth Construction Co., Ltd. QiYu Construction Co., Ltd. Farglory Dome Co., Ltd. Li Sheng Corporation Bo Yuan Construction Co., Ltd. China Man-Made Fiber Corporation Taiwan (Guang An) Cement Holding Co., Ltd. Nan Ya Technology Corp. Formosa PS (Ningbo) Co., Ltd. Evergreen Marine (Singapore) Pte. Ltd. WPG Holdings Ltd. Luzhou SCITUS Cement Holdings Ltd. China Steel Machinery Corp.	\$ 8,062,546 7,951,445 7,901,085 7,870,577 7,782,390 7,616,452 7,550,060 7,500,000 7,496,004 7,184,265 6,857,958 6,707,593 6,236,976 6,137,005 6,027,497 5,954,042 5,951,061 5,827,152 5,794,909 5,683,585 5,625,568 5,590,939 5,590,939 5,556,220 5,369,335 5,366,930 5,364,570 5,356,220 5,268,288 5,268,288 5,223,558 5,203,854 5,195,349 5,195,349 5,007,331 4,982,889 4,965,670 4,941,042 4,883,608 4,839,200 4,760,196 4,753,273 4,742,998 4,729,033 4,723,083	4.52 4.46 4.43 4.42 4.37 4.27 4.24 4.21 4.21 4.03 3.85 3.76 3.50 3.44 3.38 3.34 3.34 3.27 3.25 3.19 3.16 3.14 3.14 3.12 3.01 3.01 3.01 3.01 2.96 2.96 2.93 2.92 2.91 2.91 2.81 2.80 2.79 2.77 2.74 2.72 2.67 2.67 2.66 2.65 2.65

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
China Ecotek Corp.	\$ 4,651,776	2.61
China Steel Structure Co., Ltd.	4,576,424	2.57
Chung Kung Building Management Corp.	4,535,632	2.54
Taiwan Acetic Acid Chemical Co., Ltd.	4,431,160	2.49
Tatung Co., Ltd.	4,348,089	2.44
Funbon Financial Holding Co., Ltd.	4,340,784	2.44
Taiwan Prosperity Chemical Corp.	4,331,783	2.43
Chung Hang Co., Ltd.	4,319,222	2.42
Formosa Biomedical Technology Corp.	4,292,454	2.41
China Steel Chemical Corp.	4,281,881	2.40
Zhong Tai Hotel Co., Ltd.	4,269,000	2.40
Mandarin Oriental, Taipei	4,269,000	2.40
Chailease Finance Co., Ltd.	4,266,144	2.39
Run Long Construction Co., Ltd.	4,265,786	2.39
Fujian Fuxin special steel Co., Ltd.	4,216,610	2.37
Chunghwa Picture Tubes, Ltd.	4,216,593	2.37
Giantplus Technology Co., Ltd.	4,216,593	2.37
Uni-President Enterprises Corp.	4,159,774	2.33
Formosa Plastics Corp.	4,139,767	2.32
Pan Asia Chemical Co.	4,078,655	2.29
Greencompass Marine S.A.	4,055,439	2.28
Chailease Rental Corp.	4,048,193	2.27
TTET Union Corp.	4,039,172	2.27
Oriental Petrochemical (Taiwan) Corp.	4,038,793	2.27
Shih Wei Navigation Co., Ltd.	4,013,943	2.25
Spinnaker Pescadores S.A. Panama	4,013,943	2.25
Oriental Union Chemical (Yangzhou) Corp.	4,001,396	2.25
Farglory Land Development Co., Ltd.	3,935,753	2.21
Fubon China Bank Corp.	3,902,372	2.19
Unimicron Technology Corp.	3,877,996	2.18
Maxchip Electronics Corp.	3,858,988	2.17
China Petrochemical Development Corporation	3,823,397	2.15
Capital Machinery Corp.	3,763,113	2.11
Chungwha Construction Corp.	3,761,911	2.11
Kuo Chang Industry Co., Ltd.	3,730,920	2.09
Yosun Industrial Corp.	3,718,840	2.09
Chailease Consumer Finance Co., Ltd.	3,700,863	2.08
Inteplast Group Inc.	3,682,954	2.07
Nan Ya Plastics (Ningbo) Corp., Ltd.	3,652,388	2.05
Yosun Hong Kong Corp. Ltd.	3,647,526	2.05
Fubon Bank Eurobond (OTC-15-0007)	3,607,982	2.02
Oriental Resources Development Ltd.	3,546,085	1.99
Macronix International Co., Ltd.	3,531,719	1.98
Formosa Plastics Corp. USA	3,517,378	1.97
Radium Life Tech. Co., Ltd.	3,490,521	1.96

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Nan Ya Plastics (Hong Kong) Corp. Ltd.	\$ 3,479,264	1.95
Compal Electronics, Inc.	3,454,350	1.94
Henghao Technology Corp.	3,454,350	1.94
Nan Ya (Hong Kong) Printed Circuit Board Corp.	3,436,410	1.93
Dong Lien maritime Sa Panama	3,421,856	1.92
Genuine Crop.	3,383,561	1.90
Fina Finance & Trading Co., Ltd.	3,368,710	1.89
Smart Idea Holdings Ltd.	3,259,696	1.83
WPG Electronic Ltd.	3,230,800	1.81
Shin-An Transportation Corp.	3,230,453	1.81
Formosa Polyethylene (Ningbo) Industrial Co., Ltd.	3,212,927	1.80
Formosa (Ningbo) Industrial Co., Ltd.	3,202,725	1.80
G-Tech Optoelectronics Corp.	3,197,684	1.79
Formosa Acrylate (Ningbo) Industrial Co., Ltd.	3,133,784	1.76
Chemax International Corporation	3,125,554	1.75
Yieh Phui Enterprise Co., Ltd.	3,125,491	1.75
ABN AMRO Bank N.V.	3,075,965	1.73

(Concluded)



**TABLE 7****TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****JUNE 30, 2016****(In Thousands of New Taiwan Dollars)**

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2016				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Taiwan Cooperative Venture Capital Co., Ltd.	<u>Beneficial certificates</u> TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	997	\$ 10,015	-	\$ 10,015	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	892,067	100	892,067	Note
Taiwan Cooperative Securities Investment Trust Co., Ltd.	FundRich Securities Co., Ltd.	-	Financial assets carried at cost	300	3,000	1	3,000	
Taiwan Cooperative Venture Capital Co., Ltd.	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,450	24,505	-	24,505	
	Pou Chen Corporation	-	Available-for-sale financial assets	470	20,234	-	20,234	
	Chang Hwa Commercial Bank, Ltd.	-	Available-for-sale financial assets	902	15,109	-	15,109	
	Hua Nan Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,175	19,623	-	19,623	
	TrueLight Corporation	-	Available-for-sale financial assets	260	18,590	-	18,590	
	Mega Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,200	29,160	-	29,160	
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	179	20,137	-	20,137	
	China Motor Corporation	-	Available-for-sale financial assets	1,253	30,510	-	30,510	
	Lion Travel Service Co., Ltd.	-	Available-for-sale financial assets	95	8,683	-	8,683	
	Excelsior Medical Co., Ltd.	-	Available-for-sale financial assets	246	12,669	-	12,669	
	Taiwan Secom Co., Ltd.	-	Available-for-sale financial assets	215	19,995	-	19,995	
	Taiwan Shin Kong Security Co., Ltd.	-	Available-for-sale financial assets	175	7,078	-	7,078	
	Hon Hai Precision Ind. Co., Ltd.	-	Available-for-sale financial assets	310	25,575	-	25,575	
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	150	17,475	-	17,475	
	Tanvex BioPharma, Inc.	-	Available-for-sale financial assets	300	50,988	-	50,988	
	SR Suntour Inc.	-	Financial assets carried at cost	1,300	39,000	-	39,000	

Note: When Taiwan Cooperative Financial Holding Co., Ltd. prepared the consolidated financial statements, the related account and security transaction were eliminated.

**TABLE 8**

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2016  
(In Thousands of New Taiwan Dollars)**

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Investments accounted for using equity method	-	-	8,349,300	\$ 182,179,578	237,000	\$ 12,689,522 (Note)	-	\$ -	\$ 8,671,628 (Note)	\$ -	8,586,300	\$ 186,197,472

Note: Acquisition consists of unrealized gain of \$1,356,338 thousand on available-for-sale financial assets, \$5,300,505 thousand from capital increase, \$6,032,679 thousand from the share of gains of subsidiaries accounted for using equity method. Disposal consists of \$8,490,630 thousand from cash dividends, \$178,830 thousand from exchange differences on the translation of foreign operations and \$2,168 thousand from changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss.

**TABLE 9**

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**DISPOSAL OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID - IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2016  
(In Thousands of New Taiwan Dollars)**

<b>Seller</b>	<b>Property</b>	<b>Event Date</b>	<b>Acquisition Date</b>	<b>Carrying Amount</b>	<b>Transaction Amount</b>	<b>Collection</b>	<b>Gain (Loss) on Disposal</b>	<b>Counterparty</b>	<b>Relationship</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Other Terms</b>
Co-operative Assets Management Co., Ltd.	6F., No. 100, No. 112, No. 118 and No. 136, Lide St., Zhonghe Dist., New Taipei City	June 13, 2016	June 1, 2011	237,003	\$ 339,660	All payments have been collected as of June 30, 2016	\$ 100,000	Avalue Technology Inc.	None	For assets activation and profit taking	Report from appraisers firm	None

**TABLE 10****TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****SALE OF NONPERFORMING LOANS****FOR THE SIX MONTHS ENDED JUNE 30, 2016****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

## 1. Sale of nonperforming loans

Co-operative Assets Management Co., Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2016.01.21	Su sir	Claims and its subordinate mortgage	\$ 6,627	\$ 8,700	\$ 2,073	None	None

Note: Carrying amount equals the original loan and collections payable.

2. The sale of a batch of nonperforming loans totaling over NT\$1 billion (excluding those sold to related parties):  
None.

**TABLE 11**

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL**  
**JUNE 30, 2016**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Company, Ltd.	Parent company	\$ 897,078	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	748,255	-	-	-	-	-

Note: The receivables related to consolidated tax return. When preparing the consolidated financial statements, the receivables have been eliminated.

**TABLE 12**

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.**

**PERCENTAGE SHARE IN INVESTEEES AND RELATED INFORMATION**  
**JUNE 30, 2016**  
**(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei	Banking	100.00	\$ 186,197,472	\$ 6,032,679	8,586,300	-	8,586,300	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,252,628	130,392	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	4,853,482	321,014	354,727	-	354,727	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,207,992	135,603	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	340,887	6,281	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	3,904,349	192,131	306,000	-	306,000	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	1,013,327	(2,596)	100,000	-	100,000	100.00	Note 3

Note 1: Shares or proforma shares held by the Company, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

- Note 2:
- a. Proforma shares are shares that are assumed to have been obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.
  - b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the “Securities and Exchange Law Enforcement Rules.”
  - c. Derivative instruments, such as stock options, are those conforming to the definition of IFRS 39 - “Financial Instruments: Recognition and Measurement,” such as stock options.

Note 3: When TCFHC prepares the consolidated financial statements, this investment has been eliminated.

TABLE 13

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Taiwan Cooperative Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
Taiwan Cooperative Bank Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	\$ 4,547,235 (US\$ 154,395) (Note 1)	Direct	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ -	\$ -	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ 59,698	100	\$ 59,698	\$ 5,369,743	\$ -
Taiwan Cooperative Bank Tianjin Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,947,314 (US\$ 97,387) (Note 1)	Direct	2,947,314 (US\$ 97,387) (Note 1)	-	-	2,947,314 (US\$ 97,387) (Note 1)	40,342	100	40,342	3,102,557	-
Taiwan Cooperative Bank Fuzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,950,882 (US\$ 97,549) (Note 1)	Direct	2,950,882 (US\$ 97,549) (Note 1)	-	-	2,950,882 (US\$ 97,549) (Note 1)	23,182	100	23,182	3,040,597	-

Accumulated Investment in Mainland China as of June 30, 2016	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 10,445,431 (US\$ 349,331) (Note 1)	\$ 10,445,431 (US\$ 349,331) (Note 1)	\$ 112,187,108 (Note 2)

(Continued)

Co-operative Assets Management Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
Taiwan Cooperative International Leasing Co., Ltd.	Financial leasing	\$ 910,980 (RMB 185,460) (Note 1)	Direct	\$ 910,980 (RMB 185,460) (Note 1)	\$ -	\$ -	\$ 910,980 (RMB 185,460) (Note 1)	\$ (37,323)	100	\$ (37,323)	\$ 892,067	\$ -

Accumulated Investment in Mainland China as of June 30, 2016	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 910,980 (RMB 185,460) (Note 1)	\$ 910,980 (RMB 185,460) (Note 1)	\$ 1,924,795 (Note 3)

- Note 1: Translation into New Taiwan dollars at the exchange rates on the date of each outflow of investment.
- Note 2: Based on the Investment Commission’s “Regulation on the Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to the higher of 60 % of TCB’s net asset value or 60% of TCB’s consolidated net asset value.
- Note 3: Based on the Investment Commission’s “Regulation on the Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to the higher of 60 % of AMC’s net asset value or 60% of AMC’s consolidated net asset value.

(Concluded)



**TABLE 14****TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES****FOR THE SIX MONTHS ENDED JUNE 30, 2016****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax receivables - consolidated tax return	\$ 748,255	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	748,255	Note 4	0.02
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	897,078	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	897,078	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	627,571	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	627,571	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	7,940,030	Note 4	0.24
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	7,940,030	Note 4	0.24
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,215,814	Note 4	0.04
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents and refundable deposits	1,215,814	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	444,064	Note 4	2.07
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	444,064	Note 4	2.07
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Deposits and remittances	166,871	Note 4	0.01
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents	166,871	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	4,500,000	Note 4	0.14
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	4,500,000	Note 4	0.14
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	4,973,162	Note 4	0.15

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Securities sold under repurchased agreements	\$ 4,973,162	Note 4	0.15
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	344,843	Note 4	0.01
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	344,843	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	2.70
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.03

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by the consolidated total assets, and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transacting company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding NT\$100 million.

(Concluded)