Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2017 and 2016 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company) as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries referred to above for them to be 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 22, 2017

<u>*Notice to Readers*</u>

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants' review 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 accountants' review report and consolidated financial statements shall prevail.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 53,276,791	2	$ 55,452,824	2	$ 49,272,692	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 38 and 39)	281,613,132	9	295,423,266	9	754,531,491	23
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	55,763,349	2	54,427,847	2	47,336,677	1
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 39)	188,279,882	6	178,645,924	5	159,710,478	5
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 10)	1,447,120	-	1,298,413	-	1,320,760	-
RECEIVABLES, NET (Notes 4, 11, 38 and 39)	29,146,250	1	26,034,155	1	23,572,475	1
CURRENT TAX ASSETS (Note 4)	1,275,672	-	1,292,964	-	1,199,242	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 38 and 39)	1,933,064,654	58	1,966,819,818	59	1,965,685,368	60
REINSURANCE ASSETS, NET (Note 4)	15,384	-	8,034	-	24,814	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 13 and 39)	509,683,851	15	512,635,209	15	51,537,933	2
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	124,142	-	121,381	-	124,355	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 29 and 39)	203,605,161	6	199,782,619	6	190,781,537	6
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	3,918,200	-	3,739,784	-	3,562,954	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	38,057,014	1	38,233,003	1	39,321,288	1
INTANGIBLE ASSETS (Notes 4 and 18)	3,585,973	-	3,616,843	-	3,683,025	-
DEFERRED TAX ASSETS (Notes 4 and 35)	1,696,193	-	1,114,522	-	1,090,502	-
OTHER ASSETS, NET (Notes 4 and 19)	5,761,573	-	2,680,479	-	3,654,777	-
TOTAL	$ 3,310,314,341	100	$ 3,341,327,085	100	$ 3,296,410,368	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 20 and 38)	$ 240,228,723	7	$ 234,035,185	7	$ 210,244,559	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 25 and 38)	17,268,076	1	15,131,105	-	18,290,844	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 13, 21 and 38)	45,337,608	1	44,139,415	1	47,702,092	1
COMMERCIAL PAPER ISSUED, NET (Note 22)	18,251,111	1	16,515,191	1	15,487,422	-
PAYABLES (Notes 4, 23 and 38)	46,942,255	1	48,439,269	1	41,845,900	1
CURRENT TAX LIABILITIES (Note 4)	1,196,890	-	248,785	-	1,772,487	-
DEPOSITS AND REMITTANCES (Notes 24 and 38)	2,514,014,062	76	2,562,587,776	77	2,554,044,775	78
BONDS PAYABLE (Notes 8 and 25)	74,610,000	2	74,610,000	2	69,610,000	2
OTHER BORROWINGS (Notes 22 and 26)	1,332,666	-	1,328,384	-	946,820	-
PROVISIONS (Notes 4, 27 and 28)	50,865,748	2	50,334,071	2	52,065,438	2
OTHER FINANCIAL LIABILITIES (Notes 4 and 29)	93,104,458	3	90,127,625	3	84,795,050	3
DEFERRED TAX LIABILITIES (Notes 4, 17 and 35)	2,999,330	-	3,313,792	-	3,114,650	-
OTHER LIABILITIES (Note 30)	1,926,144	-	2,035,626	-	1,564,214	-
Total liabilities	3,108,077,071	94	3,142,846,224	94	3,101,484,251	94
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	118,472,850	3	118,472,850	3	110,722,290	3
Capital surplus	57,964,343	2	57,964,343	2	57,964,343	2
Retained earnings						
Legal reserve	3,643,188	-	3,643,188	-	2,356,575	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	17,603,003	1	14,225,747	1	16,001,201	1
Total retained earnings	22,242,217	1	18,864,961	1	19,353,802	1
Other equity	(378,146)	-	(624,156)	-	2,973,564	-
Total equity attributable to owners of TCFHC	198,301,264	6	194,677,998	6	191,013,999	6
NON-CONTROLLING INTERESTS	3,936,006	-	3,802,863	-	3,912,118	-
Total equity	202,237,270	6	198,480,861	6	194,926,117	6
TOTAL	$ 3,310,314,341	100	$ 3,341,327,085	100	$ 3,296,410,368	100

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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 31 and 38)	$ 12,902,637	118	$ 13,373,086	121
INTEREST EXPENSE (Notes 4, 31 and 38)	(4,580,968)	(42)	(5,060,248)	(46)
NET INTEREST	8,321,669	76	8,312,838	75
NET REVENUES AND GAINS OTHER THAN INTEREST				
Service fee and commission income, net (Notes 4, 32 and 38)	1,395,929	13	1,468,077	13
Premium income (losses), net (Notes 4, 27 and 29)	636,679	6	(344,394)	(3)
Losses on financial assets and liabilities at fair value through profit or loss (Notes 4, 33 and 38)	(1,061,694)	(10)	(624,245)	(6)
Realized gains on available-for-sale financial assets (Note 4)	205,451	2	408,349	4
Foreign exchange gains, net (Note 4)	1,446,565	13	1,277,832	12
Reversal of impairment losses on assets (Notes 4, 9 and 13)	8,097	-	6,516	-
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	2,669	-	2,332	-
Other noninterest gains, net (Note 38)	(32,270)	-	539,563	5
Total net revenues and gains other than interest	2,601,426	24	2,734,030	25
TOTAL NET REVENUES	10,923,095	100	11,046,868	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Notes 4 and 12)	(713,784)	(7)	(1,943,948)	(18)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 27)	(535,053)	(5)	565,863	5
OPERATING EXPENSES (Notes 4, 17, 28 and 34)				
Employee benefits	(3,857,630)	(35)	(3,829,676)	(34)
Depreciation and amortization	(279,468)	(2)	(303,900)	(3)
General and administrative	(1,590,921)	(15)	(1,757,727)	(16)
Total operating expenses	(5,728,019)	(52)	(5,891,303)	(53)

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 3,946,239	36	$ 3,777,480	34
INCOME TAX EXPENSE (Notes 4 and 35)	(450,878)	(4)	(539,822)	(5)
NET INCOME	3,495,361	32	3,237,658	29
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss (Note 4)				
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(1,113)	-	(16)	-
Items that may be reclassified subsequently to profit or loss (Notes 4 and 35)				
Exchange differences on the translation of financial statements of foreign operations	(719,958)	(7)	(186,297)	(1)
Unrealized gains on available-for-sale financial assets	885,418	8	1,540,300	14
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	92	-	-	-
Income tax attributable to other comprehensive income	96,609	1	12,586	-
Items that may be reclassified subsequently to profit or loss, net of income tax	262,161	2	1,366,589	13
Other comprehensive income, net of income tax	261,048	2	1,366,573	13
TOTAL COMPREHENSIVE INCOME	$ 3,756,409	34	$ 4,604,231	42
NET INCOME ATTRIBUTABLE TO:				
Owners of TCFHC	$ 3,377,256	31	$ 3,135,069	28
Non-controlling interests	118,105	1	102,589	1
	$ 3,495,361	32	$ 3,237,658	29
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of TCFHC	$ 3,623,266	33	$ 4,419,568	40
Non-controlling interests	133,143	1	184,663	2
	$ 3,756,409	34	$ 4,604,231	42

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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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 36)				
Basic	$0.29		$0.26	
Diluted	$0.29		$0.26	

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)
(Reviewed, Not Audited)

	Equity Attributable to Owners of TCFHC										
	Capital Stock (Note 37)			Retained Earnings (Notes 4 and 37)			Other Equity				
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 37)	Legal Reserve	Special Reserve	Unappropriated Earnings	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)	Non-controlling Interests (Notes 4 and 37)	Total Equity
BALANCE, JANUARY 1, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 14,225,747	$ (9,285)	$ (649,369)	$ 34,498	$ 3,802,863	$ 198,480,861
Total comprehensive income											
Net income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	-	-	-	118,105	3,495,361
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	-	(590,234)	837,357	(1,113)	15,038	261,048
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	(590,234)	837,357	(1,113)	133,143	3,756,409
BALANCE, MARCH 31, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 17,603,003	$ (599,519)	$ 187,988	$ 33,385	$ 3,936,006	$ 202,237,270
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
Total comprehensive income											
Net income for the three months ended March 31, 2016	-	-	-	-	-	3,135,069	-	-	-	102,589	3,237,658
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	-	(156,912)	1,441,427	(16)	82,074	1,366,573
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	3,135,069	(156,912)	1,441,427	(16)	184,663	4,604,231
BALANCE, MARCH 31, 2016	11,072,229	$ 110,722,290	$ 57,964,343	$ 2,356,575	$ 996,026	$ 16,001,201	$ 143,503	$ 2,827,909	$ 2,152	$ 3,912,118	$ 194,926,117

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)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,946,239	$ 3,777,480
Adjustments for:		
Depreciation expenses	232,360	251,890
Amortization expenses	47,108	52,010
Bad-debt expenses	574,710	1,931,569
Losses on financial assets and liabilities at fair value through profit or loss	1,061,694	624,245
Interest expense	4,580,968	5,060,248
Interest revenue	(12,902,637)	(13,373,086)
Dividend income	(46,958)	(2,169)
Net changes in reserves for insurance liabilities	394,974	(654,276)
Provision for losses on guarantees	139,074	12,379
Share of gains of associates and joint ventures accounted for using equity method	(2,669)	(2,332)
Losses on disposal of properties and equipment	654	729
Gains on disposal of investments	(158,493)	(430,161)
Reversal of impairment losses on financial assets	(8,097)	(6,516)
Unrealized losses on foreign exchange	1,216,356	568,894
Gains on disposal of collaterals assumed	(808)	-
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	11,797,048	(18,784,361)
Decrease (increase) in financial assets at fair value through profit or loss	3,810,287	(3,102,786)
Increase in available-for-sale financial assets	(11,288,466)	(6,131,145)
Decrease in receivables	183,902	256,957
Decrease in discounts and loans	33,342,581	13,926,245
Decrease (increase) in reinsurance assets	(7,621)	1,061
Decrease (increase) in held-to-maturity financial assets	2,659,601	(6,340,096)
Decrease (increase) in other financial assets	(4,656,408)	244,421
Decrease (increase) in other assets	(3,037,413)	271,117
Increase in due to the Central Bank and other banks	6,193,538	5,648,745
Decrease in financial liabilities at fair value through profit or loss	(3,305,032)	(4,603,055)
Increase (decrease) in securities sold under repurchase agreements	1,198,193	(3,439,139)
Increase (decrease) in payables	(5,713,806)	1,128,080
Increase (decrease) in deposits and remittances	(48,573,714)	51,269,685
Decrease in provision for employee benefits	(1,718)	(2,239,080)
Increase (decrease) in other financial liabilities	1,764,049	(625,983)
Increase (decrease) in other liabilities	(127,539)	39,982
Cash generated by (used in) operations	(16,688,043)	25,331,552

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
Interest received	$ 13,382,633	$ 14,191,732
Dividends received	49,157	2,906
Interest paid	(4,032,453)	(4,253,584)
Income tax paid	(265,768)	(256,208)
Net cash generated by (used in) operating activities	(7,554,474)	35,016,398
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(253,540)	(83,827)
Proceeds of the disposal of properties and equipment	-	221
Increase in refundable deposits	(27,606)	(114,797)
Acquisition of intangible assets	(6,576)	(41,062)
Proceeds of the disposal of collaterals assumed	3,070	-
Acquisition of investment properties	-	(819)
Increase in other assets	(6,909)	(16,815)
Decrease in other assets	4,495	-
Net cash used in investing activities	(287,066)	(257,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	1,733,000	-
Decrease in commercial paper issued	-	(68,000)
Increase in other borrowings	62,883,812	752,412
Decrease in other borrowings	(62,865,324)	(655,523)
Increase in guarantee deposits received	533,073	249,232
Increase in other liabilities	7,272	-
Decrease in other liabilities	-	(46,109)
Net cash generated by financing activities	2,291,833	232,012
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,025,755	(214,001)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,523,952)	34,777,310
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	119,263,205	430,685,493
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 115,739,253	$ 465,462,803

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

Cash and cash equivalents reconciliations:

	March 31	
	2017	**2016**
Cash and cash equivalents in consolidated balance sheets	$ 53,276,791	$ 49,272,692
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"	60,498,882	414,579,776
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,447,120	1,320,760
Other items in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	516,460	289,575
Cash and cash equivalents, end of period	$ 115,739,253	$ 465,462,803

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

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 March 31, 2017.

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) futures proprietary trading 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) securities investment consulting business; and (d) 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 March 31, 2017 and 2016, TCFHC and its subsidiaries (the Company) had 9,031 and 9,026 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 May 22, 2017.

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

a. Influences of initial application of the amended 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The Company had applied Order No. 1050026834 issued by the FSC, the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed and issued into effect by the FSC for application starting from 2017, and the amendments to 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 and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises.

Except for the following, the initial application of the above New IFRSs in 2017 and related amendments to 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 and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises would not have any material impact on the Company's accounting policies:

Amendments to 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 and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

The Company has not applied the following IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC. The FSC announced that the Bank should apply IFRS 9 and 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.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	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 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

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.

4) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Company may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Company is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Company may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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 and issued into effect 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 subsidiary, 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 TCFHC 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 uncollectable, 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 uncollectable, 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 uncollectable, 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: Uncollectable - 100%; with doubtful collectability - 50%; substandard - 10%; "special mention" - 2%; and collectable (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 uncollectable 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 uncollectable.

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

Finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

<u>Separate acquisition</u>

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. The effect of any changes in estimates accounted for on a prospective basis.

<u>Acquisition as part of a business combination</u>

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.

<u>Derecognition</u>

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 and issued into effect 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 stockholders 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 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 instruments 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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	$ 22,773,183	$ 21,108,703	$ 23,047,178
Notes and checks in clearing	11,856,843	21,179,639	11,642,605
Due from banks	18,646,765	13,164,482	14,582,909
	$ 53,276,791	$ 55,452,824	$ 49,272,692

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2017 and 2016 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2016 are stated below:

	December 31, 2016
Cash and cash equivalent in the consolidated balance sheet	$ 55,452,824
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"	62,511,968
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,298,413
Cash and cash equivalents, end of the year	$ 119,263,205

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

	March 31, 2017	December 31, 2016	March 31, 2016
Reserves for deposits - account A	$ 33,034,953	$ 34,750,975	$ 59,425,917
Reserves for deposits - account B	66,406,563	67,264,263	66,123,559
Reserves for deposits - community financial institutions	55,683,726	54,742,220	53,435,558
Reserves for deposits - foreign-currency deposits	334,232	354,002	312,116
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Time deposits in the Central Bank	4,000,000	4,100,000	4,500,000
Negotiable certificates of deposit in the Central Bank	1,300,000	1,435,000	421,350,000
Due from the Central Bank - others	9,110,166	8,958,457	5,721,619
Due from the Central Bank - central government agencies' deposits	2,246,890	4,246,259	2,029,640
Call loans to banks	70,296,602	80,372,090	102,433,082
	$ 281,613,132	$ 295,423,266	$ 754,531,491

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.

For the three months ended March 31, 2017 and for the year ended 2016, the negotiable certificates of deposit in the Central Bank purchased by the Company was recognized as held to maturity financial assets, due to the positive intension and ability to hold to maturity. Please refer to Note 13.

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

	March 31, 2017	December 31, 2016	March 31, 2016
Held-for-trading financial assets			
Commercial paper	$ 42,054,213	$ 39,422,368	$ 38,332,460
Corporate bonds	2,309,452	2,811,549	1,125,403
Bank debentures	2,242,294	973,415	-
Stocks	1,554,994	1,265,263	519,209
Government bonds	1,497,649	4,167,596	604,560
Beneficial certificates	1,097,247	961,330	65,249
Convertible bonds	902,181	570,826	344,046
Negotiable certificates of deposit	699,845	499,666	1,299,276
Commercial paper contracts with reference rate	1,625	2,135	1,785
Currency swap contracts	2,812,976	3,126,729	4,117,742
Futures exchange margins	249,108	193,117	118,566
Forward contracts	167,011	256,258	385,088
Foreign-currency margin contracts	93,990	81,509	201,920
Currency option contracts - buy	38,292	73,155	95,429
Cross-currency swap contracts	29,243	13,294	70,394
Interest rate swap contracts	11,866	9,478	35,532
Stock warrants	1,363	159	-
Asset swap options	-	-	4
	55,763,349	54,427,847	47,316,663
Financial assets designated as at fair value through profit or loss			
Convertible bond asset swap contracts	-	-	20,014
Financial assets at fair value through profit or loss	$ 55,763,349	$ 54,427,847	$ 47,336,677
Held-for-trading financial liabilities			
Payable - security borrowing	$ 156,696	$ 193,154	$ -
Currency swap contracts	4,722,388	1,923,092	4,960,785
Interest rate swap contracts	577,717	240,021	18,705
Forward contracts	80,433	160,751	43,357
Asset swap options	49,235	17,372	-

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Currency option contracts - sell	$ 38,470	$ 74,734	$ 95,874
Cross-currency swap contracts	17,012	181,780	318,599
Stock warrants issued liabilities, net	8,184	3,773	-
Foreign-currency margin contracts	104	-	-
TAIEX Future put options	-	393	-
	5,650,239	2,795,070	5,437,320
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 25)	11,617,837	12,336,035	12,853,524
Financial liabilities at fair value through profit or loss	$ 17,268,076	$ 15,131,105	$ 18,290,844

(Concluded)

As of March 31, 2017, December 31, 2016 and March 31, 2016, financial assets at fair value through profit or loss amounting to $26,143,286 thousand, $19,348,965 thousand and $22,595,540 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 March 31, 2017, December 31, 2016 and March 31, 2016, the contract (notional) amounts of derivative transactions of TCB were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Currency swap contracts	$ 358,648,995	$ 383,022,590	$ 431,903,891
Interest rate swap contracts	14,691,672	14,928,007	15,409,253
Forward contracts	13,368,570	21,618,774	26,343,791
Currency option contracts - sell	6,980,635	6,939,285	11,758,168
Currency option contracts - buy	6,798,355	6,718,188	11,758,168
Foreign-currency margin contracts	2,139,440	1,162,522	4,870,558
Cross-currency swap contracts	1,629,530	1,387,092	3,434,360

As of March 31, 2017, the open position of futures transactions of TCB were as follows:

		March 31, 2017			
		Open Position			
Items	Products	Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Futures contracts	US T-Note 201706	Sell	25	$ 93,943	$ 94,439

As of March 31, 2017, December 31, 2016 and March 31, 2016, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		March 31, 2017			
		Open Position		Contract Amounts or Premium Paid (Charged)	
Items	**Products**	**Buy/Sell**	**Number of Contracts**		**Fair Values**
Futures contracts	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201705	Buy	14	$ 2,184	$ 2,177
	Fubon SSE180 ETF 201705	Buy	41	11,010	10,980
	Fuh Hwa CSI300 A Shares ETF Futures 201704	Buy	2	398	401
	Fubon SZSE 100 Index ETF Futures 201704	Buy	15	1,400	1,411
	Mini H-shares Index Futures 201704	Buy	8	3,237	3,213
	Cathay FTSE China A50 ETF Futures 201704	Buy	187	59,116	59,284
	E-mini S&P 500 Index Futures 201706	Buy	5	17,845	17,889
	Shin Kong Financial Holding Co., Ltd. Stock Futures 201704	Sell	13	232	230
	Alpha Networks Inc. Stock Futures 201704	Sell	190	8,771	8,721
	Tong Hsing Electronic Industries, Ltd. Stock Futures 201704	Sell	7	1,876	1,876
	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201704	Sell	17	2,660	2,643
	Fubon SSE180 ETF 201704	Sell	61	16,405	16,391
	Yuanta/P-shares SSE50 ETF 201704	Sell	29	7,412	7,476
	Cathay FTSE China A50 ETF Futures 201704	Sell	62	10,075	10,001
	Capital SZSE SME Price Index ETF Futures 201704	Sell	96	13,208	13,104
	Capital SZSE SME Price Index ETF Futures 201705	Sell	15	2,073	2,044
	TAIEX Futures 201704	Sell	44	86,573	86,425
	Yuanta/P-shares Taiwan Top 50 ETF Futures 201704	Sell	3	2,183	2,209
	H-shares Index Futures 201704	Sell	5	10,187	10,041
	NYMEX Crude Oil Futures 201705	Sell	47	71,568	72,131
	NYMEX Gold Futures 201706	Sell	31	116,995	117,642
	Nifty 50 Futures 201704	Sell	10	5,565	5,579
	E-mini NASDAQ 100 Futures 201706	Sell	7	23,028	23,093

(Continued)

Items	Products	March 31, 2017 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
	US T-NOTE 201706	Sell	35	$ 130,853	$ 132,229
	Ultra 10-Year U.S. Treasury Note Futures 201706	Sell	6	29,220	29,231
	CBOE Volatility Index Futures 201704	Sell	19	7,971	7,650
	CBOE Volatility Index Futures 201705	Sell	25	10,638	10,293
	E-mini Dow Jones Futures 201706	Sell	7	22,059	21,872

(Concluded)

Items	Products	December 31, 2016 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Future contracts	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201701	Buy	320	$ 50,740	$ 50,656
	Fubon SSE180 ETF 201701	Buy	22	5,925	5,927
	Fuh Hwa CSI300 A Shares ETF Futures 201701	Buy	19	3,795	3,800
	Cathay FTSE China A50 ETF Futures 201701	Buy	44	7,102	7,110
	H-shares Index Futures 201701	Buy	1	1,927	1,952
	Mini-Hang Seng Index Futures 201701	Buy	1	903	913
	NYMEX Crude Oil Futures 201702	Buy	14	24,286	24,255
	Cathay FTSE China A50 Index Futures 201701	Buy	8	2,570	2,570
	E-mini S&P 500 Index Futures 201703	Buy	3	10,860	10,818
	NYMEX Gold Futures 201702	Buy	4	14,899	14,857
	Nifty 50 Futures 201701	Buy	3	1,539	1,584
	Shin Kong Financial Holding Co., Ltd. Stock Futures 201701	Sell	12	190	190
	Flexium Interconnect Inc. Stock Futures 201701	Sell	5	846	845
	Yuanta/P-shares SSE50 ETF 201701	Sell	91	23,674	23,624

(Continued)

Items	Products	December 31, 2016 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
	Fubon SZSE 100 Index ETF Futures 201701	Sell	139	$ 13,079	$ 13,024
	TAIEX Futures 201701	Sell	5	9,245	9,262
	H-shares Index Futures 201701	Sell	6	11,559	11,711
	Mini H-shares Index Futures 201701	Sell	1	387	390
	NYMEX Crude Oil Futures 201712	Sell	36	64,219	66,247
	CBOE Volatility Index Futures 201701	Sell	41	19,368	19,999
	CBOE Volatility Index Futures 201702	Sell	27	14,142	14,433
	Cathay FTSE China A50 ETF Futures 201701	Sell	6	1,908	1,928
Option contracts	TAIEX Index Options 201701	Sell	60	408	393

(Concluded)

Items	Products	March 31, 2016 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Futures contracts	TAIEX Futures 201604	Sell	57	$ 99,563	$ 99,362

As of March 31, 2017 and December 31, 2016, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	March 31, 2017	December 31, 2016
Asset swap contracts	$ 490,700	$ 170,500

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

As of March 31, 2017, December 31, 2016 and March 31, 2016, the contract (notional) amounts of currency swap options and interest rate swap options of TCS were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Interest rate swap contracts	$ 2,090,000	$ 2,090,000	$ -
Currency swap contracts	559,589	267,675	243,657

The duration of the stock warrants issued by TCS is six to eight months from the trade date, and will be settled in cash. The fair values of stock warrants issued and repurchased by TCS were as follows:

	March 31, 2017	December 31, 2016
Stock warrants issued liabilities	$ 752,100	$ 627,433
Losses on changes in fair value of stock warrants issued liabilities	(135,570)	(272,367)
	616,530	355,066
Repurchase of stock warrants issued liabilities	710,870	590,352
Gains on changes in fair value of repurchased of stock warrants issued liabilities	(102,524)	(239,059)
	608,346	351,293
Stock warrants liabilities, net	$ 8,184	$ 3,773

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 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 March 31, 2017, December 31, 2016 and March 31, 2016, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Currency swap contracts	$ 12,737,279	$ 12,520,950	$ 9,518,184
Cross-currency swap contracts	911,400	2,094,300	2,734,875

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Government bonds	$ 105,001,323	$ 101,708,465	$ 88,742,438
Corporate bonds	41,186,523	36,569,650	35,809,588
Bank debentures	31,190,186	30,234,436	24,981,623
Stocks	6,150,873	5,115,171	5,081,774
Beneficial certificates	4,750,977	5,018,202	5,095,055
	$ 188,279,882	$ 178,645,924	$ 159,710,478

The Company evaluated its available-for-sale financial assets and recognized a reversal of impairment loss of $3,303 thousand because of the change in credit ratings of the bond issuers for the three months ended March 31, 2016.

As of March 31, 2017, December 31, 2016 and March 31, 2016, available-for-sale financial assets amounting to $17,628,353 thousand, $22,196,686 thousand and $23,323,423 thousand, respectively, had been sold under repurchase agreements.

As of March 31, 2017, December 31, 2016 and March 31, 2016, available-for-sale financial assets amounting to $1,137,955 thousand, $980,720 thousand and $844,272 thousand, respectively, were investments in Taiwan High Speed Rail Corporation’s private placement of common stock. TCB made the investments in order to coordinate with government economic development plan.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $1,447,120 thousand $1,298,413 thousand and $1,320,760 thousand under resell agreements as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively, will subsequently be sold for $1,447,543 thousand $1,298,958 thousand and $1,321,090 thousand, respectively.

11. RECEIVABLES, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Accrued interest	$ 6,965,743	$ 7,205,814	$ 5,940,855
Margin loans receivable	3,834,497	3,485,942	3,426,150
Acceptances	3,243,527	3,289,300	2,984,812
Credit cards	3,081,695	2,932,579	2,633,809
Settlement receivable	2,271,270	1,005,396	1,255,047
Settlement consideration	2,194,227	1,361,874	1,369,168
Acquired loans	2,000,513	2,153,693	2,521,414
Receivable on securities	1,649,070	631,566	726,506
Lease payment receivable	1,513,723	1,615,075	1,399,883
Receivable - separated account	701,224	480,911	554,925
Receivables on lending funds	575,710	611,988	-
Receivables on merchant accounts in the credit card business	541,233	693,721	494,742
Accounts receivable factored without recourse	470,151	561,785	198,778
Credits receivable	467,655	468,946	473,477
Accounts receivable	428,241	543,573	407,949
Refundable deposits receivable in leasehold agreements	272,993	272,993	272,993
Others	625,601	449,551	393,764
	30,837,073	27,764,707	25,054,272
Less: Allowance for possible losses	1,588,364	1,618,858	1,376,415
Less: Unrealized interest revenue	102,459	111,694	105,382
	$ 29,146,250	$ 26,034,155	$ 23,572,475

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 $98,607 thousand, $0 thousand and $5,787 thousand, respectively) assessed for impairment as of March 31, 2017, December 31, 2016 and March 31, 2016 were as follows:

Items		March 31, 2017		December 31, 2016		March 31, 2016	
		Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	$ 1,568,665	$ 868,138	$ 1,645,621	$ 929,595	$ 1,869,184	$ 806,993
	Assessment of collective impairment	123,670	36,761	115,996	37,125	126,990	40,282
With no objective evidence of impairment	Assessment of collective impairment	29,046,131	683,465	26,003,090	652,138	23,052,311	529,140
Total		30,738,466	1,588,364	27,764,707	1,618,858	25,048,485	1,376,415

The changes in allowance for possible losses are summarized below:

	For the Three Months Ended March 31	
	2017	2016
Balance, January 1	$ 1,618,858	$ 1,319,773
Provision (reversal of provision) for possible losses	(10,259)	76,943
Write-offs	(20,108)	(19,624)
Recovery of written-off receivables	3,273	109
Effects of exchange rate changes	(3,400)	(786)
Balance, March 31	$ 1,588,364	$ 1,376,415

12. DISCOUNTS AND LOANS, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Bills discounted	$ 702,962	$ 1,624,550	$ 1,683,508
Overdraft			
Unsecured	134,185	144,492	167,913
Secured	88,389	89,017	111,405
Import and export negotiations	399,948	581,716	403,933
Short-term loans			
Unsecured	215,317,674	222,846,953	223,201,047
Accounts receivable financing	542,507	560,979	422,830
Secured	174,909,261	174,550,850	159,163,845
Medium-term loans			
Unsecured	289,866,506	298,972,980	299,134,479
Secured	309,072,593	309,946,717	307,361,698
Long-term loans			
Unsecured	29,038,041	29,959,231	34,808,595
Secured	929,176,612	944,395,557	955,248,043
Overdue loans	7,134,663	6,768,785	5,199,226
Life insurance loan	454,315	377,800	329,520
Temporary insurance paid	17,183	15,456	8,706
	1,956,854,839	1,990,835,083	1,987,244,748
Less: Allowance for possible losses	23,377,278	23,554,791	21,094,260
Less: Adjustment of discount	412,907	460,474	465,120
	$ 1,933,064,654	$ 1,966,819,818	$ 1,965,685,368

As of March 31, 2017, December 31, 2016 and March 31, 2016, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was $33,606 thousand and $30,524 thousand for the three months ended March 31, 2017 and 2016, respectively.

The allowances for possible losses on discounts and loans assessed for impairment as of March 31, 2017, December 31, 2016 and March 31, 2016 were as follows:

Items		March 31, 2017		December 31, 2016		March 31, 2016	
		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	$ 18,299,493	$ 3,898,637	$ 19,082,451	$ 4,833,355	$ 11,902,587	$ 4,117,383
	Assessment of collective impairment	11,119,248	1,902,590	10,715,491	1,817,649	10,984,353	1,861,753
With no objective evidence of impairment	Assessment of collective impairment	1,927,436,098	17,576,051	1,961,037,141	16,903,787	1,964,357,808	15,115,124
Total		1,956,854,839	23,377,278	1,990,835,083	23,554,791	1,987,244,748	21,094,260

The changes in allowance for possible losses are summarized below:

	For the Three Months Ended March 31	
	2017	2016
Balance, January 1	$ 23,554,791	$ 21,461,997
Provision for possible losses	678,609	1,641,626
Write-offs	(903,782)	(2,063,118)
Recovery of written-off credits	252,182	116,205
Effects of exchange rate changes	(204,522)	(62,450)
Balance, March 31	$ 23,377,278	$ 21,094,260

The bad-debt expenses and provision for losses on guarantees for the three months ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended March 31	
	2017	2016
Provision for possible losses on discounts and loans	$ 678,609	$ 1,641,626
Provision (reversal of provision) for possible losses on receivables	(10,259)	76,943
Provision (reversal of provision) for possible losses on overdue receivables	(93,640)	213,000
Provision for possible losses on guarantees	139,074	12,379
	$ 713,784	$ 1,943,948

As of March 31, 2017, December 31, 2016 and March 31, 2016, TCB was in compliance with the FSC-required provision for credit assets.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Negotiable certificates of deposit in the Central Bank	$ 417,410,000	$ 431,410,000	$ -
Government bonds	62,027,532	52,658,934	26,723,869
Corporate bonds	24,763,710	22,173,288	18,756,604
Bank debentures	4,701,197	5,594,463	5,758,232
Treasury bills	498,878	498,878	-
Certificates of deposit	282,534	299,646	299,228
	$ 509,683,851	$ 512,635,209	$ 51,537,933

The Company evaluated its held-to-maturity financial assets and recognized a reversal of impairment loss of $8,097 thousand and $3,213 thousand on some bonds because of the change in credit ratings of the bond issuers for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, December 31, 2016 and March 31, 2016, held-to-maturity financial assets amounting to $1,225,334 thousand $2,198,860 thousand and $1,726,222 thousand, respectively, had been sold under repurchase agreements.

As of March 31, 2017 and December 31, 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 intention and ability to hold to maturity.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2017		December 31, 2016		March 31, 2016	
Investment in associate	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
United Real Estate Management Co., Ltd.	$ 124,142	30.00	$ 121,381	30.00	$ 124,355	30.00

Aggregate information of associate that is not individually material:

	For the Three Months Ended March 31	
	2017	2016
The Company's share of:		
Net income	$ 2,669	$ 2,332
Other comprehensive income	92	-
Total comprehensive income for the period	$ 2,761	$ 2,332

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the three months ended March 31, 2017 and 2016 were based on the associate's financial statements for the same period which have not been reviewed by the auditors. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of the associate that have not been reviewed.

15. OTHER FINANCIAL ASSETS, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Overdue receivables	$ 501,219	$ 603,505	$ 739,149
Less: Allowance for possible losses	463,139	560,868	541,301
Overdue receivables, net	38,080	42,637	197,848
Debt instruments with no active market, net	92,573,424	89,326,692	94,797,190
Due from banks	17,841,586	18,429,346	13,937,085

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Security borrowing margin	$ 438,072	$ 260,094	$ -
Financial assets carried at cost	4,300,006	4,255,259	4,125,660
Call loans to securities firms	273,820	-	289,575
Separate-account assets (Note 29)	88,140,173	87,468,591	77,434,179
	$ 203,605,161	$ 199,782,619	$ 190,781,537

(Concluded)

Debt instruments with no active market are summarized as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Corporate bonds	$ 75,623,457	$ 72,829,255	$ 76,022,174
Bank debentures	16,949,967	16,497,437	18,453,266
Government bonds - overseas	-	-	321,750
	$ 92,573,424	$ 89,326,692	$ 94,797,190

Financial assets carried at cost are summarized as follows:

	March 31, 2017		December 31, 2016		March 31, 2016	
	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	669,600	1.63
Taiwan Power Company	631,153	0.24	631,153	0.24	631,153	2.40
Financial Information Service Co., Ltd.	135,405	2.89	135,405	2.89	135,405	2.89
Taiwan Financial Asset Service Co., Ltd.	101,125	5.88	101,125	5.88	101,125	5.88
Others	391,789		347,042		217,443	
	$ 4,300,006		$ 4,255,259		$ 4,125,660	

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 loss at the end of the 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

	March 31, 2017	December 31, 2016	March 31, 2016
Land	$ 2,973,912	$ 2,864,226	$ 2,679,194
Buildings	944,288	875,558	883,760
	$ 3,918,200	$ 3,739,784	$ 3,562,954

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 three months ended March 31, 2017 and 2016.

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

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

As of December 31, 2016 and 2015, the fair value of investment properties was $8,531,932 thousand and $8,765,688 thousand, respectively. The fair value was determined through calculations using the market value method and estimates based on 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 three months ended March 31, 2017 and 2016.

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

	For the Three Months Ended March 31	
	2017	2016
Rental income from investment properties	$ 45,069	$ 44,336
Direct operating expenses for investment properties that generate rental income	(18,030)	(14,474)
	$ 27,039	$ 29,862

17. PROPERTIES AND EQUIPMENT, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Carrying amount			
Land	$ 24,387,497	$ 24,330,673	$ 24,823,637
Buildings	7,776,254	7,864,023	8,265,804
Machinery and equipment	684,393	755,917	957,536
Transportation equipment	91,435	98,383	112,335
Other equipment	151,593	165,167	186,187
Leasehold improvements	126,789	144,048	172,707
Leased assets	13,034	-	-
Prepayments for equipment, land and buildings and construction in progress	4,826,019	4,874,792	4,803,082
	$ 38,057,014	$ 38,233,003	$ 39,321,288

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments	Total
Cost									
Balance, January 1, 2017	$ 24,345,850	$ 14,414,368	$ 4,824,702	$ 636,297	$ 1,308,670	$ 919,115	$ -	$ 4,874,792	$ 51,323,794
Additions	56,980	1,862	13,842	1,559	3,266	2,037	13,352	160,642	253,540
Disposals	-	-	(64,274)	(4,490)	(19,342)	(8,855)	-	-	(96,961)
Reclassification	-	274	9,894	-	142	572	-	(209,415)	(198,533)
Effects of exchange rate changes	(156)	(333)	(7,108)	(1,104)	(2,463)	(5,014)	-	-	(16,178)
Balance, March 31, 2017	$ 24,402,674	$ 14,416,171	$ 4,777,056	$ 632,262	$ 1,290,273	$ 907,855	$ 13,352	$ 4,826,019	$ 51,265,662
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	-	9,221	15,331	5,885	18,355	2,504	-	32,531	83,827
Disposals	-	(860)	(11,492)	(4,620)	(4,025)	(4,698)	-	-	(25,695)
Reclassification	-	2,762	18,052	-	-	1,417	-	(32,804)	(10,573)
Effects of exchange rate changes	(60)	(127)	(2,231)	(245)	(527)	(1,356)	-	-	(4,546)
Balance, March 31, 2016	$ 24,838,814	$ 14,663,892	$ 5,287,671	$ 641,816	$ 1,319,176	$ 899,430	$ -	$ 4,803,082	$ 52,453,881

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total
Accumulated depreciation and impairment								
Balance, January 1, 2017	$ 15,177	$ 6,550,345	$ 4,068,785	$ 537,914	$ 1,143,503	$ 775,067	$ -	$ 13,090,791
Disposals	-	-	(63,687)	(4,484)	(19,281)	(8,855)	-	(96,307)
Depreciation expenses	-	89,800	92,474	8,337	15,547	17,045	318	223,521
Effects of exchange rate changes	-	(228)	(4,909)	(940)	(1,089)	(2,191)	-	(9,357)
Balance, March 31, 2017	$ 15,177	$ 6,639,917	$ 4,092,663	$ 540,827	$ 1,138,680	$ 781,066	$ 318	$ 13,208,648
Balance, January 1, 2016	$ 15,177	$ 6,303,683	$ 4,240,770	$ 525,126	$ 1,120,325	$ 719,807	$ -	$ 12,924,888
Disposals	-	-	(11,445)	(4,584)	(4,018)	(4,698)	-	(24,745)
Depreciation expenses	-	94,486	102,736	9,587	16,489	20,400	-	243,698
Effects of exchange rate changes	-	(81)	(1,926)	(648)	193	(8,786)	-	(11,248)
Balance, March 31, 2016	$ 15,177	$ 6,398,088	$ 4,330,135	$ 529,481	$ 1,132,989	$ 726,723	$ -	$ 13,132,593

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As March 31, 2017, the reserve for land revaluation increment tax (part of deferred tax liabilities) was $2,596,230 thousand.

Properties and equipment were depreciation 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
Leased assets	7 years

As of March 31, 2017, December 31, 2016 and March 31, 2016, 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 accountants' review 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 8.84%, 8.84% and 8.78% as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

18. INTANGIBLE ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Goodwill	$ 3,170,005	$ 3,170,005	$ 3,170,005
Computer software	415,968	446,838	513,020
	$ 3,585,973	$ 3,616,843	$ 3,683,025

Except for amortization expenses recognized and the reclassification of intangible assets, the Company had no significant addition, disposal and impairment on intangible assets during the three months ended March 31, 2017 and 2016.

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 March 31, 2017, December 31, 2016 and March 31, 2016.

19. OTHER ASSETS, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Refundable deposits	$ 1,418,293	$ 1,377,805	$ 1,912,931
Prepaid expenses	3,333,200	286,562	676,191
Operating deposits and settlement funds	653,728	648,314	649,842
Collaterals assumed, net	260,289	262,506	262,051
Others	96,063	105,292	153,762
	$ 5,761,573	$ 2,680,479	$ 3,654,777

Of the prepaid expenses as of March 31, 2017, an amount of $2,650,112 thousand referred to TCB's investment in its overseas branches.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2017	December 31, 2016	March 31, 2016
Due to banks	$ 115,328,317	$ 127,052,418	$ 113,841,699
Call loans from banks	118,998,615	91,385,406	81,438,017
Deposits from Chunghwa Post Co., Ltd.	5,299,331	5,815,108	14,310,230
Bank overdraft	191,998	9,482,741	345,873
Due to the Central Bank	410,462	299,512	308,740
	$ 240,228,723	$ 234,035,185	$ 210,244,559

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $45,337,608 thousand, $44,139,415 thousand and $47,702,092 thousand under repurchase agreements as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively, would subsequently be purchased for $45,354,894 thousand $44,156,109 thousand and $47,720,626 thousand respectively.

22. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were $18,258,000 thousand, $16,525,000 thousand and $15,496,000 thousand and the annual discount rates were from 0.523% to 0.888%, from 0.650% to 0.888% and from 0.550% to 1.048% as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively, and the commercial paper will mature by May 4, 2017, October 26, 2017 and June 12, 2016, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of March 31, 2017, the Company had not used the amount of $41,800,174 thousand, the sum of the amount of the commercial paper issued and the credit.

23. PAYABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Checks for clearing	$ 11,856,843	$ 21,179,639	$ 11,642,605
Collections of notes and checks for various financial institutions in other cities	5,142,341	1,441,353	5,099,783
Accrued expenses	5,056,876	4,810,225	4,843,338
Collections payable	4,728,033	5,919,674	4,606,515
Accrued interest	4,441,131	3,763,243	4,321,091
Acceptances	3,267,369	3,396,401	3,003,826
Payables on notes and checks collected for others	2,693,783	533,563	1,500,000
Settlement consideration	2,558,956	1,143,804	1,473,313
Settlement payable	1,960,421	1,225,453	1,200,443
Payable on securities	1,722,920	856,710	1,013,112
Tax payable	422,117	486,461	427,389
Factored accounts payable	290,108	385,123	120,638
Dividends payable	244,503	244,503	242,035
Payables for short-sale transactions	200,164	392,215	142,049
Deposits on short-sale transactions	183,663	362,651	148,797
Insurance claims and benefits payable	59,245	265,515	119,297
Others	2,113,782	2,032,736	1,941,669
	$ 46,942,255	$ 48,439,269	$ 41,845,900

24. DEPOSITS AND REMITTANCES

	March 31, 2017	December 31, 2016	March 31, 2016
Deposits			
Checking	$ 36,428,305	$ 46,824,959	$ 34,420,684
Demand	471,861,913	479,896,040	482,838,367
Savings - demand	799,056,655	796,973,550	750,665,054
Time	460,046,238	476,827,373	517,589,582
Negotiable certificates of deposit	1,487,900	1,622,800	6,111,000
Savings - time	664,855,801	669,211,936	683,341,876
Treasury	79,881,752	90,797,579	78,707,173
Remittances	395,498	433,539	371,039
	$ 2,514,014,062	$ 2,562,587,776	$ 2,554,044,775

25. BONDS PAYABLE

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

	March 31, 2017	December 31, 2016	March 31, 2016
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 Taipei Interbank Offered Rate (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
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

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
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: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000	-
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000	-
	$ 74,610,000	$ 74,610,000	$ 69,610,000

(Concluded)

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank debentures bonds issued in 2015, Type A	$ 8,713,872	$ 9,253,296	$ 9,618,064
Unsecured bank debentures bonds issued in 2015, Type B	2,903,965	3,082,739	3,235,460
	$ 11,617,837	$ 12,336,035	$ 12,853,524

26. OTHER BORROWINGS

	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Short-term borrowings (Note 22)	$ 1,332,666	0.870-4.785	$ 1,328,384	0.870-4.785	$ 946,820	1.010-4.785

27. PROVISIONS

	March 31, 2017	December 31, 2016	March 31, 2016
Reserve for life insurance liabilities	$ 31,033,296	$ 30,554,508	$ 32,143,952
Reserve for insurance contracts with financial instrument features	11,423,897	11,511,953	11,699,291
Provision for employee benefits	6,500,074	6,501,792	6,429,006
Provision for losses on guarantees	1,554,400	1,415,708	1,451,629
Others	354,081	350,110	341,560
	$ 50,865,748	$ 50,334,071	$ 52,065,438

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

	March 31, 2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 9,606,371	$ 8,525,887	$ 18,132,258
Health insurance	296,837	-	296,837
Annuity insurance	-	12,533,204	12,533,204
Investment insurance	70,997	-	70,997
	9,974,205	21,059,091	31,033,296
Less: Ceded life insurance liability reserve	-	-	-
	$ 9,974,205	$ 21,059,091	$ 31,033,296

	December 31, 2016		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 9,216,662	$ 9,026,171	$ 18,242,833
Health insurance	267,141	-	267,141
Annuity insurance	-	11,995,256	11,995,256
Investment insurance	49,278	-	49,278
	9,533,081	21,021,427	30,554,508
Less: Ceded life insurance liability reserve	-	-	-
	$ 9,533,081	$ 21,021,427	$ 30,554,508

	March 31, 2016		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 7,879,682	$ 11,686,623	$ 19,566,305
Health insurance	194,954	-	194,954
Annuity insurance	-	12,347,380	12,347,380
Investment insurance	35,313	-	35,313
	8,109,949	24,034,003	32,143,952
Less: Ceded life insurance liability reserve	-	-	-
	$ 8,109,949	$ 24,034,003	$ 32,143,952

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

	For the Three Months Ended March 31					
	2017			2016		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	$ 9,533,081	$ 21,021,427	$ 30,554,508	$ 7,505,991	$ 25,237,863	$ 32,743,854
Provision	506,882	883,649	1,390,531	638,229	95,380	733,609
Recovery	(65,758)	(845,985)	(911,743)	(34,271)	(1,299,240)	(1,333,511)
Ending balance	9,974,205	21,059,091	31,033,296	8,109,949	24,034,003	32,143,952
Less: Ceded life insurance liability reserve	-	-	-	-	-	-
Balance, March 31	$ 9,974,205	$ 21,059,091	$ 31,033,296	$ 8,109,949	$ 24,034,003	$ 32,143,952

b. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	March 31, 2017	December 31, 2016	March 31, 2016
Life insurance liability reserve	$ 31,033,296	$ 30,554,508	$ 32,143,952
Unearned premium reserve	151,513	143,392	109,623
Premium deficiency reserve	37,882	45,576	58,039
Claims reserve	34,890	15,155	32,042
Book value of insurance reserve	$ 31,257,581	$ 30,758,631	$ 32,343,656
Present value of discounted cash flows	$ 27,915,904	$ 27,664,036	$ 28,977,794
Balance of liability adequacy reserve	$ -	$ -	$ -

As of March 31, 2017, December 31, 2016 and March 31, 2016, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

	March 31, 2017, December 31, 2016 and March 31, 2016
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:

	March 31, 2017	December 31, 2016	March 31, 2016
Life insurance	$ 11,423,897	$ 11,511,953	$ 11,699,291

	For the Three Months Ended March 31	
	2017	2016
Balance, January 1	$ 11,511,953	$ 11,735,236
Insurance claim payments for the period	(140,079)	(88,413)
Reserve for insurance contracts with financial instrument features	52,023	52,468
Balance, March 31	$ 11,423,897	$ 11,699,291

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

	For the Three Months Ended March 31	
	2017	**2016**
Balance, January 1	$ 145,987	$ 171,211
Provisions		
Compulsory provisions	2,695	1,830
Additional provisions	-	1,091
	2,695	2,921
Recovery	(18,886)	(32,276)
Balance, March 31	$ 129,796	$ 141,856

3) Impact of the reserve of foreign exchange variation

For the three months ended March 31, 2017

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 3,479,170	$ 3,495,361	$ 16,191
Earnings per share (NT$)	0.28	0.29	0.01
Reserve of foreign exchange variation	-	129,796	129,796
Equity	202,367,066	202,237,270	(129,796)

For the three months ended March 31, 2016

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 3,208,303	$ 3,237,658	$ 29,355
Earnings per share (NT$)	0.26	0.26	-
Reserve of foreign exchange variation	-	141,856	141,856
Equity	195,067,973	194,926,117	(141,856)

e. Premium losses, net are summarized below:

	For the Three Months Ended March 31	
	2017	**2016**
Income on investment - linked products (Note 29)	$ 5,571,853	$ 2,856,228
Premium income	1,640,409	1,056,393
	7,212,262	3,912,621
Expense for investment - linked products (Note 29)	(5,571,853)	(2,856,228)
Insurance claims and benefits	(963,470)	(1,369,786)
Reinsurance premium ceded	(25,760)	(25,138)
Others	(14,500)	(5,863)
	(6,575,583)	(4,257,015)
	$ 636,679	$ (344,394)

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

	For the Three Months Ended March 31	
	2017	**2016**
Reserve for life insurance liabilities, net	$ 478,788	$ (599,902)
Reserve for insurance contracts with financial instrument features, net	52,023	52,468
Others, net	4,242	(18,429)
	$ 535,053	$ (565,863)

g. Provisions for employee benefits are summarized below:

	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Net defined benefit liabilities	$ 2,531,911	$ 2,531,665	$ 2,462,117
Present value of retired employees' preferential interest deposit obligation	3,968,163	3,970,127	3,966,889
	$ 6,500,074	$ 6,501,792	$ 6,429,006

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

	For the Three Months Ended March 31	
	2017	**2016**
Balance, January 1	$ 1,415,708	$ 1,439,421
Provision for losses on guarantees	139,074	12,379
Effects of exchange rate changes and other changes	(382)	(171)
Balance, March 31	$ 1,554,400	$ 1,451,629

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 $42,207 thousand and $39,071 thousand in the consolidated statement of comprehensive income for the three months ended March 31, 2017 and 2016, 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 three months ended March 31, 2017 and 2016, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $213,916 thousand and $223,704 thousand, respectively. For more information about the defined benefit plan, refer to Note 28 of the consolidated financial statements for the year ended December 31, 2016.

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 three months ended March 31, 2017 and 2016, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to $199,795 thousand and $158,207 thousand, respectively. For more information about the employee preferential deposit plan, refer to Note 28 of the consolidated financial statements for the year ended December 31, 2016.

29. OTHER FINANCIAL LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Structured products - host contracts	$ 2,986,833	$ 1,208,004	$ 4,802,782
Guarantee deposits received	1,637,554	1,096,352	1,802,893
Appropriation for loans	326,822	354,678	755,196
Lease payables	13,076	-	-
Separate-account liabilities	88,140,173	87,468,591	77,434,179
	$ 93,104,458	$ 90,127,625	$ 84,795,050

The status of the Company's investment-linked products - separate account as of March 31, 2017, December 31, 2016 and March 31, 2016, are summarized as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Fund assets for investment-linked products (part of other financial assets)			
Cash	$ 559,993	$ 663,440	$ 1,221,317
Beneficial certificates	86,434,415	86,381,356	75,958,412
Other receivables	1,145,765	423,795	254,450
	$ 88,140,173	$ 87,468,591	$ 77,434,179
Fund liabilities for investment-linked products (part of other financial liabilities)			
Reserve for investment-linked products	$ 87,438,949	$ 86,987,680	$ 76,879,254
Other payables	701,224	480,911	554,925
	$ 88,140,173	$ 87,468,591	$ 77,434,179

	For the Three Months Ended March 31	
	2017	2016
Income on investment-linked products		
Premium income	$ 4,868,912	$ 2,606,555
Unrealized gains on financial instruments	606,045	176,007
Others	96,896	73,666
	$ 5,571,853	$ 2,856,228
Expense for investment-linked products		
Losses on foreign exchange	$ 2,225,434	$ 270,723
Insurance claims and surrender	1,571,936	1,029,258
Net investment-linked product provision of insurance reserves	1,392,840	478,152
Losses on disposal of investments	229,517	932,505
Insurance fees	103,747	100,884
Service charge and maintenance fees	48,379	44,706
	$ 5,571,853	$ 2,856,228

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

30. OTHER LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Advance receipts	$ 1,841,162	$ 1,962,888	$ 1,497,989
Others	84,982	72,738	66,225
	$ 1,926,144	$ 2,035,626	$ 1,564,214

31. NET INTEREST

	For the Three Months Ended March 31	
	2017	2016
Interest revenue		
From discounts and loans	$ 9,709,883	$ 10,250,393
From investments	2,243,706	1,387,155
From due from banks and call loans to other banks	541,437	1,332,115
Others	407,611	403,423
	12,902,637	13,373,086
Interest expense		
From deposits	(3,833,700)	(4,441,783)
From funds borrowing from the Central Bank and other banks	(321,625)	(143,513)
From subordinated bank debentures	(245,418)	(241,964)
From due to the Central Bank and other banks	(121,186)	(160,391)
From securities sold under repurchase agreements	(45,257)	(47,347)
From structure products	(3,298)	(10,352)
Others	(10,484)	(14,898)
	(4,580,968)	(5,060,248)
	$ 8,321,669	$ 8,312,838

32. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended March 31	
	2017	2016
Service fee and commission revenues		
From trust business	$ 288,882	$ 217,117
From insurance service	271,915	490,038
From guarantee	171,155	148,667
From credit cards	132,152	133,868
From management fees of investment-linked products	131,791	108,514
From loans	97,362	125,749
Others	550,847	519,777
	1,644,104	1,743,730

(Continued)

	For the Three Months Ended March 31	
	2017	2016
Service charge and commission expenses		
From cross-bank transactions	$ (72,123)	$ (64,188)
From credit cards	(49,587)	(47,122)
From insurance business	(37,206)	(78,068)
From credit cards acquiring	(31,123)	(30,047)
Others	(58,136)	(56,228)
	(248,175)	(275,653)
	$ 1,395,929	$ 1,468,077

(Concluded)

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

	For the Three Months Ended March 31, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 99,994	$ 5,148,795	$ (269,606)	$ 2,219	$ 4,981,402
Held-for-trading financial liabilities	-	(3,262,845)	(2,630,758)	-	(5,893,603)
Financial liabilities designated as at fair value through profit or loss	(132,804)	-	(16,689)	-	(149,493)
	$ (32,810)	$ 1,885,950	$ (2,917,053)	$ 2,219	$ (1,061,694)

	For the Three Months Ended March 31, 2016				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 79,856	$ 6,064,341	$ 595,557	$ 738	$ 6,740,492
Financial assets designated as at fair value through profit or loss	102	-	(81)	-	21
Held-for-trading financial liabilities	-	(4,183,891)	(2,610,949)	-	(6,794,840)
Financial liabilities designated as at fair value through profit or loss	(137,473)	-	(432,445)	-	(569,918)
	$ (57,515)	$ 1,880,450	$ (2,447,918)	$ 738	$ (624,245)

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2017	2016
Employee benefits		
Salaries	$ 2,072,355	$ 2,077,631
Incentives	700,876	698,721
Excessive interest from preferential interest deposits	305,405	264,595
Post-employment benefits, termination benefits and compensation	261,554	279,345
Overtime	91,781	90,157
Others	425,659	419,227
Depreciation expenses	232,360	251,890
Amortization expenses	47,108	52,010

TCFHC amended its Articles of Incorporation on June 24, 2016 based on the Company Act amended in May 2015. Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the three months ended March 31, 2017 and 2016, compensations of employees were estimated at $649 thousand and $489 thousand and the remuneration of directors were estimated at $18,880 thousand and $17,354 thousand, respectively, based on the amended Articles and past experiences.

TCB's board of directors amended its Articles of Incorporation on March 28, 2016 based on the Company Act amended in May 2015. Under the amended Articles, TCB will distribute employees' compensation at percentages from 1% to 8% of its annual profit (pretax income which exclude compensation of employees). However, the actual appropriation of the bonus should be made only from the annual net income less any accumulated deficit. For the three months ended March 31, 2017 and 2016, the employees' compensation estimated within the distribution percentages regulated by the Company Act were both $195,000 thousand, based on the amended Company Act and the amended Articles.

Material differences between such estimated amounts and the amounts approved 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 approved amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration of directors for 2016 and 2015 approved by the board of directors on March 27, 2017 and March 28, 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	**2015**
Employees' compensation - cash	$ 2,031	$ 1,897
Remuneration of directors - cash	76,005	70,984

There was no difference between the amounts of the employees' compensation and remuneration of directors approved by the board of directors and the amounts recognized in the consolidated financial statements.

Information on the employees' compensation and remuneration of directors approved by the TCFHC's board of directors 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 March 31	
	2017	**2016**
Current tax		
Current period	$1,250,402	$ 703,784
Deferred tax		
Current period	(799,524)	(163,962)
Income tax expense recognized in profit or loss	$ 450,878	$ 539,822

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2017	**2016**
Deferred tax		
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	$ (120,893)	$ (32,139)
Unrealized gains on available-for-sale financial assets	24,284	19,553
Total income tax expense recognized in other comprehensive income	$ (96,609)	$ (12,586)

c. Deferred tax assets and liabilities

	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Deferred tax assets			
Temporary differences			
Available-for-sale financial assets	$ 597	$ 15,215	$ 3,153
Investments accounted for using equity method	-	-	10,966
Properties and equipment	9,225	9,447	9,857
Payable for annual leave	89,882	73,041	86,510
Defined benefit obligation	26,344	26,069	-
Employee's preferential interest deposit obligation	674,588	674,922	674,371
Other liabilities	4,905	5,220	5,784
Exchange differences on foreign operations	110,932	9,383	-
Allowance for possible losses	74,164	75,486	77,082
Collaterals assumed	316	316	316
Financial instruments at fair value through profit or loss	417,936	3,968	108,080

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Pension liabilities	$ 771	$ 898	$ 1,100
Employee benefit	1,785	2,040	2,805
Unrealized interest expense	186,273	163,696	92,180
Unrealized foreign exchange losses	43,654	-	1,058
Revenue from disposal of acquired loans	54,821	54,821	17,240
	$ 1,696,193	$ 1,114,522	$ 1,090,502

Deferred tax liabilities

Temporary differences			
Financial instruments at fair value through profit or loss	$ 1,567	$ 267,748	$ 18,375
Available-for-sale financial assets	9,731	65	29,787
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	-	19,344	41,255
Investments accounted for using equity method	10,584	6,930	4,897
Collaterals assumed	397	397	397
Lease incentive	4,997	4,908	4,666
Properties and equipment	-	89	217
Unrealized foreign exchange gains	-	43,416	47,801
Others	11,502	10,343	6,703
	$ 2,999,330	$ 3,313,792	$ 3,114,650

(Concluded)

d. Imputed tax credits are summarized as follows:

	TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT	TCVC
Balances of stockholders' imputed tax credit								
March 31, 2017	$ 1,644,782	$ 68,851	$ 116	$ 7,137	$ 3,729	$ 123,475	$ -	$ 2,946
December 31, 2016	1,644,782	30,914	116	7,137	3,729	123,475	-	2,946
March 31, 2016	1,422,676	219,509	987	16,506	5,274	70,520	-	-
Estimated creditable tax ratio for distributing the 2016 earnings	12.48%	0.34%	0.03%	0.84%	2.07%	13.77%	-	20.48%
Actual creditable tax ratio for distributing the 2015 earnings	13.70%	0.63%	0.22%	2.07%	3.32%	20.48%	-	-

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 2016 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 March 31, 2017, December 31, 2016 and March 31, 2016. 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), Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT), and Taiwan Cooperative Venture Capital Co., Ltd. (TCVC) 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	TCVC
2011	2011	2011	2011	2011	2014 (Except 2013 not examined by tax authorities)	2014	2015

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. Refer to Note 40 for more information.

36. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT$)
For the three months ended March 31, 2017			
Basic earnings per share (EPS)	$ 3,377,256	11,847,285	$ 0.29
Effect of dilutive common stock:			
Employees' compensation	-	172	
Diluted EPS	$ 3,377,256	11,847,457	$ 0.29
For the three months ended March 31, 2016			
Basic EPS	$ 3,135,069	11,847,285	$ 0.26
Effect of dilutive common stock:			
Employees' compensation	-	169	
Diluted EPS	$ 3,135,069	11,847,454	$ 0.26

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.

	For the Three Months Ended March 31, 2016	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic EPS (NT$)	$ 0.28	$ 0.26
Diluted EPS (NT$)	$ 0.28	$ 0.26

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 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 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

	March 31, 2017	December 31, 2016	March 31, 2016
Numbers of shares authorized (in thousands)	12,000,000	12,000,000	12,000,000
Authorized capital	$ 120,000,000	$ 120,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	11,847,285	11,847,285	11,072,229
Common stocks issued	$ 118,472,850	$ 118,472,850	$ 110,722,290

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

On June 24, 2016, the stockholders of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) resolved to issue 775,056 thousand shares, which included the 2015 earnings amounting to $7,750,560 thousand. This issuance was approved by the Financial Supervisory Commission (FSC) and Ministry of Economic Affairs (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 to the Company 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.

The capital surplus as of March 31, 2017 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	10,410,804
	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	618,750
	71,460,824
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	(1,054,498)
	$ 57,964,343

c. Special reserve

For the first-time adoption of IFRSs, TCFHC should appropriate to a special reserve an amount that was the same as those 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, on 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 for 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, an 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:

	For the Three Months Ended March 31	
	2017	2016
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	-	-
Balance on March 31	$ 996,026	$ 996,026

d. Appropriation of earnings

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

Before TCFHC amended its Article of Incorporation on June 24, 2016, when TCFHC appropriated its earnings, legal reserve was appropriated from the annual net income less any accumulated deficit. A special reserve was then appropriated depending on regulation requirement and operation needs. The remaining earnings was then be appropriated as 0.02% to 0.16% as bonus to employees, 1% or less as remuneration to directors, and then any remainder together with any undistributed retained earnings shall be used for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends.

After TCFHC amended its Articles of Incorporation on June 24, 2016, when TCFHC appropriates its earnings, legal reserve is appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated depending on regulation requirement and operation needs. Any remainder together with any undistributed retained earnings shall be used for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends.

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 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 employee's compensation, 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 2016 and 2015 were approved in the board of directors' meeting on March 27, 2017 and in the stockholders' meeting on June 24, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 1,376,480	$ 1,286,613		
Cash dividends	8,885,463	3,321,669	$0.75	$0.30
Stock dividends	3,554,186	7,750,560	0.30	0.70

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 Three Months Ended March 31	
	2017	**2016**
Balance on January 1	$ 3,802,863	$ 3,727,455
Attributable to non-controlling interests		
Net income	118,105	102,589
Exchange differences on the translation of financial statements of foreign operations	(8,831)	2,754
Unrealized gains on available for sale financial assets	23,869	79,320
Balance on March 31	$ 3,936,006	$ 3,912,118

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 Emerging Markets Equity 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.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company's director.
Giga Solution Tech. Co., Ltd. (Giga)	Giga's independent director is also the parent company's independent director (before October 15, 2016).
Others	Main management of the parent company and other related parties

b. Significant transactions between the Company and related parties:

1) Call loans to banks

	Highest Balance	**Ending Balance**	**Interest Revenue**	**Interest Rate (%)**
For the three months ended March 31, 2017				
Others	$ 7,500,000	$ 1,800,000	$ 3,398	0.270-0.560
For the three months ended March 31, 2016				
Others	$ 2,500,000	$ 2,500,000	$ 1,963	0.300-0.430

2) Due to banks

	For the Three Months Ended March 31			
	2017		**2016**	
	Ending Balance	**Interest Expense**	**Ending Balance**	**Interest Expense**
Main management	$ 179,148	$ 279	$ 182,794	$ 317
Others				
Tamshui First Credit Bank	25,366,899	57,928	24,575,184	64,048
Others	36,385	-	2,438	106
	$ 25,582,432	$ 58,207	$ 24,760,416	$ 64,471

3) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2017				
Main management	$ 111,354	$ 100,464	$ 363	1.245-2.428
Others	50,324	43,756	189	1.260-2.240
	$ 161,678	$ 144,220	$ 552	
For the three months ended March 31, 2016				
Main management	$ 124,683	$ 122,870	$ 487	1.385-2.568
Others	86,971	63,992	315	1.430-2.380
	$ 211,654	$ 186,862	$ 802	

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.

4) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017			
Others	$ 159,936	$ 48	0.340-0.370
For the three months ended March 31, 2016			
Others	$ 1,729,531	$ 358	0.320-0.380

5) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017			
Associates	$ 171,173	$ 94	0-0.775
Main management	463,485	2,039	0-13.000
Others	9,021,450	6,549	0-13.000
	$ 9,656,108	$ 8,682	

(Continued)

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2016			
Associates	$ 181,400	$ 116	0-1.130
Main management	548,901	2,376	0-13.000
Others	13,351,597	8,096	0-13.000
	$ 14,081,898	$ 10,588	

(Concluded)

	March 31, 2017	December 31, 2016	March 31, 2016
6) Accrued income (part of receivables)			
Others	$ 20,151	$ 15,940	$ 17,155
7) Accrued interest (part of receivables)			
Others	$ 221	$ 549	$ 255
8) Accrued expense (part of payables)			
Others	$ -	$ -	$ 790

	For the Three Months Ended March 31	
	2017	2016
9) Service fee income (part of service fee and commission income, net)		
Associates	$ -	$ 30
Main management	45	21
Others	52,546	40,695
	$ 52,591	$ 40,746
10) Service charge (part of service fee and commission income, net)		
Main management	$ 8	$ 6
Others	1	5,297
	$ 9	$ 5,303
11) Rental income (part of other noninterest gain, net)		
Others	$ 3,153	$ 3,057
12) Other income (part of other noninterest gain, net)		
Others	$ 37	$ -

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.

13) Purchases and sales of securities

Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
	For the Three Months Ended March 31, 2017			
Others	$ -	$ -	$ 479,772	$ -

Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
	For the Three Months Ended March 31, 2016			
Others	$ -	$ -	$ 3,056,722	$ -

14) Derivatives

	For the Three Months Ended March 31, 2017					
					Amounts on the Consolidated Balance Sheet	
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Account	Amounts
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.03.10-2017.05.10	US$ 7,000	$ (3,317)	Financial liabilities at fair value through profit or loss	$ (3,317)
	Currency swap	2017.03.20-2017.05.22	US$ 2,020	(589)	Financial liabilities at fair value through profit or loss	(589)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.03.10-2017.05.10	US$ 1,000	(474)	Financial liabilities at fair value through profit or loss	(474)
	Currency swap	2017.03.10-2017.05.10	US$ 4,000	(1,896)	Financial liabilities at fair value through profit or loss	(1,896)
	Currency swap	2017.04.06-2017.05.10	US$ 3,000	(72)	Financial liabilities at fair value through profit or loss	(72)

	For the Three Months Ended March 31, 2016					
					Amounts on the Consolidated Balance Sheet	
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Account	Amounts
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2016.03.31-2016.05.31	US$ 1,000	$ (418)	Financial liabilities at fair value through profit or loss	$ (418)
	Currency swap	2016.03.28-2016.04.11	US$ 1,000	(427)	Financial liabilities at fair value through profit or loss	(427)
Other - TCB Global High Yield Bond Fund	Currency swap	2016.03.30-2016.04.29	US$ 7,300	(3,803)	Financial liabilities at fair value through profit or loss	(3,803)
	Currency swap	2016.03.30-2016.04.29	US$ 930	(485)	Financial liabilities at fair value through profit or loss	(485)
	Currency swap	2016.03.30-2016.04.29	US$ 3,000	(1,563)	Financial liabilities at fair value through profit or loss	(1,563)
	Currency swap	2016.03.30-2016.04.29	US$ 520	(335)	Financial liabilities at fair value through profit or loss	(335)

(Continued)

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet - Account	Amounts on the Consolidated Balance Sheet - Amounts
	For the Three Months Ended March 31, 2016					
Other - Giga Solution Tech. Co., Ltd.	Forward	2016.02.26-2016.05.03	US$ 500	$ (529)	Financial liabilities at fair value through profit or loss	$ (529)
	Forward	2016.03.09-2016.05.11	US$ 300	(197)	Financial liabilities at fair value through profit or loss	(197)
	Forward	2016.03.09-2016.05.11	US$ 200	(137)	Financial liabilities at fair value through profit or loss	(137)
	Forward	2016.03.21-2016.05.23	US$ 500	(110)	Financial liabilities at fair value through profit or loss	(110)
	Forward	2016.03.23-2016.05.23	US$ 300	(93)	Financial liabilities at fair value through profit or loss	(93)
	Forward	2016.03.25-2016.06.13	US$ 300	(128)	Financial liabilities at fair value through profit or loss	(128)

(Concluded)

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

	For the Three Months Ended March 31 - 2017	For the Three Months Ended March 31 - 2016
Financial assets and liabilities at fair value through profit or loss		
Others	$ (16,820)	$ (3,410)

15) Loans

March 31, 2017

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 31, 2017 (Note)	Ending Balance	Loan Classification - Normal Loans	Loan Classification - Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	30	$ 44,761	$ 43,336	$ 43,336	$ -	Land and buildings	None
Self-used housing mortgage loans	26	116,917	100,884	100,884	-	Land and buildings	None

March 31, 2016

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 31, 2016 (Note)	Ending Balance	Loan Classification - Normal Loans	Loan Classification - Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	32	$ 93,559	$ 70,340	$ 70,340	$ -	Land and buildings	None
Self-used housing mortgage loans	24	118,095	116,522	116,522	-	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

	March 31, 2017	December 31, 2016	March 31, 2016
Subsidiaries	$ 539,666	$ 560,413	$ 530,717

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2017				
Subsidiaries	$ 6,739,470	$ 6,685,405	$ 7,153	0.001-2.700
Sister companies	3,500,000	1,200,000	1,552	0.350-0.560
Others	7,500,000	1,800,000	3,398	0.270-0.560
	$ 17,739,470	$ 9,685,405	$ 12,103	
For the three months ended March 31, 2016				
Subsidiaries	$ 7,445,998	$ 7,438,009	$ 5,512	0.001-2.800
Sister companies	4,200,000	3,500,000	3,334	0.300-0.440
Others	2,500,000	2,500,000	1,963	0.300-0.430
	$ 14,145,998	$ 13,438,009	$ 10,809	

c) Call loans to securities firms (part of other financial assets, net)

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2017				
Sister company TCS	$ 252,760	$ 242,640	$ 485	1.100-1.450

d) Due to banks

	For the Three Months Ended March 31			
	2017		2016	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiaries	$ 2,904	$ -	$ 974	$ -
Main management	179,148	279	182,794	317
Others				
Tamshui First Credit Bank	25,366,899	57,928	24,575,184	64,048
Others	36,385	-	2,438	106
	$ 25,585,336	$ 58,207	$ 24,761,390	$ 64,471

e) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2017				
Sister companies	$ 58,300	$ -	$ 11	2.265
Main management	111,354	100,464	363	1.245-2.428
Others	50,324	43,756	189	1.260-2.240
	$ 219,978	$ 144,220	$ 563	
For the three months ended March 31, 2016				
Sister companies	$ 18,720	$ -	$ 4	2.405
Main management	124,683	122,870	487	1.385-2.568
Others	86,971	63,992	315	1.430-2.380
	$ 230,374	$ 186,862	$ 806	

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

	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2017			
Sister companies	$ -	$ 826	0.410-0.450
For the three months ended March 31, 2016			
Sister companies	$ 698,692	$ 749	0.380-0.450

g) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017			
Parent company	$ 48,949	$ -	-
Sister companies	2,063,299	393	0-1.205
Associates	171,173	94	0-0.775
Main management	463,485	2,039	0-13.000
Others	9,021,450	6,549	0-13.000
	$ 11,768,356	$ 9,075	
For the three months ended March 31, 2016			
Parent company	$ 41,278	$ -	-
Sister companies	2,842,301	724	0-1.360
Associates	181,400	116	0-1.130
Main management	548,901	2,376	0-13.000
Others	13,351,597	8,096	0-13.000
	$ 16,965,477	$ 11,312	

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

	March 31, 2017	December 31, 2016	March 31, 2016
Parent company			
TCFHC	$ 951,196	$ 951,196	$ 744,306

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

	March 31, 2017	December 31, 2016	March 31, 2016
Parent company			
TCFHC	$ 1,074,127	$ 129,356	$ 1,655,010

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

	For the Three Months Ended March 31	
	2017	2016
Sister companies		
BPCTLI	$ 179,968	$ 183,772
Others	19,331	17,080
Associates	-	30
Main management	45	21
Others	79	22
	$ 199,423	$ 200,925

k) Purchases and sales of securities

Related Party	For the Three Months Ended March 31, 2017 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ -	$ -	$ -	$ 2,497,091

Related Party	For the Three Months Ended March 31, 2016 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ -	$ -	$ -	$ 4,292,787

l) Derivatives

	For the Three Months Ended March 31, 2017					
					Amounts on the Balance Sheet	
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Account	Amounts
Sister company - BPCTLI	Currency swap	2017.03.22-2017.05.22	US$ 4,936	$ (892)	Financial liabilities at fair value through profit or loss	$ (892)
	Currency swap	2017.03.22-2017.05.22	US$10,033	(1,813)	Financial liabilities at fair value through profit or loss	(1,813)
	Currency swap	2017.03.22-2017.05.22	US$13,000	(2,349)	Financial liabilities at fair value through profit or loss	(2,349)
	Currency swap	2017.02.06-2017.04.06	US$ 3,187	(2,370)	Financial liabilities at fair value through profit or loss	(2,370)
	Currency swap	2017.01.17-2017.04.17	US$ 6,981	(8,272)	Financial liabilities at fair value through profit or loss	(8,272)
	Currency swap	2016.04.11-2017.04.11	US$ 3,499	(5,999)	Financial liabilities at fair value through profit or loss	(6,359)
	Currency swap	2017.01.17-2017.04.17	US$ 1,699	(2,013)	Financial liabilities at fair value through profit or loss	(2,013)
	Currency swap	2017.01.17-2017.04.17	US$ 3,129	(3,708)	Financial liabilities at fair value through profit or loss	(3,708)
	Currency swap	2017.01.15-2017.04.17	US$ 4,850	(5,747)	Financial liabilities at fair value through profit or loss	(5,747)
	Currency swap	2017.01.17-2017.04.17	US$ 3,129	(3,708)	Financial liabilities at fair value through profit or loss	(3,708)
	Currency swap	2017.03.15-2017.04.17	US$10,488	(6,355)	Financial liabilities at fair value through profit or loss	(6,355)
	Currency swap	2017.03.14-2017.04.14	US$ 5,030	(3,612)	Financial liabilities at fair value through profit or loss	(3,612)
	Currency swap	2017.03.14-2017.04.14	US$ 5,001	(3,591)	Financial liabilities at fair value through profit or loss	(3,591)
	Currency swap	2017.03.14-2017.04.14	US$10,012	(7,189)	Financial liabilities at fair value through profit or loss	(7,189)

(Continued)

	For the Three Months Ended March 31, 2017					
					Amounts on the Balance Sheet	
Related Party	**Type of Derivatives**	**Contract Period**	**Nominal Amounts**	**Valuation Gain (Loss)**	**Account**	**Amounts**
	Currency swap	2017.03.14-2017.04.14	US$ 9,989	$ (7,172)	Financial liabilities at fair value through profit or loss	$ (7,172)
	Currency swap	2017.03.14-2017.04.14	US$ 5,006	(3,594)	Financial liabilities at fair value through profit or loss	(3,594)
	Currency swap	2017.03.14-2017.04.14	US$10,483	(7,527)	Financial liabilities at fair value through profit or loss	(7,527)
	Currency swap	2017.03.14-2017.04.14	US$ 1,920	(1,379)	Financial liabilities at fair value through profit or loss	(1,379)
	Currency swap	2017.03.09-2017.04.10	US$10,255	(6,150)	Financial liabilities at fair value through profit or loss	(6,150)
	Currency swap	2017.01.13-2017.07.13	US$ 3,299	(5,062)	Financial liabilities at fair value through profit or loss	(5,062)
	Currency swap	2017.02.07-2017.04.07	US$ 2,002	(1,135)	Financial liabilities at fair value through profit or loss	(1,135)
	Currency swap	2017.03.07-2017.04.07	US$ 9,977	(6,446)	Financial liabilities at fair value through profit or loss	(6,446)
	Currency swap	2017.03.17-2017.04.17	US$ 5,165	(2,778)	Financial liabilities at fair value through profit or loss	(2,778)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.03.10-2017.05.10	US$ 7,000	(3,317)	Financial liabilities at fair value through profit or loss	(3,317)
	Currency swap	2017.03.20-2017.05.22	US$ 2,020	(589)	Financial liabilities at fair value through profit or loss	(589)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.03.10-2017.05.10	US$ 1,000	(474)	Financial liabilities at fair value through profit or loss	(474)
	Currency swap	2017.03.10-2017.05.10	US$ 4,000	(1,896)	Financial liabilities at fair value through profit or loss	(1,896)
	Currency swap	2017.04.06-2017.05.10	US$ 3,000	(72)	Financial liabilities at fair value through profit or loss	(72)

(Concluded)

	For the Three Months Ended March 31, 2016					
					Amounts on the Balance Sheet	
Related Party	**Type of Derivatives**	**Contract Period**	**Nominal Amounts**	**Valuation Gain (Loss)**	**Account**	**Amounts**
Sister company - BPCTLI	Currency swap	2016.03.22-2016.09.22	US$ 4,935	$ (1,272)	Financial liabilities at fair value through profit or loss	$ (1,272)
	Currency swap	2016.03.22-2016.09.22	US$10,033	(2,586)	Financial liabilities at fair value through profit or loss	(2,586)
	Currency swap	2016.03.22-2016.09.22	US$13,000	(3,351)	Financial liabilities at fair value through profit or loss	(3,351)
	Currency swap	2016.01.11-2016.04.11	US$ 6,981	(7,842)	Financial liabilities at fair value through profit or loss	(7,842)
	Currency swap	2016.02.26-2016.04.29	US$11,219	(12,161)	Financial liabilities at fair value through profit or loss	(12,161)
	Currency swap	2016.01.11-2016.04.11	US$ 3,499	(3,931)	Financial liabilities at fair value through profit or loss	(3,931)

(Continued)

	For the Three Months Ended March 31, 2016					
					Amounts on the Balance Sheet	
Related Party	**Type of Derivatives**	**Contract Period**	**Nominal Amounts**	**Valuation Gain (Loss)**	**Account**	**Amounts**
	Currency swap	2016.01.11-2016.04.11	US$ 1,699	$ (1,908)	Financial liabilities at fair value through profit or loss	$ (1,908)
	Currency swap	2016.03.15-2016.09.19	US$11,386	(7,585)	Financial liabilities at fair value through profit or loss	(7,585)
	Currency swap	2016.02.26-2016.04.29	US$ 6,722	(7,287)	Financial liabilities at fair value through profit or loss	(7,287)
	Currency swap	2016.02.26-2016.04.29	US$ 3,000	(3,252)	Financial liabilities at fair value through profit or loss	(3,252)
	Currency swap	2016.02.26-2016.04.29	US$ 5,000	(5,420)	Financial liabilities at fair value through profit or loss	(5,420)
	Currency swap	2016.03.14-2016.06.14	US$ 1,920	(1,453)	Financial liabilities at fair value through profit or loss	(1,453)
	Currency swap	2016.03.15-2017.03.15	US$10,488	(6,723)	Financial liabilities at fair value through profit or loss	(6,723)
	Currency swap	2016.01.25-2016.04.25	US$ 9,539	(14,348)	Financial liabilities at fair value through profit or loss	(14,348)
	Currency swap	2015.05.06-2016.05.06	US$ 3,187	(2,064)	Financial assets at fair value through profit or loss	4,680
	Currency swap	2015.04.07-2016.04.07	US$10,259	(6,786)	Financial assets at fair value through profit or loss	9,339
	Currency swap	2015.04.15-2016.04.15	US$ 3,129	(2,056)	Financial assets at fair value through profit or loss	3,138
	Currency swap	2015.04.15-2016.04.15	US$ 3,129	(2,056)	Financial assets at fair value through profit or loss	3,138
	Currency swap	2015.04.15-2016.04.15	US$ 4,850	(3,187)	Financial assets at fair value through profit or loss	4,864
	Currency swap	2015.05.08-2016.05.09	US$20,579	(13,302)	Financial assets at fair value through profit or loss	30,371
	Currency swap	2015.05.13-2016.05.13	US$10,443	(6,730)	Financial assets at fair value through profit or loss	15,910
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2016.03.31-2016.05.31	US$ 1,000	(418)	Financial liabilities at fair value through profit or loss	(418)
	Currency swap	2016.03.28-2016.04.11	US$ 1,000	(427)	Financial liabilities at fair value through profit or loss	(427)
Other - TCB Global High Yield Bond Fund	Currency swap	2016.03.30-2016.04.29	US$ 7,300	(3,803)	Financial liabilities at fair value through profit or loss	(3,803)
	Currency swap	2016.03.30-2016.04.29	US$ 930	(485)	Financial liabilities at fair value through profit or loss	(485)
	Currency swap	2016.03.30-2016.04.29	US$ 3,000	(1,563)	Financial liabilities at fair value through profit or loss	(1,563)
	Currency swap	2016.03.30-2016.04.29	US$ 520	(335)	Financial liabilities at fair value through profit or loss	(335)
Other - Giga Solution Tech. Co., Ltd.	Forward	2016.02.26-2016.05.03	US$ 500	(529)	Financial liabilities at fair value through profit or loss	(529)
	Forward	2016.03.09-2016.05.11	US$ 300	(197)	Financial liabilities at fair value through profit or loss	(197)

(Continued)

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet: Account	Amounts on the Balance Sheet: Amounts
					For the Three Months Ended March 31, 2016	
	Forward	2016.03.09-2016.05.11	US$ 200	$ (137)	Financial liabilities at fair value through profit or loss	$ (137)
	Forward	2016.03.21-2016.05.23	US$ 500	(110)	Financial liabilities at fair value through profit or loss	(110)
	Forward	2016.03.23-2016.05.23	US$ 300	(93)	Financial liabilities at fair value through profit or loss	(93)
	Forward	2016.03.25-2016.06.13	US$ 300	(128)	Financial liabilities at fair value through profit or loss	(128)

(Concluded)

The realized gain or loss resulted from the currency swap transactions of TCB with related parties was as follows:

	For the Three Months Ended March 31 2017	2016
Financial assets and liabilities at fair value through profit or loss		
Sister companies	$ (99,444)	$ 36,428
Others	(16,820)	(3,410)
	$ (116,264)	$ 33,018

m) Loans

March 31, 2017

Type	Account Volume or Name	Highest Balance in the Period Ended March 31, 2017 (Note)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	30	$ 44,761	$ 43,336	$ 43,336	$ -	Land and buildings	None
Self-used housing mortgage loans	26	116,917	100,884	100,884	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	58,300	-	-	-	Bonds	None

March 31, 2016

Type	Account Volume or Name	Highest Balance in the Period Ended March 31, 2016 (Note)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	32	$ 93,559	$ 70,340	$ 70,340	$ -	Land and buildings	None
Self-used housing mortgage loans	24	118,095	116,522	116,522	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	18,720	-	-	-	Bonds	None

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

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

a) To settle security transactions, TCS applied to TCB for a guarantee of $1,500,000 thousand for short-term loan and overdraft. As of March 31, 2017, December 31, 2016 and March 31, 2016, TCS had no borrowing and overdraft. The overdraft for the three months ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended March 31, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 58,300	$ -	$ 11	2.265

	For the Three Months Ended March 31, 2016			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 18,720	$ -	$ 4	2.405

b) Call loans

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017				
Sister companies				
TCB	$ 252,760	$ 242,640	$ 485	1.100-1.450

c) Non-guarantee commercial paper underwritten by TCBF for TSC and related profit or loss were as follows:

	For the Year Ended December 31, 2016			
	Highest Balance	Service Fee	Interest Expense	Interest Rate (%)
Sister companies	$ 499,611	$ 52	$ 224	0.710

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017				
Sister companies	$ 291,658	$ 62,436	$ 1	0.010-1.140
For the three months ended March 31, 2016				
Sister companies	$ 303,214	$ 68,517	$ -	0.020-1.345

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017				
Sister companies	$ 3,500,000	$ 1,200,000	$ 1,552	0.350-0.560
For the three months ended March 31, 2016				
Sister companies	$ 4,200,000	$ 3,500,000	$ 3,334	0.300-0.440

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2017			
Sister companies	$ 620,264	$ 816	0.350-0.560
Others	159,936	48	0.340-0.370
	$ 780,200	$ 864	
For the three months ended March 31, 2016			
Sister companies	$ 780,675	$ 983	0.310-0.450
Others	349,539	358	0.320-0.380
	$ 1,130,214	$ 1,341	

d) Non-guarantee commercial paper issued

	For the Year Ended December 31, 2016			
	Ending Balance	Fact Amount	Premiums (%)	Service Fee
Parent company	$ 500,000	$ -	0.360-0.642	$ 45
Sister companies	500,000	-	0.710	52
	$ 1,000,000	$ -		$ 97

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

a) Cash in bank (part of cash and cash equivalents, debt instruments with no active market refundable deposits and separate account assets)

	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
Sister company						
TCB	$ 1,833,738	42	$ 2,016,984	46	$ 2,623,690	63
Others	-	-	-	-	31,641	1
	$ 1,833,738	42	$ 2,016,984	46	$ 2,655,331	64

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

	For the Three Months Ended March 31, 2017		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	$ 620,264	$ 3,138,461	0.350-0.560

	For the Three Months Ended March 31, 2016		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	$ 81,983	$ 3,031,769	0.310-0.370

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the three months ended March 31, 2017

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2016.04.07-2017.07.13	US$143,070	$ 98,861	Financial assets at fair value through profit or loss	$ 99,221

For the three months ended March 31, 2016

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2016.01.07-2017.03.15	US$99,422	$ 79,119	Financial assets at fair value through profit or loss	$ 79,119
		2015.04.01-2016.05.13	US$55,575	36,181	Financial liabilities at fair value through profit or loss	(71,440)

For the three months ended March 31, 2017 and 2016, the realized gains and realized losses on currency swaps with sister companies were $99,444 thousand and $36,428 thousand, respectively.

d) Operating expenses - insurance contract expenses

	For the Three Months Ended March 31	
	2017	2016
Sister company		
TCB	$ 193,761	$ 243,288
Others	-	42,016
	$ 193,761	$ 285,304

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

	For the Three Months Ended March 31	
	2017	2016
Salaries and other short-term employment benefits	$ 35,984	$ 34,340
Post-employment benefits	1,580	1,625
Interest arising from the employees' preferential rate in excess of normal rates	380	392
	$ 37,944	$ 36,357

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Collaterals for call loans of foreign currency	$ 40,000,000	$ 40,000,000	$ 40,000,000
Collaterals for day-term overdraft	31,610,000	31,510,000	31,110,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	2,205,500	2,312,000	3,479,700
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,195,100	1,180,700	1,016,280
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
Overseas branches' capital adequate reserve	346,332	367,308	366,795
Guarantee deposits for securities operation	355,000	355,000	345,000

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Guarantee deposits for the bills finance business	$ 227,400	$ 227,400	$ 227,400
Guarantee deposits for the trust business compensation reserve	200,000	200,000	180,000
Collaterals for overseas branch U.S. dollar settlement	46,785	43,497	16,088
Others	90,200	91,400	94,400
	$ 88,676,317	$ 88,687,305	$ 89,235,663

(Concluded)

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Tansfer and Settlement System for real-time gross settlement (RTGS), the Company provided partial certificates of deposit as collateral for day-term overdraft (part of due from the Central Bank and call loans to other banks). The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as the Company'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)

	Outstanding Balance			Collateral
Date	**Loan**	**Bond**	**Total**	**Value**
March 31, 2017	$ 278,089	$ 5,000	$ 283,089	$ 213,036
December 31, 2016	$ 304,786	$ 5,000	$ 309,786	$ 234,525
March 31, 2016	$ 289,012	$ 17,000	$ 306,012	$ 204,635

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 March 31, 2017, TCFHC's outstanding major construction and procurement contracts amounted to $23,290 thousand of which $15,263 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 March 31, 2017, refundable deposits on these leases totaled $163,816 thousand. Minimum future annual rentals are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Within one year	$ 609,775	$ 631,700	$ 551,654
One to five years	1,217,237	1,312,200	923,429
Over five years	116,834	112,219	41,876
	$ 1,943,846	$ 2,056,119	$ 1,516,959

The lease payments recognized as expenses are as follows:

	For the Three Months Ended March 31	
	2017	2016
Minimum lease payments	$ 162,964	$ 156,244
Contingent rentals	248	174
	$ 163,212	$ 156,418

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 March 31, 2017, guarantee deposits on these leases totaled $27,200 thousand. Minimum future annual rentals are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Within one year	$ 112,577	$ 118,213	$ 97,597
One to five years	202,287	224,664	240,684
Over five years	16,828	18,372	386
	$ 331,692	$ 361,249	$ 338,667

3) As of March 31, 2017, TCB's outstanding major construction and procurement contracts amounted to $5,636,641 thousand, of which $989,230 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 the sales of nonperforming loans in the tax returns of 2006 to 2011 after the negotiation with TCB. TCB recognized related income tax expenses of $228,990 thousand in 2014. On August 5, 2016, February 25, 2015 and April 9, 2015, respectively, TNTA had reexamined and corrected TCB's 2006 to 2011 ITRs based on the result of the negotiation with TCB. TCB had received $705,861 thousand of the tax refund after TNTA's reexamination and correction decision.

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:

	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Within one year	$ 2,367	$ 2,501	$ 4,089
One to five years	10,808	11,317	17,617
Over five years	13,018	13,755	-
	$ 26,193	$ 27,573	$ 21,706

d. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of March 31, 2017, the commitments or contingencies arose from business were as follows:

	March 31, 2017
Guarantees of commercial paper	$ 21,043,400
Purchase of reference-rate commercial paper	$ 4,600,000

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

As of March 31, 2017, TCS's agreements on the acquisition equipment and procurement contracts amounted to $20,839 thousand, of which $13,928 thousand was still unpaid.

In May 2012, TCS laid off an employee - 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. 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 from April 25, 2014 to Ms. Chen 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 March 31, 2017, guarantee deposits on these leases to totaled $12,983 thousand. Minimum future annual rentals are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Within one year	$ 55,157	$ 53,504	$ 66,076
One to five years	170,327	166,521	210,543
Over five years	571,826	598,677	601,285
	$ 797,310	$ 818,702	$ 877,904

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.

	March 31, 2017		December 31, 2016		March 31, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets						
Held-to-maturity financial assets	$ 509,683,851	$ 508,705,176	$ 512,635,209	$ 512,107,900	$ 51,537,933	$ 52,952,468
Debt instruments with no active market	92,573,424	94,193,229	89,326,692	90,664,298	94,797,190	96,905,175
Financial liabilities						
Bonds payable	74,610,000	75,536,569	74,610,000	75,636,377	69,610,000	70,690,579

Fair value hierarchy as at March 31, 2017, December 31, 2016 and March 31, 2016:

March 31, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 508,705,176	$ 5,768,787	$ 502,936,389	$ -
Debt instruments with no active market	94,193,229	408,547	93,784,682	-
Financial liabilities				
Bonds payable	75,536,569	-	75,536,569	-

December 31, 2016

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 512,107,900	$ 6,173,804	$ 505,934,096	$ -
Debt instruments with no active market	90,664,298	413,784	90,250,514	-
Financial liabilities				
Bonds payable	75,636,377	-	75,636,377	-

March 31, 2016

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 52,952,468	$ 5,978,395	$ 46,974,073	$ -
Debt instruments with no active market	96,905,175	415,065	96,490,110	-
Financial liabilities				
Bonds payable	70,690,579	-	70,690,579	-

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. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. 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 and applied consistently.

For debt instruments with no active market, if there are theoretical prices from Gre Tai Securities Market (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 0.6884% and 1.1945%, between 0.7325% and 1.3754%, between 0.6797% and 1.0852% as of March 31, 2017, December 31, 2016 and March 31, 2016, 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 March 31, 2017, December 31, 2016 and March 31, 2016 were as follows:

Financial Instruments Measured at Fair Value	March 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 1,554,994	$ 1,554,152	$ 842	$ -
Debt instruments	6,951,576	2,807,558	4,144,018	-
Others	43,852,930	1,097,247	42,755,683	-
Available-for-sale financial assets				
Stocks	6,150,873	6,150,873	-	-
Debt instruments	177,378,032	31,013,360	146,364,672	-
Others	4,750,977	4,750,977	-	-
Liabilities				
Financial liabilities at FVTPL	(11,774,533)	(156,696)	(11,617,837)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	3,403,849	250,471	3,153,378	-
Liabilities				
Financial liabilities at FVTPL	(5,493,543)	(8,184)	(5,485,359)	-

Financial Instruments Measured at Fair Value	December 31, 2016 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 1,265,263	$ 1,263,589	$ 1,674	$ -
Debt instruments	8,523,386	5,416,146	3,107,240	-
Others	40,885,499	961,330	39,924,169	-
Available-for-sale financial assets				
Stocks	5,115,171	5,115,171	-	-
Debt instruments	168,512,551	35,229,298	133,283,253	-
Others	5,018,202	4,748,835	269,367	-
Liabilities				
Financial liabilities at FVTPL	(12,529,189)	(193,154)	(12,336,035)	-

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2016 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at FVTPL	$ 3,753,699	$ 193,276	$ 3,560,423	$ -
Liabilities				
Financial liabilities at FVTPL	(2,601,916)	(4,166)	(2,597,750)	-

(Concluded)

Financial Instruments Measured at Fair Value	March 31, 2016 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 519,209	$ 516,934	$ 2,275	$ -
Debt instruments	2,074,009	2,024,643	49,366	-
Others	39,696,985	65,249	39,631,736	-
Financial assets designated as at FVTPL	20,014	-	20,014	-
Available-for-sale financial assets				
Stocks	5,081,774	4,237,502	844,272	-
Debt instruments	149,533,649	36,148,572	113,385,077	-
Others	5,095,055	5,095,055	-	-
Liabilities				
Financial liabilities at FVTPL	(12,853,524)	-	(12,853,524)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	5,026,460	118,566	4,907,894	-
Liabilities				
Financial liabilities at FVTPL	(5,437,320)	-	(5,437,320)	-

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

	March 31, 2017	December 31, 2016	March 31, 2016
Difference between carrying amount and contractual amount at maturity			
Fair value	$ 11,617,837	$ 12,336,035	$ 12,853,524
Amount payable at maturity	12,152,000	12,888,000	12,870,000
	$ (534,163)	$ (551,965)	$ (16,476)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the three months ended March 31, 2017	$ (1,113)
For the three months ended March 31, 2016	$ (16)
Accumulated amount of change	
As of March 31, 2017	$ 33,385
As of December 31, 2016	$ 34,498
As of March 31, 2016	$ 2,152

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.

e. Information on financial risk management

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' market risk management procedures include risk identification, measurement, and assessment as well as risk 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 and 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.

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 on- 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 on- 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 uncollectable. TCB and its subsidiary also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

TCB and its subsidiary 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 subsidiary's 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 subsidiary's creditor's rights.

To quantify credit risk, TCB and its subsidiary 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 subsidiary evaluate the credit status of counterparties before closing deals. TCB and its subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary in order to reduce the credit risks.

To avoid the concentration of credit risks, TCB and its subsidiary set up centralized credit limits for business segments, countries, collaterals, groups, and construction financing. Monthly, or more frequently, as needed, TCB and its subsidiary 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 subsidiary 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:

	March 31, 2017	December 31, 2016	March 31, 2016
Irrevocable loan commitments issued	$ 94,100,147	$ 101,561,712	$ 94,035,739
Irrevocable credit card commitments	42,562,631	41,895,556	38,439,950
Letters of credit issued yet unused	23,242,500	21,152,739	19,150,524
Other guarantees	77,304,045	78,348,294	76,835,037

TCB and its subsidiary's 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	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
Natural person	$ 795,961,425	39	$ 809,134,142	39	$ 817,600,481	40
Manufacturing	327,110,774	16	327,044,724	16	316,877,644	15

Some financial assets held by TCB and its subsidiary, 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

March 31, 2017	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	$ 2,989,852	$ 29,081	$ 62,787	$ 3,081,720	$ 23,219	$ 14,573	$ 3,043,928
Others	11,566,049	26,876	557,332	12,150,257	366,731	289,150	11,494,376
Discounts and loans	1,918,714,412	8,250,188	29,418,741	1,956,383,341	5,801,227	17,576,051	1,933,006,063

December 31, 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	$ 2,832,619	$ 38,059	$ 61,942	$ 2,932,620	$ 25,376	$ 17,420	$ 2,889,824
Others	12,036,744	24,406	548,325	12,609,475	367,917	292,974	11,948,584
Discounts and loans	1,953,094,604	7,549,281	29,797,942	1,990,441,827	6,651,004	16,903,787	1,966,887,036

March 31, 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	$ 2,531,986	$ 31,194	$ 70,706	$ 2,633,886	$ 28,642	$ 22,277	$ 2,582,967
Others	10,047,633	29,620	529,713	10,606,966	322,669	218,768	10,065,529
Discounts and loans	1,955,490,210	8,529,372	22,886,940	1,986,906,522	5,979,136	15,115,124	1,965,812,262

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

Items	March 31, 2017	December 31, 2016	March 31, 2016
Loans			
Secured	$ 1,390,833,805	$ 1,407,436,657	$ 1,402,534,880
Unsecured	527,880,607	545,657,947	552,955,330
Total	1,918,714,412	1,953,094,604	1,955,490,210

c) Credit quality analysis of securities

March 31, 2017	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	$ 128,502,287	$ -	$ -	$ 128,502,287	$ -	$ 128,502,287
Equities	4,931,446	-	-	4,931,446	-	4,931,446
Others	323,675	-	-	323,675	-	323,675
Held-to-maturity financial assets						
Debt instruments	88,917,966	-	-	88,917,966	3,283	88,914,683
Others	418,191,412	-	-	418,191,412	-	418,191,412
Other financial assets						
Debt instruments	83,789,521	-	-	83,789,521	-	83,789,521
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	16,577,336	-	-	16,577,336	-	16,577,336

December 31, 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	$ 119,127,606	$ -	$ -	$ 119,127,606	$ -	$ 119,127,606
Equities	4,230,764	-	-	4,230,764	-	4,230,764
Others	282,576	-	-	282,576	-	282,576
Held-to-maturity financial assets						
Debt instruments	77,851,299	-	-	77,851,299	10,859	77,840,440
Others	432,208,524	-	-	432,208,524	-	432,208,524
Other financial assets						
Debt instruments	80,049,395	-	-	80,049,395	-	80,049,395
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	17,133,396	-	-	17,133,396	-	17,133,396

March 31, 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	$ 97,185,193	$ -	$ -	$ 97,185,193	$ -	$ 97,185,193
Equities	4,370,165	-	-	4,370,165	-	4,370,165
Others	362,556	-	-	362,556	-	362,556
Held-to-maturity financial assets						
Debt instruments	48,450,001	-	-	48,450,001	11,551	48,438,450
Others	299,227	-	-	299,227	-	299,227
Other financial assets						
Debt instruments	85,426,201	-	-	85,426,201	-	85,426,201
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	12,938,268	-	-	12,938,268	-	12,938,268

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 subsidiary's 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:

Items	March 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 21,221	$ 7,860	$ 29,081
Others	15,272	11,604	26,876
Loans			
Secured	6,278,511	1,456,409	7,734,920
Unsecured	285,168	230,100	515,268
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Items	December 31, 2016		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 25,302	$ 12,757	$ 38,059
Others	13,000	11,406	24,406
Loans			
Secured	4,878,706	1,446,303	6,325,009
Unsecured	975,989	248,283	1,224,272
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Items	March 31, 2016		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 26,472	$ 4,722	$ 31,194
Others	16,024	13,596	29,620
Loans			
Secured	5,708,682	1,562,194	7,270,876
Unsecured	1,001,491	257,005	1,258,496
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 subsidiary 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 subsidiary 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 subsidiary's market risk management procedures include risk identification, evaluation, and measurement as well as risk 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 subsidiary's 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 subsidiary's 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 subsidiary's 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	March 31, 2017	December 31, 2016	March 31, 2016
Interest rate risk	Interest rate curve increased 100 basis points	$ (155,560)	$ (338,493)	$ (57,696)
	Interest rate curve fell 100 basis points	166,487	363,546	60,557
Exchange rate risk	USD/NT$, EUR/NT$ increased 3%	(139,268)	(132,789)	(103,673)
	USD/NT$, EUR/NT$ fell 3%	139,268	132,789	103,673
	Others (RMB, AUD etc.)/NT$ increased 5%	(46,110)	220,149	7,390
	Others (RMB, AUD etc.)/NT$ ell 5%	46,110	(220,149)	(7,390)
Equity security price risk	Equity security price increased by 15%	175,581	120,054	17,144
	Equity security price fell by 15%	(175,581)	(120,054)	(17,144)

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 Three Months Ended March 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks and other financial assets - due from banks	$ 29,958,330	1.97	$ 25,165,770	1.84
Due from the Central Bank	162,766,522	0.36	586,683,097	0.65
Call loans to banks	85,254,146	1.19	110,738,770	0.99
Held-for-trading financial assets	21,500,785	0.59	12,584,643	0.63
Securities purchased under resell agreements	1,307,756	0.45	862,743	0.39
Discounts and loans	1,938,780,174	2.00	1,976,693,261	2.08
Available-for-sale financial assets	124,726,126	2.01	90,494,658	2.00
Held-to-maturity financial assets	511,619,894	0.71	45,494,257	1.78
Debt instruments with no active market	79,926,851	2.20	83,370,778	1.97
Interest-bearing liabilities				
Due to the Central Bank and other banks	222,099,956	0.73	203,201,163	0.54
Financial liabilities designated as at fair value through profit or loss	12,326,022	4.37	13,183,319	4.19
Securities sold under repurchase agreements	10,843,229	0.23	15,256,491	0.32
Demand deposits	469,389,218	0.10	488,799,732	0.14
Savings - demand deposits	806,267,418	0.27	755,481,596	0.36
Time deposits	463,035,677	1.10	482,322,691	1.11
Time savings deposits	667,600,097	1.09	683,327,757	1.24
Treasury deposits	82,159,604	0.67	76,450,771	0.79
Negotiable certificates of deposits	1,547,577	0.17	3,702,032	0.35
Structured products	1,746,467	0.76	5,479,496	0.76
Bank debentures	74,610,000	1.33	69,610,000	1.40

b) United Taiwan Bank S.A.

	For the Three Months Ended March 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks	$ 60,004	0.16	$ 59,774	0.07
Due from the Central Bank	425,453	-	176,487	0.02
Discounts and loans	7,494,739	1.98	8,548,158	2.10
Debt instruments with no active market	1,406,561	0.65	1,821,673	1.00
Interest-bearing liabilities				
Due to the Central Bank and other banks	7,177,714	0.61	8,289,595	0.42
Demand deposits	50,364	-	38,729	-
Time deposits	82,854	1.11	90,556	0.68

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

(In Thousands)

	March 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 10,208,281	30.3800	$ 310,127,587
RMB	11,878,636	4.4110	52,396,663
AUD	817,992	23.2350	19,006,042
JPY	46,519,161	0.2712	12,615,996
EUR	355,929	32.4500	11,549,891
HKD	1,449,163	3.9090	5,664,776
ZAR	1,594,822	2.2600	3,604,298
GBP	75,428	37.9600	2,863,233
CAD	120,864	22.7800	2,753,286
NZD	23,610	21.2500	501,709
CHF	5,150	30.3350	156,235
SGD	2,842	21.7400	61,778
SEK	1,861	3.4000	6,327
THB	8,077	0.8869	7,164
KHR	770,998	0.0075	5,782
PHP	2,865	0.6046	1,732
MYR	-	6.8630	-
Financial liabilities			
Monetary items			
USD	10,947,546	30.3800	332,586,434
RMB	10,850,334	4.4110	47,860,822
AUD	899,801	23.2350	20,906,882
JPY	39,237,321	0.2712	10,641,161
ZAR	3,036,307	2.2600	6,862,054
EUR	186,387	32.4500	6,048,265
HKD	1,133,159	3.9090	4,429,520
GBP	53,767	37.9600	2,040,984
NZD	92,105	21.2500	1,957,231
CAD	62,194	22.7800	1,416,781
SGD	23,632	21.7400	513,755
CHF	9,016	30.3350	273,492
SEK	18,616	3.4000	63,296
THB	13,116	0.8869	11,632
PHP	922	0.6046	557
KHR	2,889	0.0075	22
MYR	-	6.8630	2

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 10,154,784	32.2200	$ 327,187,132
RMB	11,012,099	4.6240	50,919,947
AUD	810,265	23.3450	18,915,634
EUR	410,380	33.9800	13,944,703
JPY	45,466,810	0.2771	12,598,853
HKD	1,363,517	4.1540	5,664,050
GBP	109,134	39.6100	4,322,797
ZAR	1,530,864	2.3700	3,628,149
CAD	127,698	23.9200	3,054,547
NZD	29,023	22.4600	651,851
CHF	8,722	31.6050	275,669
SGD	5,439	22.3100	121,342
SEK	2,920	3.5500	10,368
THB	7,357	0.9042	6,652
KHR	736,959	0.0080	5,869
PHP	4,412	0.6510	2,872
MYR	-	7.1840	-
Financial liabilities			
Monetary items			
USD	11,024,482	32.2200	355,208,823
RMB	10,097,452	4.6240	46,690,618
AUD	829,527	23.3450	19,365,308
JPY	38,008,073	0.2771	10,532,037
EUR	221,157	33.9800	7,514,916
ZAR	2,773,328	2.3700	6,572,788
HKD	833,999	4.1540	3,464,432
GBP	67,639	39.6100	2,679,161
NZD	88,911	22.4600	1,996,935
CAD	69,130	23.9200	1,653,596
SGD	16,146	22.3100	360,211
CHF	8,466	31.6050	267,562
SEK	18,496	3.5500	65,662
THB	14,106	0.9042	12,754
PHP	1,573	0.6510	1,024
KHR	2,888	0.0080	23
MYR	-	7.1840	2

	March 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 9,940,581	32.1750	$ 319,838,202
RMB	10,705,552	4.9710	53,217,297
AUD	872,964	24.6250	21,496,732
JPY	58,081,521	0.2864	16,634,548
EUR	391,081	36.4300	14,247,096
HKD	1,556,027	4.1490	6,455,957
GBP	127,207	46.1900	5,875,694
CAD	122,674	24.7700	3,038,647
ZAR	1,045,227	2.1600	2,257,691
NZD	17,402	22.2000	386,328
CHF	4,368	33.3050	145,485
SGD	4,282	23.8400	102,075
SEK	15,336	3.9500	60,579
KHR	879,259	0.0080	7,053
THB	4,616	0.9182	4,238
PHP	2,456	0.7000	1,719
MYR	7	8.2290	58
Financial liabilities			
Monetary items			
USD	10,961,844	32.1750	352,697,345
RMB	10,261,625	4.9710	51,010,537
AUD	817,451	24.6250	20,129,728
JPY	32,560,349	0.2864	9,325,284
ZAR	2,586,411	2.1600	5,586,648
GBP	103,048	46.1900	4,759,793
EUR	113,168	36.4300	4,122,725
HKD	894,545	4.1490	3,711,469
NZD	88,613	22.2000	1,967,204
CAD	53,789	24.7700	1,332,354
SGD	7,044	23.8400	167,920
CHF	4,965	33.3050	165,346
SEK	14,545	3.9500	57,454
THB	15,879	0.9182	14,580
PHP	804	0.7000	563
KHR	2,886	0.0080	23
MYR	-	8.2290	3

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 subsidiary 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 involve identification, measurement, monitoring and report of risk. Each business unit should identify the existing liquidity risk in business activities and 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 26.29% in March 2017, 25.51% in December 2016 and 24.79% in March 2016.

TCB and its subsidiary 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.

March 31, 2017	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	$ 178,334,196	$ 42,909,071	$ 6,048,053	$ 1,117,403	$ -	$ 228,408,723
Financial liabilities at fair value through profit or loss	-	-	-	-	12,152,000	12,152,000
Securities sold under repurchase agreements	6,352,633	2,379,597	1,854,296	23,534	-	10,610,060
Payables	31,984,375	1,845,577	1,008,706	2,376,762	1,998,265	39,213,685
Deposits and remittances	229,416,428	310,195,245	372,892,726	647,861,306	955,200,428	2,515,566,133
Bank debentures	-	8,000,000	-	4,000,000	62,610,000	74,610,000
Other items of cash outflow on maturity	4,368,162	27,394	13,177	44,731	250,261	4,703,725

December 31, 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	$ 156,187,361	$ 58,923,389	$ 10,704,636	$ 819,799	$ -	$ 226,635,185
Financial liabilities at fair value through profit or loss	-	-	-	-	12,888,000	12,888,000
Securities sold under repurchase agreements	7,099,872	2,993,323	1,765,115	142,521	-	12,000,831
Payables	35,207,271	1,437,366	3,875,128	1,793,774	1,361,129	43,674,668
Deposits and remittances	252,988,803	358,055,936	351,438,916	595,404,501	1,006,397,207	2,564,285,363
Bank debentures	-	-	8,000,000	4,000,000	62,610,000	74,610,000
Other items of cash outflow on maturity	2,229,703	61,082	12,886	44,146	266,308	2,614,125

March 31, 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	$ 142,929,846	$ 48,539,142	$ 12,189,740	$ 475,831	$ -	$ 204,134,559
Financial liabilities at fair value through profit or loss	-	-	-	-	12,870,000	12,870,000
Securities sold under repurchase agreements	7,645,291	3,705,336	1,694,389	159,423	-	13,204,439
Payables	31,555,457	1,843,514	951,926	1,952,081	1,124,519	37,427,497
Deposits and remittances	270,402,652	309,329,074	383,571,740	639,949,295	952,447,908	2,555,700,669
Bank debentures	-	-	-	-	69,610,000	69,610,000
Other items of cash outflow on maturity	6,548,311	73,965	28,740	75,855	603,617	7,330,488

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary’s historical experience. Assuming that all demand deposits as of March 31, 2017, December 31, 2016 and March 31, 2016 must be repaid soon, the capital expenditure will be increased by $1,301,991,773 thousand, $1,332,990,997 thousand and $1,267,448,269 thousand, respectively, within 30 days these balance sheet dates.

TCB and its subsidiary 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

March 31, 2017	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	$ 2,138	$ 3,080	$ 3,587	$ 3,399	$ -	$ 12,204
Interest	(2,619)	-	(2,620)	(4,498)	(7,089)	(16,826)

December 31, 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	$ 12	$ 1,104	$ 512	$ 328	$ -	$ 1,956
Interest	(2,597)	-	(2,572)	(4,433)	(7,996)	(17,598)

March 31, 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	$ 655	$ 805	$ 3,708	$ 11,186	$ -	$ 16,354
Interest	(2,319)	(511)	(2,600)	(3,685)	(9,869)	(18,984)

b) Derivative financial liabilities to be settled at gross amounts

March 31, 2017	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	$ 86,283,499	$ 72,486,524	$ 42,216,559	$ 13,503,886	$ 59,370	$ 214,549,838
Cash inflow	88,352,499	73,778,684	43,043,838	13,824,589	59,661	219,059,271
Interest derivatives						
Cash outflow	299,886	308,500	349,247	172,780	20,500,784	21,631,197
Cash inflow	301,673	305,014	299,886	552,732	27,888,252	29,347,557
Total cash outflow	86,583,385	72,795,024	42,565,806	13,676,666	20,560,154	236,181,035
Total cash inflow	88,654,172	74,083,698	43,343,724	14,377,321	27,947,913	248,406,828
Net cash flow	2,070,787	1,288,674	777,918	700,655	7,387,759	12,225,793

December 31, 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	$ 100,614,110	$ 48,649,694	$ 10,212,981	$ 5,547,481	$ 6,320	$ 165,030,586
Cash inflow	101,570,350	49,045,790	10,199,070	5,596,383	6,347	166,417,940
Interest derivatives						
Cash outflow	-	75,283	446,818	21,048	2,218,577	2,761,726
Cash inflow	-	594,624	419,155	-	30,163,544	31,177,323
Total cash outflow	100,614,110	48,724,977	10,659,799	5,568,529	2,224,897	167,792,312
Total cash inflow	101,570,350	49,640,414	10,618,225	5,596,383	30,169,891	197,595,263
Net cash flow	956,240	915,437	(41,574)	27,854	27,944,994	29,802,951

March 31, 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	$ 92,191,383	$ 75,537,248	$ 37,554,181	$ 18,422,918	$ 460,507	$ 224,166,237
Cash inflow	94,110,052	76,932,794	38,292,868	18,787,020	463,703	228,586,437
Interest derivatives						
Cash outflow	-	1,129,181	-	1,256	323,013	1,453,450
Cash inflow	-	1,085,159	-	-	308,500	1,393,659
Total cash outflow	92,191,383	76,666,429	37,554,181	18,424,174	783,520	225,619,687
Total cash inflow	94,110,052	78,017,953	38,292,868	18,787,020	772,203	229,980,096
Net cash flow	1,918,669	1,351,524	738,687	362,846	(11,317)	4,360,409

TCB and its subsidiary 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.

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 3,181,706	$ 2,393,132	$ 3,364,991	$ 8,558,131	$ 76,602,187	$ 94,100,147
Irrevocable credit card commitments	60,660	280,540	808,720	3,148,551	38,264,160	42,562,631
Letters of credit issued yet unused	5,669,918	11,556,587	2,307,383	930,375	2,778,237	23,242,500
Other guarantees	2,774,649	6,697,163	3,808,133	11,529,472	52,494,628	77,304,045

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 2,456,708	$ 6,528,417	$ 7,806,476	$ 8,640,285	$ 76,129,826	$ 101,561,712
Irrevocable credit card commitments	28,740	215,260	905,725	1,189,421	39,556,410	41,895,556
Letters of credit issued yet unused	4,003,758	11,034,135	2,257,950	887,836	2,969,060	21,152,739
Other guarantees	3,236,388	6,495,515	4,815,740	9,304,642	54,496,009	78,348,294

March 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 3,784,188	$ 3,822,222	$ 5,411,600	$ 13,716,963	$ 67,300,766	$ 94,035,739
Irrevocable credit card commitments	25,470	348,956	725,480	1,777,049	35,562,995	38,439,950
Letters of credit issued yet unused	4,209,852	10,105,642	1,989,899	1,570,059	1,275,072	19,150,524
Other guarantees	3,094,885	8,617,972	4,603,967	9,855,558	50,662,655	76,835,037

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.

The strategies adopted by management to supervise and control different financial risks as well as consider competition and changes in the economic environment were 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. 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 net revenues and affect BPCTLI's investment portfolio.

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 $431,703 thousand, $445,220 thousand and $498,668 thousand as of March 31, 2017, December 31, 2016 and March 31, 2016, 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 March 31, 2017, December 31, 2016 and March 31, 2016 the fair values of financial assets would have decreased by $21,428 thousand, $20,690 thousand and $20,420 thousand, respectively.

ii) Equity risk

The equity risk includes the individual risk from the movement of individual investments and the market risk from the movement of the market as a whole.

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on March 31, 2017, December 31, 2016 and March 31, 2016, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by $17,775 thousand, $18,966 thousand and $20,676 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 three months ended March 31, 2017 and 2016, the income before income tax would have decreased $181,278 thousand and $183,226 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of March 31, 2017, December 31, 2016 and March 31, 2016.

March 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 5,705	30.38	$ 173,304
AUD	469	23.21	10,887
EUR	412	32.42	13,366
ZAR	13,447	2.26	30,376
Receivables			
USD	230	30.38	6,994
RMB	652	4.41	2,876
Available-for-sale financial assets			
USD	357,438	30.38	10,857,189
RMB	30,879	4.41	136,116
Debt investments with no active market			
USD	241,186	30.38	7,326,020
RMB	240,999	4.41	1,062,323
Refundable deposits			
USD	-	30.38	-
Financial liabilities			
Guarantee deposits			
USD	7,760	30.38	235,710

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 7,099	32.19	$ 228,515
AUD	4,112	23.28	95,728
EUR	477	33.88	16,162
ZAR	113	2.37	268
Receivables			
USD	5,573	32.19	179,387
RMB	2,849	4.62	13,160
Available-for-sale financial assets			
USD	326,726	32.19	10,517,323
RMB	30,687	4.62	141,745

(Continued)

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Debt investments with no active market			
USD	$ 241,341	32.19	$ 7,768,778
RMB	240,999	4.62	1,113,173
Refundable deposits			
USD	-	32.19	-
Financial liabilities			
Guarantee deposits			
USD	430	32.19	13,842

(Concluded)

March 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 7,839	32.17	$ 252,193
AUD	861	24.58	21,170
EUR	235	36.38	8,549
ZAR	1,605	2.15	3,453
Receivables			
USD	6,395	32.17	205,721
RMB	2,831	4.97	14,060
Available-for-sale financial assets			
USD	297,555	32.17	9,636,474
RMB	29,856	4.97	148,293
Debt investments with no active market			
USD	241,808	32.17	7,778,957
RMB	240,998	4.97	1,197,039
Refundable deposits			
USD	15,960	32.17	513,433

iii. Stress testing

VaR cannot be used to predict the loss when an extreme event or systematic risk occurs. Thus, stress testing is introduced to capture the above risk by measuring the potential impact on trading portfolio during the abnormal market period and thus to compensate the insufficiency of common VaR.

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

Assuming the Lehman crisis in 2008 reoccurred as of March 31, 2017, December 31, 2016 and March 31, 2016, the losses on financial assets would have been $1,871,718 thousand, $1,958,955 thousand and $2,113,571 thousand, respectively. Also assuming the Japan earthquake on March 11, 2011 reoccurred as of March 31, 2017, December 31, 2016 and March 31, 2016, the loss on financial assets would have been $129,968 thousand, $180,906 thousand and $298,650 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

	March 31, 2017		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 20,657,375	$ 20,657,375	51
Domestic investment - corporate bonds (twAAA - twAA)	1,015,639	1,024,218	2
Overseas investment - government bonds	5,868	5,868	-
Overseas investment - corporate bonds (Aa2 - A2)	14,450,903	14,560,008	35
Overseas investment - corporate bonds (A3)	1,180,692	1,190,830	3
Overseas investment - corporate bonds (Baa1 - Ba1)	3,418,977	3,444,286	9
	$ 40,729,454	$ 40,882,585	100

	December 31, 2016		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 21,025,750	$ 21,025,750	51
Domestic investment - corporate bonds (twAAA - twAA)	597,327	606,527	2
Overseas investment - government bonds	6,188	6,188	-
Overseas investment - corporate bonds (Aa2 - A2)	14,414,689	14,503,263	35
Overseas investment - corporate bonds (A3)	1,249,735	1,259,464	3
Overseas investment - corporate bonds (Baa2 - Ba1)	3,596,421	3,612,572	9
	$ 40,890,110	$ 41,013,764	100

	March 31, 2016		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 23,443,760	$ 23,443,760	55
Domestic investment - corporate bonds (twAAA - twAA)	399,959	410,098	1
Overseas investment - corporate bonds (Aa2 - A2)	12,812,880	13,027,980	30
Overseas investment - corporate bonds (A3)	3,495,106	3,512,542	8
Overseas investment - corporate bonds (Baa2 - Ba1)	2,383,670	2,422,978	6
	$ 42,535,375	$ 42,817,358	100

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 has no bank loans and financial guarantees, and all the non- derivative liabilities will expire in less than one year), 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.

	March 31, 2017			
	Within One Year	**1 Year to 3 Years**	**3 Years to 5 Years**	**Over Five Years**
Net settled				
Cross-currency swap contracts	$ (21,757)	$ -	$ -	$ -
Currency swap contracts	431,685	-	-	-
	$ 409,928	$ -	$ -	$ -

	December 31, 2016			
	Within One Year	**1 Year to 3 Years**	**3 Years to 5 Years**	**Over Five Years**
Net settled				
Cross-currency swap contracts	$ (131,528)	$ (46,673)	$ -	$ -
Currency swap contracts	(129,137)	-	-	-
	$ (260,665)	$ (46,673)	$ -	$ -

	March 31, 2016			
	Within One Year	**1 Year to 3 Years**	**3 Years to 5 Years**	**Over Five Years**
Net settled				
Cross-currency swap contracts	$ (185,162)	$ (77,413)	$ -	$ -
Currency swap contracts	(103,856)	-	-	-
	$ (289,018)	$ (77,413)	$ -	$ -

f. 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
	1	2	3	4	5	6	7	8	Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	-
2012	12,366	20,155	21,177	21,070	21,111	21,111	21,111	21,111	-
2013	19,586	27,531	27,762	28,546	27,905	27,905	27,905	27,905	-
2014	25,862	28,357	28,976	31,056	31,056	31,056	31,056	31,056	-
2015	35,899	42,074	42,158	44,268	44,268	44,268	44,268	44,268	2,110
2016	26,382	31,443	32,007	32,467	32,467	32,467	32,467	32,467	1,024
2017	67,515	85,741	87,714	91,263	91,263	91,263	91,263	91,263	23,749
							Incurred but not reported		26,883
							Reported but not paid		8,007
							Balance of claim reserve		$ 34,890

b) Development of retained business

	Development Ages								Claim
	1	2	3	4	5	6	7	8	Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	-
2012	10,307	18,108	19,129	19,023	19,063	19,063	19,063	19,063	-
2013	19,497	26,841	27,071	27,855	27,214	27,214	27,214	27,214	-
2014	25,174	27,659	28,278	30,357	30,357	30,357	30,357	30,357	-
2015	31,538	37,706	37,789	39,038	39,038	39,038	39,038	39,038	1,249
2016	25,826	30,878	31,432	31,882	31,882	31,882	31,882	31,882	1,004
2017	67,311	85,492	87,461	91,011	91,011	91,011	91,011	91,011	23,700
							Incurred but not reported		25,953
							Reported but not paid		7,990
							Balance of claim reserve		$ 33,943

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

	March 31, 2017		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 17,924	$ 14,877
Discount rate	(0.25%)	(17,964)	(14,910)
Mortality rate	10%	(3,864)	(3,207)
Mortality rate	(10%)	3,864	3,207
Withdrawal rate	30%	1,665	1,382
Withdrawal rate	(30%)	(2,006)	(1,665)
Illness rate/loss rate	15%	(2,821)	(2,342)
Expense rate	10%	(15,153)	(12,577)

	December 31, 2016		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 69,605	$ 57,772
Discount rate	(0.25%)	(67,760)	(57,901)
Mortality rate	10%	(15,025)	(12,471)
Mortality rate	(10%)	15,025	12,471
Withdrawal rate	30%	2,472	2,052
Withdrawal rate	(30%)	(3,909)	(3,245)
Illness rate/loss rate	15%	(12,234)	(10,154)
Expense rate	10%	(65,622)	(54,466)

	March 31, 2016		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 18,372	$ 15,249
Discount rate	(0.25%)	(18,413)	(15,283)
Mortality rate	10%	(3,124)	(2,593)
Mortality rate	(10%)	3,124	2,593
Withdrawal rate	30%	20	17
Withdrawal rate	(30%)	(577)	(479)
Illness rate/loss rate	15%	(2,733)	(2,268)
Expense rate	10%	(14,133)	(11,730)

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 ceded reinsurance and assessed the credit of a reinsurance company to ensure the assets and claims recovered from reinsurances are not impaired. The biggest credit risk amount is equal to the book value of the reinsurance assets.

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. The measure is used as a long-term control mechanism for liquidity risk.

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.

g. 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:

March 31, 2017					
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	$ 26,143,286	$ 26,070,269	$ 26,143,286	$ 26,070,269	$ 73,017
Available-for-sale financial assets - securities sold under repurchase agreements	17,628,353	18,042,850	17,628,353	18,042,850	(414,497)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,225,334	1,224,489	1,254,015	1,224,489	29,526

December 31, 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	$ 19,348,965	$ 19,417,805	$ 19,348,965	$ 19,417,805	$ (68,840)
Available-for-sale financial assets - securities sold under repurchase agreements	22,196,686	22,524,538	22,196,686	22,524,538	(327,852)
Held-to-maturity financial assets - securities sold under repurchase agreements	2,198,860	2,197,072	2,259,831	2,197,072	62,759

March 31, 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	$ 22,595,540	$ 22,565,398	$ 22,595,540	$ 22,565,398	$ 30,142
Available-for-sale financial assets - securities sold under repurchase agreements	23,323,423	23,411,694	23,323,423	23,411,694	(88,271)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,726,222	1,725,000	1,775,011	1,725,000	50,011

h. 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.

March 31, 2017

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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amount
Resell agreements	$ 1,447,120	$ -	$ 1,447,120	$ (1,447,120)	$ -	$ -

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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 45,337,608	$ -	$ 45,337,608	$ (44,696,379)	$ -	$ 641,229

December 31, 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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amount
Resell agreements	$ 1,298,413	$ -	$ 1,298,413	$ (1,298,413)	$ -	$ -

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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 44,139,415	$ -	$ 44,139,415	$ (43,430,840)	$ -	$ 708,575

March 31, 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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amount
Resell agreements	$ 1,320,760	$ -	$ 1,320,760	$ (1,320,655)	$ -	$ 105

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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 47,702,092	$ -	$ 47,702,092	$ (47,153,048)	$ -	$ 549,044

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%.

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 Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%.

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 2 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2017		
	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	$ 44,883,293	23.19
2	Group B Petroleum and coal products manufacturing	24,250,555	12.53
3	Group C Harbor services	19,665,358	10.16
4	Group D Computers and computing peripheral equipment manufacturing	11,969,710	6.18
5	Group E Cotton and textile	11,476,399	5.93
6	Group F Cotton and textile	10,713,000	5.53
7	Group G Shipping agency	9,737,624	5.03
8	Group H Smelting and refining of iron and steel	8,704,770	4.50
9	Group I Liquid crystal panel and component manufacturing	8,084,963	4.18
10	Group J Real estate activities	7,921,952	4.09

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 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	$ 52,676,426	28.21
2	Group B Petroleum and coal products manufacturing	29,237,302	15.66
3	Group C Harbor services	22,344,395	11.97
4	Group E Cotton and textile	15,067,504	8.07
5	Group D Computers and computing peripheral equipment manufacturing	13,839,395	7.41
6	Group K Smelting and refining of iron and steel	12,897,754	6.91
7	Group G Shipping agency	11,137,593	5.96
8	Group F Cotton and textile	10,319,433	5.53
9	Group I Liquid crystal panel and component manufacturing	9,906,352	5.31
10	Group L Other electronic parts and components manufacturing not classified elsewhere	9,482,790	5.08

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	**March 31, 2017**		
	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	$ 950,000	18.74
2	Group B Manmade fiber manufacturing	770,000	15.19
3	Group C Wholesale of motor vehicles and motorcycles parts and accessories	600,000	11.83
4	Group D Pulp manufacturing	550,000	10.85
5	Group E Smelting and refining of aluminum	540,000	10.65
6	Group F Real estate activities	505,000	9.96
7	Group G Shipping agency	500,000	9.86
8	Group H Renting and leasing of motor vehicles	480,000	9.47
9	Group I Building completion and finishing	480,000	9.47
10	Group J Other financial intermediation not elsewhere classified	480,000	9.47

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 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	$ 960,000	18.98
2	Group E Smelting and refining of aluminum	800,000	15.81
3	Group G Shipping agency	700,000	13.84
4	Group J Other financial intermediation not elsewhere classified	695,000	13.74
5	Group F Real estate activities	670,000	13.24
6	Group C Wholesale of motor vehicles and motorcycles parts and accessories	600,000	11.86
7	Group K Non-depository financing	550,000	10.87
8	Group L Other retail sale in non-specialized stores	510,000	10.08
9	Group I Real estate activities	480,000	9.49
10	Group M Real estate activities	469,000	9.27

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
March 31, 2017

(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	$ 2,186,266,227	$ 83,850,399	$ 13,783,539	$ 230,294,167	$ 2,514,194,332
Interest rate-sensitive liabilities	880,086,789	1,241,553,346	126,617,201	55,271,928	2,303,529,264
Interest rate sensitivity gap	1,306,179,438	(1,157,702,947)	(112,833,662)	175,022,239	210,665,068
Net worth					182,502,547
Ratio of interest rate-sensitive assets to liabilities					109.15
Ratio of interest rate sensitivity gap to net worth					115.43

Interest Rate Sensitivity
March 31, 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	$ 2,238,354,731	$ 79,328,110	$ 5,067,624	$ 165,971,401	$ 2,488,721,866
Interest rate-sensitive liabilities	902,159,564	1,212,030,229	141,262,492	53,216,138	2,308,668,423
Interest rate sensitivity gap	1,336,195,167	(1,132,702,119)	(136,194,868)	112,755,263	180,053,443
Net worth					176,153,545
Ratio of interest rate-sensitive assets to liabilities					107.80
Ratio of interest rate sensitivity gap to net worth					102.21

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
March 31, 2017

(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	$ 11,176,379	$ 1,171,624	$ 357,140	$ 968,874	$ 13,674,017
Interest rate-sensitive liabilities	13,556,362	769,139	789,813	10,178	15,125,492
Interest rate sensitivity gap	(2,379,983)	402,485	(432,673)	958,696	(1,451,475)
Net worth					364,332
Ratio of interest rate-sensitive assets to liabilities					90.40
Ratio of interest rate sensitivity gap to net worth					(398.39)

Interest Rate Sensitivity
March 31, 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	$ 9,636,704	$ 1,183,826	$ 475,705	$ 592,477	$ 11,888,712
Interest rate-sensitive liabilities	11,701,444	985,163	642,862	15,007	13,344,476
Interest rate sensitivity gap	(2,064,740)	198,663	(167,157)	577,470	(1,455,764)
Net worth					328,754
Ratio of interest rate-sensitive assets to liabilities					89.09
Ratio of interest rate sensitivity gap to net worth					(442.81)

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
March 31, 2017

(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	$ 282,677	$ 59,335	$ -	$ -	$ 342,012
Interest rate-sensitive liabilities	198,293	74,301	867	-	273,461
Interest rate sensitivity gap	84,384	(14,966)	(867)	-	68,551
Net worth					62,312
Ratio of interest rate-sensitive assets to liabilities					125.07
Ratio of interest rate sensitivity gap to net worth					110.01

Interest Rate Sensitivity
March 31, 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	$ 271,487	$ 107,769	$ -	$ -	$ 379,256
Interest rate-sensitive liabilities	206,190	87,008	16,836	-	310,034
Interest rate sensitivity gap	65,297	20,761	(16,836)	-	69,222
Net worth					62,584
Ratio of interest rate-sensitive assets to liabilities					122.33
Ratio of interest rate sensitivity gap to net worth					110.61

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		**March 31, 2017**	**March 31, 2016**
Return on total assets	Before income tax	0.47	0.46
	After income tax	0.42	0.40
Return on equity	Before income tax	7.88	7.84
	After income tax	6.98	6.72
Net income ratio		32.00	29.31

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		**March 31, 2017**	**March 31, 2016**
Return on total assets	Before income tax	6.38	6.12
	After income tax	6.38	6.12
Return on equity	Before income tax	6.88	6.64
	After income tax	6.88	6.64
Net income ratio		98.48	98.54

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		**March 31, 2017**	**March 31, 2016**
Return on total assets	Before income tax	0.46	0.43
	After income tax	0.40	0.36
Return on equity	Before income tax	7.49	7.20
	After income tax	6.47	6.07
Net income ratio		32.27	26.36

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		**March 31, 2017**	**March 31, 2016**
Return on total assets	Before income tax	0.94	1.68
	After income tax	0.93	1.68
Return on equity	Before income tax	8.28	14.83
	After income tax	8.25	14.83
Net income ratio		123.35	85.62

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		March 31, 2017	March 31, 2016
Return on total assets	Before income tax	0.66	2.42
	After income tax	0.57	2.23
Return on equity	Before income tax	2.69	6.34
	After income tax	2.31	5.84
Net income ratio		15.83	34.37

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

(%)

Items		March 31, 2017	March 31, 2016
Return on total assets	Before income tax	0.49	0.66
	After income tax	0.68	0.63
Return on equity	Before income tax	9.07	11.67
	After income tax	12.59	11.10
Net income ratio		71.24	55.85

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.

Note 6: TCB merged with Cooperative Insurance Brokers Co., Ltd. on June 24, 2016 (the effective date of combination). Since the combinations was essentially a reorganization under common control, TCB restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statement; hence, the profitability were calculated with the related amounts.

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
March 31, 2017

(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	$ 2,870,414,611	$ 344,971,348	$ 374,748,831	$ 158,698,143	$ 226,950,012	$ 268,146,869	$ 1,496,899,408
Main capital outflow on maturity	3,364,637,213	217,949,852	177,086,265	372,315,951	414,183,083	690,591,430	1,492,510,632
Gap	(494,222,602)	127,021,496	197,662,566	(213,617,808)	(187,233,071)	(422,444,561)	4,388,776

Maturity Analysis of Assets and Liabilities
March 31, 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	$ 2,886,842,448	$ 392,331,878	$ 410,372,260	$ 186,343,762	$ 191,272,096	$ 246,880,289	$ 1,459,642,163
Main capital outflow on maturity	3,417,331,425	205,518,332	195,515,504	396,463,420	432,062,373	714,081,234	1,473,690,562
Gap	(530,488,977)	186,813,546	214,856,756	(210,119,658)	(240,790,277)	(467,200,945)	(14,048,399)

Note: The above amounts included only New Taiwan dollar amounts held by TCB.

Maturity Analysis of Assets and Liabilities
March 31, 2017

(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	$ 21,391,801	$ 8,492,962	$ 3,672,572	$ 2,327,682	$ 1,222,054	$ 5,676,531
Main capital outflow on maturity	25,608,423	11,624,313	4,370,439	2,933,462	3,752,937	2,927,272
Gap	(4,216,622)	(3,131,351)	(697,867)	(605,780)	(2,530,883)	2,749,259

Maturity Analysis of Assets and Liabilities
March 31, 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	$ 20,291,229	$ 8,107,319	$ 3,290,181	$ 2,348,830	$ 1,456,462	$ 5,088,437
Main capital outflow on maturity	23,844,723	11,343,256	4,007,479	2,617,187	3,317,174	2,559,627
Gap	(3,553,494)	(3,235,937)	(717,298)	(268,357)	(1,860,712)	2,528,810

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
March 31, 2017

(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	$ 342,012	$ 50,380	$ 11,846	$ 10,701	$ -	$ 269,085
Main capital outflow on maturity	279,700	86,430	111,914	74,301	867	6,188
Gap	62,312	(36,050)	(100,068)	(63,600)	(867)	262,897

Maturity Analysis of Assets and Liabilities
March 31, 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	$ 379,256	$ 40,341	$ -	$ 25,015	$ 28,500	$ 285,400
Main capital outflow on maturity	316,672	87,182	119,008	87,009	16,836	6,637
Gap	62,584	(46,841)	(119,008)	(61,994)	11,664	278,763

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.

March 31, 2017

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	$ 12,991,967	$ 11,958,537	$ 900,653	$ -	$ -
	Bonds	-	44,070	732,210	900,000	14,982,891
	Cash in bank	4,690,923	120,200	-	-	-
	Total	17,682,890	12,122,807	1,632,863	900,000	14,982,891
Source of funds	Borrowings	13,020,000	-	-	-	-
	Securities sold under repurchase agreements	27,188,661	1,944,716	20,019	-	-
	Equity fund	-	-	-	-	-
	Total	40,208,661	1,944,716	20,019	-	-
Net flows		(22,525,771)	10,178,091	1,612,844	900,000	14,982,891
Accumulated capital net flows		(22,525,771)	(12,347,680)	(10,734,836)	(9,834,836)	5,148,055

March 31, 2016

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	$ 10,940,680	$ 10,438,276	$ 300,167	$ 200,610	$ -
	Bonds	-	200,000	-	1,499,120	16,001,120
	Cash in bank	-	-	-	20,015	-
	Total	10,940,680	10,638,276	300,167	1,719,745	16,001,120
Source of funds	Borrowings	9,610,000	-	-	-	-
	Securities sold under repurchase agreements	27,729,112	1,771,384	195,255	-	-
	Equity fund	-	-	-	-	-
	Total	37,339,112	1,771,384	195,255	-	-
Net flows		(26,398,432)	8,866,892	104,912	1,719,745	16,001,120
Accumulated capital net flows		(26,398,432)	(17,531,540)	(17,426,628)	(15,706,883)	294,237

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

Trust Assets	March 31, 2017	December 31, 2016	March 31, 2016
Cash in banks	$ 2,415,233	$ 2,403,263	$ 1,561,452
Short-term investments			
Mutual funds	152,357,552	153,234,175	157,740,359
Stocks	1,819,056	1,735,287	1,584,652
Debt instruments	1,770,142	1,364,377	-
Structured products	285,067	300,778	-
	156,231,817	156,634,617	159,325,011
Securities lending	668,286	833,745	1,033,598
Receivables	10,445	8,844	9,014
Real estate			
Land	49,188,810	46,493,613	32,878,698
Buildings	12,738	12,192	16,448
Construction in process	11,067,618	9,255,459	5,463,519
	60,269,166	55,761,264	38,358,665
Securities under custody	83,475,166	75,487,067	65,171,384
Total	$ 303,070,113	$ 291,128,800	$ 265,459,124

Trust Liabilities	March 31, 2017	December 31, 2016	March 31, 2016
Payables			
Accrued expense	$ 2,584	$ 4,250	$ 2,641
Others	2,476	2,477	2,524
Mutual funds	200	200	-
	5,260	6,927	5,165
Accounts payable on securities under custody	83,475,166	75,487,067	65,171,384
Trust capital			
Cash	156,801,469	157,272,789	159,279,014
Real estate	60,161,112	55,568,875	38,176,927
Securities	2,246,220	2,432,186	2,486,639
Others	190,858	275,144	182,832
	219,399,659	215,548,994	200,125,412
Reserves and retained earnings			
Net income	143,087	140,587	119,486
Appropriation	(150,399)	(161,502)	(71,951)
Retained earnings	197,340	106,727	109,628
	190,028	85,812	157,163
Total	$ 303,070,113	$ 291,128,800	$ 265,459,124

Trust Property List

Investment Items	March 31, 2017	December 31, 2016	March 31, 2016
Cash in banks	$ 2,415,233	$ 2,403,263	$ 1,561,452
Short-term investments			
Mutual funds	152,357,552	153,234,175	157,740,359
Stocks	1,819,056	1,735,287	1,584,652
Debt instruments	1,770,142	1,364,377	-
Structured products	285,067	300,778	-
Securities lending	668,286	833,745	1,033,598
Receivables			
Accrued interest	3,071	3,353	2,496
Accrued cash dividends	12	-	-
Receivable on the sale of securities	200	200	200
Mutual funds	1,850	-	-
Others	5,312	5,291	6,318
Real estate			
Land	49,188,810	46,493,613	32,878,698
Buildings	12,738	12,192	16,448
Construction in process	11,067,618	9,255,459	5,463,519
Securities under custody	83,475,166	75,487,067	65,171,384
Total	$ 303,070,113	$ 291,128,800	$ 265,459,124

Statements of Income on Trust Accounts
For the Three Months Ended March 31, 2017 and 2016

	2017	2016
Revenues		
Interest revenue	$ 1,110	$ 1,004
Cash dividends	538	465
Unrealized gain on investment - stocks	269,201	279,004
Realized gain on investment - mutual funds	90	-
Unrealized gain on investment - mutual funds	-	1,037
Rentals	6,073	8,084
Others	31	12
Total revenues	277,043	289,606
Expenses		
Management fees	2,088	2,133
Taxes	-	47
Service charge	181	196
Postage	21	19
Unrealized loss on investment - stocks	131,097	162,518
Realized loss on investment - mutual funds	568	-
Unrealized loss on investment - mutual funds	-	5,201
Others	1	6
Total expenses	133,956	170,120
Income before income tax	143,087	119,486
Income tax expense	-	-
Net income	$ 143,087	$ 119,486

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) since January 1, 2015, revenue based on 20% of the net revenue derived from security transactions in the first and five year. (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 March 31, 2017, December 31, 2016 and March 31, 2016, TCB’s accrued receivables were $1,797 thousand, $2,245 thousand and $1,743 thousand, respectively. TCB’s revenues from cross-selling transactions were $1,797 thousand and $1,743 thousand for the three months ended March 31, 2017 and 2016, 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 March 31, 2017, December 31, 2016 and March 31, 2016, TCB's accrued receivables were $3,396 thousand, $2,419 thousand and $2,364 thousand, respectively. TCB's revenues from cross-selling transactions were $8,294 thousand and $6,238 thousand for the three months ended March 31, 2017 and 2016, respectively.

46. TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES

Table 3 (attached).

47. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

48. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by stockholders' meetings are $244,503 thousand, $244,503 thousand and $242,035 thousand as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

49. 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 invested 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." The investment in the Changsha Branch was approved by the Investment Commission under Mainland China's Ministry of Economic Affairs and relevant authorities. Changsha Branch started operation on April 27, 2017.

50. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and b. investees:

1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - Table 5 (attached).

2) Endorsement/guarantee provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company -Table 6 (attached).

3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - 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, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company - none.

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: None.

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: None.

10) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Table 8(attached).

11) Percentage share in investees and related information: Not applicable.

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 49 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, Fuzhou Branch and Changsha 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 9 (attached)

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 10 (attached).

51. 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 three months ended March 31, 2017 and 2016 are as follows:

	For the Three Months Ended March 31, 2017				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 7,873,209	$ 448,460	$ 8,321,669	$ -	$ 8,321,669
Net revenues and gains other than interest	1,748,356	4,373,676	6,122,032	(3,520,606)	2,601,426
Net revenues	9,621,565	4,822,136	14,443,701	(3,520,606)	10,923,095
Bad-debt expenses and provision for losses on guarantees	(778,024)	64,240	(713,784)	-	(713,784)
Net change in reserves for insurance liabilities	-	(535,053)	(535,053)	-	(535,053)
Operating expenses	(5,248,882)	(523,411)	(5,772,293)	44,274	(5,728,019)
Income before income tax	$ 3,594,659	$ 3,827,912	$ 7,422,571	$ (3,476,332)	$ 3,946,239

	For the Three Months Ended March 31, 2016				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 7,796,850	$ 515,988	$ 8,312,838	$ -	$ 8,312,838
Net revenues and gains other than interest	2,834,621	3,147,592	5,982,213	(3,248,183)	2,734,030
Net revenues	10,631,471	3,663,580	14,295,051	(3,248,183)	11,046,868
Bad-debt expenses and provision for losses on guarantees	(1,857,095)	(87,136)	(1,944,231)	283	(1,943,948)
Net change in reserves for insurance liabilities	-	565,863	565,863	-	565,863
Operating expenses	(5,450,204)	(488,361)	(5,938,565)	47,262	(5,891,303)
Income before income tax	$ 3,324,172	$ 3,653,946	$ 6,978,118	$ (3,200,638)	$ 3,777,480

TABLE 1

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
MARCH 31, 2017, DECEMBER 31, 2016 AND MARCH 31, 2016

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2017	December 31, 2016	March 31, 2016	
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	Note 1
	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	Note 1
	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	100.00	Note 1
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
	Cooperative Insurance Brokers Co., Ltd.	Taipei City	Life and property insurance agent	-	-	100.00	Notes 1 and 2
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	Note 1

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2017	December 31, 2016	March 31, 2016	
None	-	-	-	-	-	-	

Note 1: Non-major subsidiary, which financial reports for the three months ended March 31, 2017 and 2016 are not reviewed.

Note 2: Cooperative Insurance Brokers Co., Ltd. was merged with Taiwan Cooperative Bank, Ltd. on June 24, 2016.

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
MARCH 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2017					March 31, 2016				
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		$ 3,978,029	$ 673,454,436	0.59	$ 7,233,038	181.82	$ 2,954,598	$ 668,391,780	0.44	$ 6,057,695	205.03
	Unsecured		1,899,449	508,328,551	0.37	6,596,709	347.30	1,592,750	528,143,921	0.30	6,636,547	416.67
Consumer banking	Housing mortgage (Note 4)		1,027,097	491,636,542	0.21	7,459,329	726.25	1,091,308	513,233,963	0.21	5,909,396	541.50
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		237,712	12,996,900	1.83	250,011	105.17	51,394	13,196,446	0.39	214,662	417.68
	Other (Note 6)	Secured	600,326	254,240,432	0.24	1,464,693	243.98	600,321	246,013,060	0.24	1,920,544	319.92
		Unsecured	82,090	8,307,243	0.99	184,138	224.31	20,738	8,883,848	0.23	143,048	689.79
Loan			7,824,703	1,948,964,104	0.40	23,187,918	296.34	6,311,109	1,977,863,018	0.32	20,881,892	330.88
			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			12,270	3,093,788	0.40	55,042	448.59	12,239	2,646,976	0.46	71,081	580.77
Accounts receivable factored without recourse (Note 7)			-	470,151	-	6,025	-	-	198,778	-	3,273	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			1,892					2,772				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			11,675					16,510				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			17,685					22,077				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			50,721					60,026				

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) and letter dated September 20, 2016 (Ref. No. 10500134790).

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 THREE MONTHS ENDED MARCH 31, 2017 AND 2016

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016	Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Cash and cash equivalents	$ 48,949	$ 33,611	$ 41,085	Liabilities			
Receivables	618	161	703				
Current tax assets	2,020,556	1,049,081	2,499,066	Commercial paper issued, net	$ 13,574,154	$ 13,520,863	$ 13,831,760
Investments accounted for using equity method	212,040,696	208,347,429	204,951,362	Payables	195,606	165,623	166,032
Properties and equipment, net	1,249	1,864	6,622	Current tax liabilities	2,037,842	1,066,367	2,489,055
Intangible assets	1,307	2,138	4,634	Other financial liabilities	734	196	286
Deferred tax assets	191	191	186	Other liabilities	7,732	7,161	6,101
Other assets	3,766	3,733	3,575	Total liabilities	15,816,068	14,760,210	16,493,234
				Equity			
				Capital stock	118,472,850	118,472,850	110,722,290
				Capital surplus	57,964,343	57,964,343	57,964,343
				Retained earnings	22,242,217	18,864,961	19,353,802
				Other equity	(378,146)	(624,156)	2,973,564
				Total equity	198,301,264	194,677,998	191,013,999
Total	$ 214,117,332	$ 209,438,208	$ 207,507,233	Total	$ 214,117,332	$ 209,438,208	$ 207,507,233

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017	2016
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	$ 3,447,257	$ 3,201,349
Other revenues and gains	180	90
Total revenues and gains	3,447,437	3,201,439
Expenses and losses		
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	-	2,751
Operating expenses	52,284	46,583
Other expenses and losses	17,897	17,036
Total expenses and losses	70,181	66,370
Income before income tax	3,377,256	3,135,069
Income tax benefit	-	-
Net income	3,377,256	3,135,069
Other comprehensive income	246,010	1,284,499
Total comprehensive income	$ 3,623,266	$ 4,419,568
Earnings per share (New Taiwan dollars)		
Basic	$0.29	$0.26
Diluted	$0.29	$0.26

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings			Other Equity			
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated 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
BALANCE, JANUARY 1, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 14,225,747	$ (9,285)	$ (649,369)	$ 34,498	$ 194,677,998
Total comprehensive income										
Net income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	-	-	-	3,377,256
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	-	(590,234)	837,357	(1,113)	246,010
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	3,377,256	(590,234)	837,357	(1,113)	3,623,266
BALANCE, MARCH 31, 2017	11,847,285	$ 118,472,850	$ 57,964,343	$ 3,643,188	$ 996,026	$ 17,603,003	$ (599,519)	$ 187,988	$ 33,385	$ 198,301,264
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
Total comprehensive income										
Net income for the three months ended March 31, 2016	-	-	-	-	-	3,135,069	-	-	-	3,135,069
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	-	(156,912)	1,441,427	(16)	1,284,499
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	3,135,069	(156,912)	1,441,427	(16)	4,419,568
BALANCE, MARCH 31, 2016	11,072,229	$ 110,722,290	$ 57,964,343	$ 2,356,575	$ 996,026	$ 16,001,201	$ 143,503	$ 2,827,909	$ 2,152	$ 191,013,999

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Cash Flows
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities		
Income before income tax	$ 3,377,256	$ 3,135,069
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(3,447,257)	(3,198,598)
Depreciation and amortization expenses	1,446	2,483
Interest expense	17,897	17,036
Net changes in operating assets and liabilities		
Increase in receivables	(457)	(528)
Increase in other assets	(33)	(73)
Increase in payables	29,983	10,715
Increase in other liabilities	571	646
Cash used in operations	(20,594)	(33,250)
Interest paid	(14,606)	(18,961)
Income tax paid	-	-
Net cash used in operating activities	(35,200)	(52,211)
Cash flows from investing activities		
Acquisition of properties and equipment	-	(22)
Cash flows from financing activities		
Increase in commercial paper issued	50,000	60,000
Increase in other financial liabilities	538	1
Net cash generated by financing activities	50,538	60,001
Net increase in cash and cash equivalents	15,338	7,768
Cash and cash equivalents, beginning of the period	33,611	33,317
Cash and cash equivalents, end of the period	$ 48,949	$ 41,085

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016 (Restated)	Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016 (Restated)
Cash and cash equivalents	$ 51,251,071	$ 54,064,826	$ 47,681,058	Liabilities			
Due from the Central Bank and call loans to other banks	285,498,537	302,017,438	760,969,500				
Financial assets at fair value through profit or loss	22,446,842	27,866,137	23,276,971	Due to the Central Bank and other banks	$ 227,492,840	$ 225,668,911	$ 202,341,685
Securities purchased under resell agreements	-	-	708,688	Financial liabilities at fair value through profit or loss	17,129,853	14,631,011	17,896,769
Receivables, net	14,514,544	14,808,694	12,619,764	Securities sold under repurchase agreements	10,610,060	12,000,831	13,204,439
Current tax assets	1,161,413	1,187,408	960,760	Payables	39,590,063	44,120,225	37,808,691
Discounts and loans, net	1,925,371,215	1,958,508,412	1,956,525,138	Current tax liabilities	1,274,421	328,375	1,781,900
Available-for-sale financial assets	133,757,408	123,640,946	101,917,914	Deposits and remittances	2,515,434,925	2,564,157,192	2,555,566,090
Held-to-maturity financial assets	507,106,095	510,048,964	48,737,678	Bank debentures	74,610,000	74,610,000	69,610,000
Investments accounted for using equity method	1,826,821	1,882,267	1,927,190	Other financial liabilities	4,703,725	2,614,125	7,330,488
Other financial assets, net	103,426,759	99,887,733	101,143,074	Provisions	7,360,652	7,171,678	7,059,892
Properties and equipment, net	37,834,127	37,962,847	39,123,868	Deferred tax liabilities	2,981,439	3,261,164	3,024,878
Investment properties, net	2,880,007	2,886,363	2,264,546	Other liabilities	1,098,687	1,170,965	1,201,694
Intangible assets	3,518,079	3,545,312	3,625,838	Total liabilities	2,902,286,665	2,949,734,477	2,916,826,526
Deferred tax assets	1,500,756	954,971	989,087				
Other assets, net	3,763,944	711,131	1,086,657	Equity			
				Capital stock	85,863,000	85,863,000	83,493,000
				Capital surplus	55,985,497	55,985,497	53,054,992
				Retained earnings	52,245,328	49,140,179	47,956,503
				Other equity	(522,872)	(749,704)	2,226,710
				Total equity	193,570,953	190,238,972	186,731,205
Total	$ 3,095,857,618	$ 3,139,973,449	$ 3,103,557,731	Total	$ 3,095,857,618	$ 3,139,973,449	$ 3,103,557,731

Note: Taiwan Cooperative Bank, Ltd. (TCB) merged with Cooperative Insurance Brokers Co., Ltd. on June 24, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, TCB restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statement.

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016
Cash and cash equivalents	$ 4,070,923	$ 4,179,619	$ 4,574,436
Financial assets at fair value through profit or loss	25,822,397	20,606,902	21,873,140
Available-for-sale financial assets, net	14,313,224	12,217,608	15,272,726
Receivables, net	173,233	168,636	157,620
Held-to-maturity financial assets	2,577,756	2,586,245	2,800,255
Current tax assets	91,816	79,755	98,772
Other financial assets	749,477	649,477	249,477
Properties and equipment, net	12,420	12,849	14,042
Intangible assets	7,299	7,761	2,804
Other assets, net	214,493	211,363	221,203
Total	$ 48,033,038	$ 40,720,215	$ 45,264,475

Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Liabilities			
Call loans from banks	$ 13,020,000	$ 10,900,000	$ 9,610,000
Securities sold under repurchase agreements	29,144,358	24,009,038	29,688,002
Payables	65,511	68,356	64,496
Provisions	693,822	745,822	820,742
Other liabilities	38,657	31,385	22,227
Total liabilities	42,962,348	35,754,601	40,205,467
Equity			
Capital stock	3,547,270	3,547,270	3,547,270
Capital surplus	3,240	3,240	3,240
Retained earnings	1,495,106	1,391,660	1,373,926
Other equity	25,074	23,444	134,572
Total equity	5,070,690	4,965,614	5,059,008
Total	$ 48,033,038	$ 40,720,215	$ 45,264,475

Taiwan Cooperative Securities Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	$ 22,007,918	$ 19,509,596	$ 13,914,360
Available-for-sale financial assets - noncurrent	31,874	31,809	43,262
Financial assets carried at cost - noncurrent	16,845	99	-
Properties and equipment, net	68,887	74,728	67,621
Intangible assets	46,581	48,577	38,695
Deferred tax assets	14,904	10,055	5,738
Other non-current assets	417,483	416,716	415,720
Total	$ 22,604,492	$ 20,091,580	$ 14,485,396

Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Liabilities			
Current liabilities	$ 17,321,695	$ 14,865,117	$ 9,136,607
Deferred tax liabilities	1,567	1,506	3,032
Other liabilities	6,389	7,137	9,787
Total liabilities	17,329,651	14,873,760	9,149,426
Equity			
Capital stock	4,724,200	4,724,200	4,724,200
Capital surplus	294,440	294,440	294,440
Retained earnings	258,144	227,794	235,607
Other equity	(1,943)	(28,614)	81,723
Total equity	5,274,841	5,217,820	5,335,970
Total	$ 22,604,492	$ 20,091,580	$ 14,485,396

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	$ 21,022	$ 41,122	$ 31,561
Accounts receivable - acquired loans, net	2,152,418	2,309,329	1,960,214
Investments accounted for using the equity method	845,183	878,249	933,982
Properties and equipment, net	3,416	4,598	1,958
Investment properties, net	1,672,271	1,520,427	1,878,832
Intangible assets	2,881	2,431	1,744
Deferred tax assets	118,508	111,598	78,162
Long-term lease payment receivable	128,573	115,015	64,781
Other assets	268,252	264,869	264,414
Total	$ 5,212,524	$ 5,247,638	$ 5,215,648

Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Liabilities			
Current liabilities	$ 1,740,644	$ 1,825,267	$ 1,974,982
Deferred tax liabilities	9,211	9,122	11,855
Other liabilities	25,908	25,570	22,325
Total liabilities	1,775,763	1,859,959	2,009,162
Equity			
Capital stock	2,825,280	2,825,280	2,616,000
Capital surplus	2,553	2,553	2,553
Retained earnings	688,473	605,655	578,682
Other equity	(79,545)	(45,809)	9,251
Total equity	3,436,761	3,387,679	3,206,486
Total	$ 5,212,524	$ 5,247,638	$ 5,215,648

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016
Cash and cash equivalents	$ 3,833,587	$ 3,751,573	$ 2,936,738
Receivables	1,218,783	1,029,934	1,081,185
Current tax assets	173,870	165,145	224,674
Investments	45,601,831	45,579,644	47,240,215
Reinsurance assets	15,384	8,034	24,814
Equipment, net	71,293	75,490	79,274
Deferred tax assets	34,387	8,845	-
Other assets	972,070	974,948	1,523,575
Separate-account assets	88,140,173	87,468,591	77,434,179
Total	$ 140,061,378	$ 139,062,204	$ 130,544,654

Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Liabilities			
Payables	$ 414,451	$ 607,847	$ 386,734
Financial liabilities at fair value through profit or loss	20,185	314,356	544,634
Insurance liabilities	31,257,581	30,758,631	32,343,656
Reserve for insurance contracts with financial instruments features	11,423,897	11,511,953	11,699,291
Reserve of foreign exchange variation	129,796	145,987	141,856
Deferred tax liabilities	7,112	41,910	74,667
Other liabilities	1,020,565	850,195	343,393
Separate-account liabilities	88,140,173	87,468,591	77,434,179
Total liabilities	132,413,760	131,699,470	122,968,410
Equity			
Capital stock	6,000,000	6,000,000	6,000,000
Capital surplus	9,310	9,310	9,310
Retained earnings	1,256,609	1,020,438	555,578
Other equity	381,699	332,986	1,011,356
Total equity	7,647,618	7,362,734	7,576,244
Total	$ 140,061,378	$ 139,062,204	$ 130,544,654

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016	Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	$ 369,272	$ 355,498	$ 330,806	Liabilities			
Financial assets carried at cost - noncurrent	3,000	3,000	-				
Properties and equipment, net	503	348	1,310	Current liabilities	$ 39,589	$ 29,278	$ 23,485
Intangible assets	2,708	3,020	693	Non-current liabilities	4,247	3,835	3,749
Prepayments for equipment	-	-	2,310	Total liabilities	43,836	33,113	27,234
Other assets	26,263	26,263	26,238				
				Equity			
				Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Accumulated deficit	(17,950)	(20,844)	(41,737)
				Total equity	357,910	355,016	334,123
Total	$ 401,746	$ 388,129	$ 361,357	Total	$ 401,746	$ 388,129	$ 361,357

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2017	December 31, 2016	March 31, 2016	Liabilities and Equity	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	$ 834,276	$ 858,705	$ 988,855	Liabilities			
Financial assets carried at cost - noncurrent	178,500	150,500	24,000				
Properties and equipment, net	1,889	2,044	2,411	Current liabilities	$ 5,143	$ 3,381	$ 14,248
Intangible assets	74	85	105	Non-current liabilities	161	439	257
Other assets	243	243	243	Total liabilities	5,304	3,820	14,505
				Equity			
				Capital stock	1,000,000	1,000,000	1,000,000
				Accumulated deficit	3,205	1,053	(4,407)
				Other equity	6,473	6,704	5,516
				Total equity	1,009,678	1,007,757	1,001,109
Total	$ 1,014,982	$ 1,011,577	$ 1,015,614	Total	$ 1,014,982	$ 1,011,577	$ 1,015,614

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017	2016 (Restated)
Interest revenues	$ 12,369,744	$ 12,787,412
Less: Interest expenses	(4,496,535)	(4,990,562)
Net interest	7,873,209	7,796,850
Net revenues and gains other than interest	1,748,356	2,834,621
Total net revenues	9,621,565	10,631,471
Bad-debt expenses and provision for losses on guarantees	(778,024)	(1,857,095)
Operating expenses	(5,248,882)	(5,450,204)
Income before income tax	3,594,659	3,324,172
Income tax expense	(489,510)	(521,466)
Net income	3,105,149	2,802,706
Other comprehensive income	226,832	1,168,498
Total comprehensive income	$ 3,331,981	$ 3,971,204
Earnings per share (NT$)		
Basic	$0.36	$0.34

Note: Taiwan Cooperative Bank, Ltd. (TCB) merged with Cooperative Insurance Brokers Co., Ltd. on June 24, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, TCB restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statement.

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017	2016
Net interest	$ 62,130	$ 81,249
Net revenues and gains other than interest	21,734	134,368
Total net revenues	83,864	215,617
Allowance for credit losses and provision	52,759	90
Operating expenses	(32,700)	(31,091)
Income before income tax	103,923	184,616
Income tax expense	(477)	-
Net income	103,446	184,616
Other comprehensive income	1,630	(26,931)
Total comprehensive income	$ 105,076	$ 157,685
Earnings per share (NT$)		
Basic	$0.29	$0.52

Taiwan Cooperative Securities Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017	2016
Revenues	$ 256,626	$ 241,282
Service charge	(7,390)	(5,332)
Other operating costs	(23,629)	(8,960)
Employee benefits	(92,846)	(87,158)
Other operating expenses	(63,556)	(53,142)
Other gains and losses	(33,941)	(3,122)
Income before income tax	35,264	83,568
Income tax expense	(4,914)	(6,634)
Net income	30,350	76,934
Other comprehensive income	26,671	58,129
Total comprehensive income	$ 57,021	$ 135,063
Earnings per share (NT$)		
Basic	$0.06	$0.16

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017	2016
Operating revenues	$ 134,271	$ 154,904
Operating expenses	(35,821)	(93,808)
Operating benefits	98,450	61,096
Non-operating gains and losses	3,817	(21,876)
Income before income tax	102,267	39,220
Income tax expense	(19,449)	(6,714)
Net income	82,818	32,506
Other comprehensive loss	(33,736)	(3,271)
Total comprehensive income	$ 49,082	$ 29,235
Earnings per share (NT$)		
Basic	$0.29	$0.12

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017	2016
Operating revenues	$ 7,663,733	$ 4,332,397
Operating costs	(7,332,219)	(3,965,237)
Operating expenses	(161,417)	(151,431)
Income before income tax	170,097	215,729
Income tax benefit (expenses)	66,074	(10,657)
Net income	236,171	205,072
Other comprehensive income	48,713	161,878
Total comprehensive income	$ 284,884	$ 366,950
Earnings per share (NT$)		
Basic	$0.39	$0.34

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017	2016
Operating revenues	$ 53,005	$ 47,935
Operating expenses	(50,733)	(49,128)
Operating gain (loss)	2,272	(1,193)
Non-operating gains and losses	622	710
Gain (loss) before income tax	2,894	(483)
Income tax expenses	-	-
Net income (loss)	2,894	(483)
Other comprehensive income	-	-
Total comprehensive loss	$ 2,894	$ (483)
Earnings (loss) per share (NT$)		
Basic	$0.10	$(0.02)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017	2016
Operating revenues	$ 5,184	$ 8
Operating expenses	(3,432)	(3,486)
Operating income (loss)	1,752	(3,478)
Non-operating gains and losses	474	1,210
Gain (loss) before income tax	2,226	(2,268)
Income tax expenses	(74)	-
Net income (loss)	2,152	(2,268)
Other comprehensive income	(231)	5,516
Total comprehensive loss	$ 1,921	$ 3,248
Earnings (loss) per share (NT$)		
Basic	$0.02	$(0.02)

(Concluded)

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Business Segment / Items	For the Three Months Ended March 31, 2017				
	Banking	**Bill Finance**	**Insurance**	**Others**	**Consolidated**
Net interest	$ 7,899,164	$ 12,432	$ 248,775	$ 161,298	$ 8,321,669
Net revenues and gains (losses) other than interest	1,701,945	74,631	603,714	221,136	2,601,426
Total net revenues	9,601,109	87,063	852,489	382,434	10,923,095
Bad-debt expenses and provision for losses on guarantees	(771,311)	52,759	-	4,768	(713,784)
Net change in reserves for insurance liabilities	-	-	(535,053)	-	(535,053)
Operating expenses	(5,255,647)	(30,555)	(148,899)	(292,918)	(5,728,019)
Income before income tax	3,574,151	109,267	168,537	94,284	3,946,239
Income tax benefit (expenses)	(489,510)	(477)	66,074	(26,965)	(450,878)
Net income	3,084,641	108,790	234,611	67,319	3,495,361

Business Segment / Items	For the Three Months Ended March 31, 2016				
	Banking	**Bill Finance**	**Insurance**	**Others**	**Consolidated**
Net interest	$ 7,834,147	$ 32,177	$ 254,143	$ 192,371	$ 8,312,838
Net revenues and gains (losses) other than interest	2,020,167	187,760	(187,156)	713,259	2,734,030
Total net revenues	9,854,314	219,937	66,987	905,630	11,046,868
Bad-debt expenses and provision for losses on guarantees	(1,864,327)	90	-	(79,711)	(1,943,948)
Net change in reserves for insurance liabilities	-	-	565,863	-	565,863
Operating expenses	(5,440,008)	(28,943)	(140,320)	(282,032)	(5,891,303)
Income before income tax	2,549,979	191,084	492,530	543,887	3,777,480
Income tax expenses	(511,988)	-	(10,657)	(17,177)	(539,822)
Net income	2,037,991	191,084	481,873	526,710	3,237,658

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Note 2)	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
1	Co-operative Assets Management Co., Ltd.	Tai-Hwei Trade Co, Ltd.	Receivables on lending funds	No	$ 150,000	$ 145,183	$ 145,183	3-8	Short-term financing	$ -	Operating use	$ 1,545	Real estate	$ 208,281	$ 343,676 (Note 3)	$ 1,374,704 (Note 3)
		Taroko textile Corporation	Receivables on lending funds	No	98,490	96,212	96,212	3-8	Short-term financing	-	Operating use	1,028	Stocks	121,900	343,676 (Note 3)	1,374,704 (Note 3)
		Hanky & Partners (Taiwan) Ltd.	Receivables on lending funds	No	119,290	117,148	117,148	3-8	Short-term financing	-	Operating use	1,234	Real estate	146,450	343,676 (Note 3)	1,374,704 (Note 3)
		Sin-Dan Co., Ltd.	Receivables on lending funds	No	50,000	47,375	47,375	3-8	Short-term financing	-	Operating use	514	Land	101,380	343,676 (Note 3)	1,374,704 (Note 3)
		Sen-Yuan Construction Co., Ltd.	Receivables on lending funds	No	273,000	273,000	-	3-8	Short-term financing	-	Operating use	-	Real estate	342,050	343,676 (Note 3)	1,374,704 (Note 3)
2	Cooperative Financial International Lease Co., Ltd.	Shan Yuan Group (Tsingtao) Ltd.	Receivables on lending funds	No	101,453	101,453	101,453	10	Short-term financing	-	Operating use	1,522	Real estate	1,823,287	126,777 (Note 4)	338,073 (Note 4)
		Polaris Financial Service Co., Ltd.	Receivables on lending funds	No	83,809	-	-	7	Short-term financing	-	Operating use	-	-	-	126,777 (Note 4)	338,073 (Note 4)
		Markor Investment Group (Tianjin) Co., Ltd.	Receivables on lending funds	No	26,025	24,229	24,229	10.61	Short-term financing	-	Operating use	363	Real estate	48,940	126,777 (Note 4)	338,073 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Receivables on lending funds	No	44,110	44,110	44,110	8	Business relationship	111,051	Operating use	662	Real estate	45,919	126,777 (Note 4)	338,073 (Note 4)

Note 1: The parent company and investee companies are numbered as follows:

a. Parent company is denoted as 0.
b. Investee companies are numbered sequentially from 1.

Note 2: Each lending of funds is resolved by the board of directors. The company should disclose the monetary limit resolved by the board of directors even if the funds are not yet disbursed. When the funds are repaid, the company should disclose the lending balance of funds after the repayments.

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on March 31, 2017 was $3,436,761 thousand.

Note 4: Each financing limit for the borrowing company and the total financing amount limit of Cooperative Financial International Lease Co., Ltd. are 15% and 40% of its equity of the latest financial report, respectively. The equity of Cooperative Financial International Lease Co., Ltd. on March 31, 2017 was $845,183 thousand.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/Guarantee Provider	Counterparty		Limits on Individual Endorsement/ Guarantee Amounts (Note 2)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Endorsement/ Guarantee Amount Collateralized with Properties	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Asset Value of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note 2)	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	Co-operative Assets Management Co., Ltd.	Cooperative Financial International Lease Co., Ltd.	Subsidiary	$ 4,225,915	$ 729,120 (US$ 24,000)	$ 729,120	$ -	$ -	21.22%	$ 1,374,704	Yes	No	Yes

Note 1: The Company and investee companies are numbered as follows:

a. The Company is denoted as 0.
b. Investee companies are numbered sequentially from 1.

Note 2: The amount of individual guarantee provided should not exceed the guarantee provider's net asset value of the latest financial report, and the total amount of guarantee provided should not exceed 40% of the net asset value of Co-operative Assets Management Co., Ltd. The amount of guarantee provided to the subsidiary in which the guarantee company directly or indirectly holds 100% of the voting shares should not exceed 5 times of the subsidiary's net asset value of the latest financial report. The net asset value of Cooperative Financial International Lease Co., Ltd. on March 31, 2017 was $845,183 thousand.

Note 3: The ending balance of the guarantee provided is the amount approved by the board of directors.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2017				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Beneficial certificate							
Taiwan Cooperative Venture Capital Co., Ltd.	TCB Taiwan Money Market	Fund managed by sister company	Financial assets at fair value through profit or loss	997	$ 10,037	-	$ 10,037	
	Stock							
Co-operative Assets Management Co., Ltd.	Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	845,183	100.00	845,183	Note
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co. Ltd.	-	Financial assets carried at cost	300	3,000	0.86	2,274	
Taiwan Cooperative Venture Capital Co., Ltd.	Tanvex BioPharma, Inc.	-	Available-for-sale financial assets	300	35,328	0.16	35,328	
	Mega Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,200	29,400	0.01	29,400	
	Taiwan Mobile Corp.	-	Available-for-sale financial assets	239	26,649	0.01	26,649	
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	240	24,720	-	24,720	
	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,335	24,702	0.01	24,702	
	RiTdisplay Corporation	-	Available-for-sale financial assets	151	23,932	0.53	23,932	
	Hua Nan Financial Holdings Co., Ltd.	-	Available-for-sale financial assets	1,306	22,134	0.01	22,134	
	SuperAlloy International Co., Ltd.	-	Available-for-sale financial assets	109	19,324	0.05	19,324	
	China Motor Corporation	-	Available-for-sale financial assets	683	18,987	0.05	18,987	
	Pou Chen Corporation	-	Available-for-sale financial assets	358	15,036	0.01	15,036	
	Hon Hai Precision Industry Co., Ltd.	-	Available-for-sale financial assets	83	7,553	-	7,553	
	Taiwan Shin Kong Security Co., Ltd.	-	Available-for-sale financial assets	175	7,018	0.05	7,018	
	Excelsior Medical Co., Ltd.	-	Available-for-sale financial assets	152	7,000	0.12	7,000	
	Chang Hwa Commercial Bank, Ltd.	-	Available-for-sale financial assets	8	150	-	150	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets carried at cost	300	48,000	0.29	21,150	
	SR Suntour Inc.	-	Financial assets carried at cost	1,300	39,000	2.16	48,867	
	Twoway Communications, Inc.	-	Financial assets carried at cost	2,000	36,000	2.45	25,480	
	eLand Technologies Co., Ltd.	-	Financial assets carried at cost	500	27,500	3.58	6,995	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets carried at cost	800	20,000	2.88	15,360	
	M2Communication Inc.	-	Financial assets carried at cost	500	8,000	1.29	2,630	

Note: When Taiwan Cooperative Financial Holding Co., Ltd. prepared the consolidated financial statements, the related account and security transaction were eliminated.

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
MARCH 31, 2017
(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	$ 951,196	-	$ -	-	$ -	$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	1,074,127	-	-	-	-	-

Note: The receivables related to consolidated tax return. When preparing the consolidated financial statements, the receivables have been eliminated.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2017	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2017	Accumulated Inward Remittance of Earnings as of March 31, 2017
					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)	$ 69,323	100	$ 69,323	$ 5,079,127	$ -
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)	16,150	100	16,150	2,926,029	-
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)	16,479	100	16,479	2,870,802	-
Taiwan Cooperative Bank Changsha Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,630,485 (US$ 87,232) (Note 1)	Direct	-	2,630,485 (US$ 87,232) (Note 1)	-	2,630,485 (US$ 87,232) (Note 1)	(Note 4)	100	(Note 4)	-	-

Accumulated Investment in Mainland China as of March 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$ 13,075,916 (US$ 436,563) (Note 1)	$ 13,075,916 (US$ 436,563) (Note 1)	$ 116,255,776

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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2017	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2017	Accumulated Inward Remittance of Earnings as of March 31, 2017
					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)	$ 7,580	100	$ 7,580	$ 845,183	$ -

Accumulated Investment in Mainland China as of March 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 3)
$ 910,980 (RMB 185,460) (Note 1)	$ 910,980 (RMB 185,460) (Note 1)	$ 2,062,057

(Continued)

Note 1: The currency was translated 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.

Note 4: The Taiwan Cooperative Bank Changsha Branch is under preparation; therefore, there is no investment gain or loss.

(Concluded)

TABLE 10

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(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	$ 1,074,127	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	1,074,127	Note 4	0.03
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	951,196	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	951,196	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	539,666	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	539,666	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	6,685,405	Note 4	0.20
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	6,685,405	Note 4	0.20
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,269,336	Note 4	0.04
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,269,336	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	179,968	Note 4	1.65
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	179,968	Note 4	1.65
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	1,200,000	Note 4	0.04
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	1,200,000	Note 4	0.04
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	620,264	Note 4	0.02
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	620,264	Note 4	0.02

(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 (%)
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	5.31
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Call loans to securities firms	242,640	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Short-term borrowings	242,640	Note 4	0.01

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company is dented as 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)