

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' 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 September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 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 of 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 Futures Commission Merchants, 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

November 27, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' 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 auditors' 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)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 44,014,801	1	\$ 55,452,824	2	\$ 49,328,958	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 39 and 40)	261,142,440	8	295,423,266	9	321,212,781	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	48,926,371	2	54,427,847	2	52,295,975	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 9 and 40)	205,525,582	6	178,645,924	5	170,689,549	5
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 10)	1,813,474	-	1,298,413	-	1,514,437	-
RECEIVABLES, NET (Notes 11, 39 and 40)	30,482,168	1	26,034,155	1	25,365,099	1
CURRENT TAX ASSETS	1,280,648	-	1,292,964	-	1,157,395	-
DISCOUNTS AND LOANS, NET (Notes 12, 39 and 40)	1,985,261,217	59	1,966,819,818	59	1,945,609,104	59
REINSURANCE ASSETS, NET	18,229	-	8,034	-	14,606	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 13 and 40)	514,953,140	16	512,635,209	15	495,571,021	15
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Note 14)	121,058	-	121,381	-	121,437	-
OTHER FINANCIAL ASSETS, NET (Notes 15, 29 and 40)	210,684,510	6	199,782,619	6	198,950,330	6
INVESTMENT PROPERTIES, NET (Note 16)	4,304,579	-	3,739,784	-	3,598,816	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	38,205,703	1	38,233,003	1	38,523,260	1
INTANGIBLE ASSETS (Note 18)	3,561,677	-	3,616,843	-	3,636,536	-
DEFERRED TAX ASSETS (Note 36)	1,390,900	-	1,114,522	-	1,390,780	-
OTHER ASSETS, NET (Note 19)	<u>3,065,449</u>	<u>-</u>	<u>2,680,479</u>	<u>-</u>	<u>3,048,662</u>	<u>-</u>
TOTAL	\$ 3,354,751,946	100	\$ 3,341,327,085	100	\$ 3,312,028,746	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 20 and 39)	\$ 221,076,012	7	\$ 234,035,185	7	\$ 230,186,904	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 25 and 39)	13,400,545	-	15,131,105	-	16,421,800	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 13, 21 and 39)	42,197,956	1	44,139,415	1	34,395,488	1
COMMERCIAL PAPER ISSUED, NET (Note 22)	25,977,939	1	16,515,191	1	15,588,638	-
PAYABLES (Note 23)	42,373,289	1	48,439,269	1	46,285,514	1
CURRENT TAX LIABILITIES	1,183,972	-	248,785	-	455,010	-
DEPOSITS AND REMITTANCES (Notes 24 and 39)	2,581,898,444	77	2,562,587,776	77	2,548,190,130	77
BONDS PAYABLE (Notes 8 and 25)	68,610,000	2	74,610,000	2	74,610,000	2
OTHER BORROWINGS (Notes 22 and 26)	1,633,218	-	1,328,384	-	1,629,731	-
PROVISIONS (Notes 27 and 28)	50,471,138	2	50,334,071	2	50,361,128	2
OTHER FINANCIAL LIABILITIES (Note 29)	98,149,134	3	90,127,625	3	89,419,512	3
DEFERRED TAX LIABILITIES (Notes 17 and 36)	3,072,822	-	3,313,792	-	3,068,825	-
OTHER LIABILITIES (Note 30)	<u>1,629,273</u>	<u>-</u>	<u>2,035,626</u>	<u>-</u>	<u>1,889,024</u>	<u>-</u>
Total liabilities	<u>3,151,673,742</u>	<u>94</u>	<u>3,142,846,224</u>	<u>94</u>	<u>3,112,501,704</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	<u>122,027,036</u>	<u>4</u>	<u>118,472,850</u>	<u>3</u>	<u>118,472,850</u>	<u>4</u>
Capital surplus	<u>57,964,343</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>
Retained earnings						
Legal reserve	5,019,668	-	3,643,188	-	3,643,188	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	<u>12,111,505</u>	<u>-</u>	<u>14,225,747</u>	<u>1</u>	<u>11,056,055</u>	<u>-</u>
Total retained earnings	<u>18,127,199</u>	<u>-</u>	<u>18,864,961</u>	<u>1</u>	<u>15,695,269</u>	<u>-</u>
Other equity	<u>760,641</u>	<u>-</u>	<u>(624,156)</u>	<u>-</u>	<u>3,272,880</u>	<u>-</u>
Total equity attributable to owners of TCFHC	<u>198,879,219</u>	<u>6</u>	<u>194,677,998</u>	<u>6</u>	<u>195,405,342</u>	<u>6</u>
NON-CONTROLLING INTERESTS	<u>4,198,985</u>	<u>-</u>	<u>3,802,863</u>	<u>-</u>	<u>4,121,700</u>	<u>-</u>
Total equity	<u>203,078,204</u>	<u>6</u>	<u>198,480,861</u>	<u>6</u>	<u>199,527,042</u>	<u>6</u>
TOTAL	\$ 3,354,751,946	100	\$ 3,341,327,085	100	\$ 3,312,028,746	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 September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 31 and 39)	\$ 13,614,133	112	\$ 13,013,510	121	\$ 39,563,134	114	\$ 39,446,905	123
INTEREST EXPENSE (Notes 31 and 39)	(4,761,110)	(39)	(4,500,453)	(42)	(13,948,900)	(40)	(14,413,804)	(45)
NET INTEREST	<u>8,853,023</u>	<u>73</u>	<u>8,513,057</u>	<u>79</u>	<u>25,614,234</u>	<u>74</u>	<u>25,033,101</u>	<u>78</u>
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 32 and 39)	1,785,828	15	1,684,629	16	4,727,612	14	4,935,561	15
Premium income (losses), net (Notes 29 and 33)	150,326	1	(345,249)	(3)	986,182	3	(1,347,245)	(4)
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 34 and 39)	336,063	3	(657,393)	(6)	(132,473)	-	(1,330,784)	(4)
Gains on disposal of investment properties	16,203	-	92,845	1	16,203	-	197,101	1
Realized gains on available-for-sale financial assets	562,831	4	518,145	5	1,034,566	3	1,423,855	4
Foreign exchange gains, net	473,698	4	809,903	7	2,283,847	6	2,405,747	7
Reversal of impairment losses (impairment losses) on assets (Notes 9, 13 and 15)	(776)	-	(68)	-	7,201	-	6,382	-
Share of gains of associates and joint ventures accounted for using the equity method (Note 14)	2,233	-	2,495	-	5,076	-	5,481	-
Gains on financial assets carried at cost, net	96,773	1	103,608	1	283,024	1	288,225	1
Other noninterest gains (losses), net (Note 39)	<u>(110,717)</u>	<u>(1)</u>	<u>338</u>	<u>-</u>	<u>(166,580)</u>	<u>(1)</u>	<u>566,220</u>	<u>2</u>
Total net revenues and gains other than interest	<u>3,312,462</u>	<u>27</u>	<u>2,209,253</u>	<u>21</u>	<u>9,044,658</u>	<u>26</u>	<u>7,150,543</u>	<u>22</u>
TOTAL NET REVENUES	<u>12,165,485</u>	<u>100</u>	<u>10,722,310</u>	<u>100</u>	<u>34,658,892</u>	<u>100</u>	<u>32,183,644</u>	<u>100</u>
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Note 12)	<u>(865,075)</u>	<u>(7)</u>	<u>(829,483)</u>	<u>(8)</u>	<u>(2,447,166)</u>	<u>(7)</u>	<u>(3,832,190)</u>	<u>(12)</u>
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 27)	<u>144,643</u>	<u>1</u>	<u>564,858</u>	<u>6</u>	<u>(367,043)</u>	<u>(1)</u>	<u>1,969,061</u>	<u>6</u>

(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 September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING EXPENSES (Notes 4, 16, 17, 18, 28 and 35)								
Employee benefits	\$ (3,967,734)	(33)	\$ (3,895,786)	(36)	\$ (11,974,344)	(35)	\$ (11,728,279)	(36)
Depreciation and amortization	(268,697)	(2)	(291,253)	(3)	(820,326)	(2)	(894,100)	(3)
General and administrative	(1,894,755)	(15)	(1,813,515)	(17)	(5,210,688)	(15)	(5,300,641)	(16)
Total operating expenses	<u>(6,131,186)</u>	<u>(50)</u>	<u>(6,000,554)</u>	<u>(56)</u>	<u>(18,005,358)</u>	<u>(52)</u>	<u>(17,923,020)</u>	<u>(55)</u>
INCOME BEFORE INCOME TAX	5,313,867	44	4,457,131	42	13,839,325	40	12,397,495	39
INCOME TAX EXPENSE (Notes 4 and 36)	<u>(724,547)</u>	<u>(6)</u>	<u>(490,770)</u>	<u>(5)</u>	<u>(1,791,290)</u>	<u>(5)</u>	<u>(1,540,974)</u>	<u>(5)</u>
NET INCOME	<u>4,589,320</u>	<u>38</u>	<u>3,966,361</u>	<u>37</u>	<u>12,048,035</u>	<u>35</u>	<u>10,856,521</u>	<u>34</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	<u>1,072</u>	<u>-</u>	<u>(7,519)</u>	<u>-</u>	<u>(18,323)</u>	<u>-</u>	<u>(9,687)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss (Notes 14 and 36):								
Exchange differences on the translation of financial statements of foreign operations	5,162	-	(312,853)	(3)	(546,827)	(2)	(554,131)	(2)
Unrealized gains (losses) on available-for-sale financial assets	(67,640)	(1)	673,441	6	2,078,849	6	2,199,298	7
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	409	-	-	-	670	-	(341)	-
Income tax attributable to other comprehensive income	<u>(12,586)</u>	<u>-</u>	<u>56,721</u>	<u>1</u>	<u>49,762</u>	<u>-</u>	<u>69,985</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(74,655)</u>	<u>(1)</u>	<u>417,309</u>	<u>4</u>	<u>1,582,454</u>	<u>4</u>	<u>1,714,811</u>	<u>5</u>
Other comprehensive income (losses), net of income tax	<u>(73,583)</u>	<u>(1)</u>	<u>409,790</u>	<u>4</u>	<u>1,564,131</u>	<u>4</u>	<u>1,705,124</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,515,737</u>	<u>37</u>	<u>\$ 4,376,151</u>	<u>41</u>	<u>\$ 13,612,166</u>	<u>39</u>	<u>\$ 12,561,645</u>	<u>39</u>

(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 September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 4,479,776	37	\$ 3,849,258	36	\$ 11,701,887	34	\$ 10,548,765	33
Non-controlling interests	<u>109,544</u>	<u>1</u>	<u>117,103</u>	<u>1</u>	<u>346,148</u>	<u>1</u>	<u>307,756</u>	<u>1</u>
	<u>\$ 4,589,320</u>	<u>38</u>	<u>\$ 3,966,361</u>	<u>37</u>	<u>\$ 12,048,035</u>	<u>35</u>	<u>\$ 10,856,521</u>	<u>34</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 4,396,746	36	\$ 4,206,307	39	\$ 13,086,684	38	\$ 12,132,580	38
Non-controlling interests	<u>118,991</u>	<u>1</u>	<u>169,844</u>	<u>2</u>	<u>525,482</u>	<u>1</u>	<u>429,065</u>	<u>1</u>
	<u>\$ 4,515,737</u>	<u>37</u>	<u>\$ 4,376,151</u>	<u>41</u>	<u>\$ 13,612,166</u>	<u>39</u>	<u>\$ 12,561,645</u>	<u>39</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 37)								
Basic	<u>\$ 0.37</u>		<u>\$ 0.32</u>		<u>\$ 0.96</u>		<u>\$ 0.86</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ 0.32</u>		<u>\$ 0.96</u>		<u>\$ 0.86</u>	

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						Other Equity			Non-controlling Interests (Note 38)	Total Equity
	Capital Stock (Note 38)		Capital Surplus (Note 38)	Retained Earnings (Note 38)			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		
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					
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
Appropriation of the 2016 earnings											
Legal reserve	-	-	-	1,376,480	-	(1,376,480)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,885,463)	-	-	-	-	(8,885,463)
Stock dividends	355,419	3,554,186	-	-	-	(3,554,186)	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(129,360)	(129,360)
Total comprehensive income											
Net income for the nine months ended September 30, 2017	-	-	-	-	-	11,701,887	-	-	-	346,148	12,048,035
Other comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	-	(462,721)	1,865,841	(18,323)	179,334	1,564,131
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	11,701,887	(462,721)	1,865,841	(18,323)	525,482	13,612,166
BALANCE, SEPTEMBER 30, 2017	<u>12,202,704</u>	<u>\$ 122,027,036</u>	<u>\$ 57,964,343</u>	<u>\$ 5,019,668</u>	<u>\$ 996,026</u>	<u>\$ 12,111,505</u>	<u>\$ (472,006)</u>	<u>\$ 1,216,472</u>	<u>\$ 16,175</u>	<u>\$ 4,198,985</u>	<u>\$ 203,078,204</u>
BALANCE, JANUARY 1, 2016	11,072,229	\$ 110,722,290	\$ 57,964,343	\$ 2,356,575	\$ 996,026	\$ 12,866,132	\$ 300,415	\$ 1,386,482	\$ 2,168	\$ 3,727,455	\$ 190,321,886
Appropriation of the 2015 earnings											
Legal reserve	-	-	-	1,286,613	-	(1,286,613)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,321,669)	-	-	-	-	(3,321,669)
Stock dividends	775,056	7,750,560	-	-	-	(7,750,560)	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(34,820)	(34,820)
Total comprehensive income											
Net income for the nine months ended September 30, 2016	-	-	-	-	-	10,548,765	-	-	-	307,756	10,856,521
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	-	(456,398)	2,049,900	(9,687)	121,309	1,705,124
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	10,548,765	(456,398)	2,049,900	(9,687)	429,065	12,561,645
BALANCE, SEPTEMBER 30, 2016	<u>11,847,285</u>	<u>\$ 118,472,850</u>	<u>\$ 57,964,343</u>	<u>\$ 3,643,188</u>	<u>\$ 996,026</u>	<u>\$ 11,056,055</u>	<u>\$ (155,983)</u>	<u>\$ 3,436,382</u>	<u>\$ (7,519)</u>	<u>\$ 4,121,700</u>	<u>\$ 199,527,042</u>

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 Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 13,839,325	\$ 12,397,495
Adjustments for:		
Depreciation expenses	681,527	743,430
Amortization expenses	138,799	150,670
Bad-debt expenses	2,306,319	3,842,594
Losses on financial assets and liabilities at fair value through profit or loss	132,473	1,330,784
Interest expense	13,948,900	14,413,804
Interest revenue	(39,563,134)	(39,446,905)
Dividend income	(590,247)	(560,755)
Net changes in reserves for insurance liabilities	17,532	(2,268,597)
Provision (reversal of provision) for losses on guarantees	140,847	(10,404)
Share of gains of associates and joint ventures accounted for using equity method	(5,076)	(5,481)
Losses on disposal of properties and equipment	1,451	1,039
Gains on disposal of investment properties	(16,203)	(197,101)
Gains on disposal of investments	(738,348)	(1,229,538)
Impairment losses on financial assets	726	-
Reversal of impairment losses on financial assets	(7,927)	(6,382)
Unrealized losses on foreign exchange	1,194,515	1,193,659
Gains on disposal of collaterals assumed	(3,174)	-
Net changes in operating assets and liabilities		
Decrease in due from the Central Bank and call loans to other banks	16,039,629	87,778,585
Decrease (increase) in financial assets at fair value through profit or loss	13,261,511	(3,104,834)
Increase in available-for-sale financial assets	(26,689,588)	(18,770,112)
Increase in receivables	(2,607,096)	(642,228)
Decrease (increase) in discounts and loans	(20,325,020)	32,544,644
Decrease (increase) in reinsurance assets	(9,986)	8,901
Increase in held-to-maturity financial assets	(2,761,947)	(450,742,748)
Increase in other financial assets	(6,522,304)	(637,290)
Decrease (increase) in other assets	(287,740)	359,929
Increase (decrease) in due to the Central Bank and other banks	(12,959,173)	25,591,090
Decrease in financial liabilities at fair value through profit or loss	(8,850,859)	(11,751,302)
Decrease in securities sold under repurchase agreements	(1,941,459)	(16,745,743)
Increase (decrease) in payables	(8,612,091)	5,141,145
Increase in deposits and remittances	19,310,668	45,415,040
Decrease in provision for employee benefits	(21,124)	(2,303,745)

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2017	2016
Increase (decrease) in other financial liabilities	\$ 1,498,542	\$ (3,110,634)
Increase (decrease) in other liabilities	<u>(427,972)</u>	<u>307,392</u>
Cash used in operations	(50,427,704)	(320,313,598)
Interest received	40,391,780	40,253,961
Dividends received	689,936	589,041
Interest paid	(13,535,259)	(14,182,513)
Income tax paid	<u>(1,482,481)</u>	<u>(2,827,581)</u>
Net cash used in operating activities	<u>(24,363,728)</u>	<u>(296,480,690)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(1,319,877)	(205,655)
Proceeds of the disposal of properties and equipment	-	378
Increase in refundable deposits	(238,720)	(202,665)
Decrease in refundable deposits	218,734	605,362
Acquisition of intangible assets	(66,333)	(83,476)
Proceeds of the disposal of collaterals assumed	9,550	-
Acquisition of collaterals assumed	(1,033)	(455)
Acquisition of investment properties	(86,926)	(1,422)
Proceeds of the disposal of investment properties	180,917	582,002
Increase in other assets	(10,626)	(21,209)
Decrease in other assets	<u>4,495</u>	<u>1,228</u>
Net cash (used in) generated by investing activities	<u>(1,309,819)</u>	<u>674,088</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	9,463,000	29,000
Proceeds of the issuance of bank debentures	2,000,000	5,000,000
Repayments of bank debentures	(8,000,000)	-
Increase in other borrowings	22,601,807	17,052,517
Decrease in other borrowings	(22,292,582)	(16,250,883)
Increase in guarantee deposits received	730,930	97,741
Decrease in guarantee deposits received	(627,667)	(194,515)
Increase in other liabilities	5,179	-
Decrease in other liabilities	-	(11,410)
Dividends paid	(8,885,463)	(3,321,669)
Changes in non-controlling interests	<u>(129,360)</u>	<u>(34,820)</u>
Net cash (used in) generated by financing activities	<u>(5,134,156)</u>	<u>2,365,961</u>

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2017	2016
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>1,643,544</u>	\$ <u>1,422,555</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,164,159)	(292,018,086)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>119,263,205</u>	<u>430,685,493</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 90,099,046</u>	<u>\$ 138,667,407</u>
Cash and cash equivalents reconciliations:		
	September 30	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	\$ 44,014,801	\$ 49,328,958
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”	44,270,771	87,824,012
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>1,813,474</u>	<u>1,514,437</u>
Cash and cash equivalents, end of period	<u>\$ 90,099,046</u>	<u>\$ 138,667,407</u>

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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), 12 overseas branches and 2 representative office as of September 30, 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) does futures introducing broker business and dealing 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; (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 September 30, 2017 and 2016, TCFHC and its subsidiaries (the Company) had 8,974 and 9,005 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 statements were approved by TCFHC's board of directors on November 27, 2017.

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

- a. Effects 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 Futures Commission Merchants, 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 applied Order No. 1050026834 issued by the FSC, and 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, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, 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, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, 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, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, 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. Effects of 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 Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC for application starting from 2018

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
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
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 will be 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, if any, recognized in profit or loss. 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 the 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.

Based on an analysis of the Company's financial assets as at September 30, 2017 and based on the facts and circumstances that exist at that date, the Company has performed a preliminary assessment of the impact of IFRS 9 to the classification and measurement of financial assets as follows:

- a) Equity investments classified as available-for-sale, and unlisted shares classified as financial assets carried at cost will be classified as at fair value through profit or loss or designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.
- c) Debt investments classified as available-for-sale financial assets, held-to-maturity financial assets and debt investments with no active market that are measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows. Debt investments classified as available-for-sale financial assets, held-to-maturity financial assets and debt investments with no active market will be classified as at fair value through other comprehensive income under IFRS 9 because on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting the contractual cash flows and selling the financial assets.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The loss allowance is required for financial assets measured at amortized cost, debt instruments 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.

The Company has performed a preliminary assessment that the Company will apply the simplified approach to recognize lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to the debt instrument investments and the financial guarantee contracts, the Company will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

Transition of recognition, measurement and impairment of financial assets

The Company elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Company will provide disclosure of the differences in amounts if the Company continued to apply the existing accounting treatments in 2018.

2) Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”

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, if any, recognized in profit or loss. 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 the 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 overlay approach is available to all entities issuing contracts within the scope of IFRS 4, when they apply IFRS 9. To qualify for inclusion in the overlay approach, assets must be measured at FVTPL under IFRS 9 when they would not have been so measured under IAS 39. Qualifying assets must also be specifically designated as being subject to overlay and must not be held in respect of activities not connected with IFRS 4 contracts. The designation needs to be made when the entity first applies IFRS 9, and thereafter on initial recognition of an asset. The effect of the overlay approach is to present in profit or loss the amount that would have resulted from application of IAS 39 to the asset, with the difference between that amount and the fair value movement recorded under IFRS 9 recognized in OCI. The amount reclassified between profit or loss and OCI shall be presented separately, and the relevant information shall be disclosed.

3) 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.

The Company elects to retrospectively apply IFRS 15 contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

In addition, the Company will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

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 will reclassify the property as necessary according to the amendments to reflect the conditions that exist at January 1, 2018. In addition, the Company will disclose the reclassified amounts in 2018 and the reclassified amounts of January 1, 2018 should be included in the reconciliation of carrying amount of investment property.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

1) 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.

2) IFRS 17 “Insurance Contracts”

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The main standards of IFRS 17 are as follows:

Level of aggregation

IFRS 17 requires the Company to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

- a) A group of contracts that are onerous at initial recognition;
- b) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently;
- c) A group of the remaining contracts in the portfolio.

The Company is not permitted to include contracts issued more than one year apart in the same group.

Recognition

The Company shall recognize a group of insurance contracts it issues from the earliest of the following:

- a) The beginning of the coverage period of the group of contracts;
- b) The date when the first payment from a policyholder in the group becomes due; and
- c) For a group of onerous contracts, when the group becomes onerous.

Measurement

The Company shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of the group of insurance contracts that the Company will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) The initial recognition of an amount for the fulfilment cash flows;
- b) The derecognition at that date of any asset or liability recognized for insurance acquisition cash flows; and
- c) Any cash flows arising from the contracts in the group at that date.

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Company shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium allocation approach

The Company may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) The Company reasonably expects that this will be a reasonable approximation of the general model, or
- b) The coverage period of each contract in the group is one year or less.

At the inception of the group, if the Company expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the Standard are modified for such investment contracts.

Modification and derecognition

If the terms of an insurance contract are modified, the Company shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The Company shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Transition

The Company shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. The Company shall apply fair value approach if reasonable and supportable information is unavailable.

Under the fair value approach, the Company determines the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistent with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, 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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Other Major Accounting Policies

Except for the following, refer to summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2016.

Leasing

- 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.

Employee benefits

- Retirement benefits

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.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 5 to the consolidated financial statements as of December 31, 2016 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	\$ 21,666,241	\$ 21,108,703	\$ 21,924,139
Notes and checks in clearing	6,897,271	21,179,639	13,228,705
Due from banks	<u>15,451,289</u>	<u>13,164,482</u>	<u>14,176,114</u>
	<u>\$ 44,014,801</u>	<u>\$ 55,452,824</u>	<u>\$ 49,328,958</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 30, 2017 and 2016 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2016 is 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”	<u>1,298,413</u>
Cash and cash equivalents, end of the year	<u>\$ 119,263,205</u>

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

	September 30, 2017	December 31, 2016	September 30, 2016
Reserves for deposits - account A	\$ 31,378,846	\$ 34,750,975	\$ 28,972,170
Reserves for deposits - account B	68,544,972	67,264,263	66,951,322
Reserves for deposits - community financial institutions	56,491,918	54,742,220	54,388,709
Reserves for deposits - foreign-currency deposits	377,961	354,002	346,384
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Time deposits in the Central Bank	4,100,000	4,100,000	4,500,000
Negotiable certificates of deposit in the Central Bank	800,000	1,435,000	2,035,000
Due from the Central Bank - others	6,480,044	8,958,457	6,216,909
Due from the Central Bank - central government agencies’ deposits	2,761,391	4,246,259	3,485,342
Call loans to banks	<u>51,007,308</u>	<u>80,372,090</u>	<u>115,116,945</u>
	<u>\$ 261,142,440</u>	<u>\$ 295,423,266</u>	<u>\$ 321,212,781</u>

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

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Held-for-trading financial assets</u>			
Commercial paper	\$ 34,031,064	\$ 39,422,368	\$ 38,513,633
Corporate bonds	3,283,551	2,811,549	3,815,406
Government bonds	2,839,928	4,167,596	4,249,185
Bank debentures	2,110,059	973,415	210,000
Beneficial certificates	1,901,842	961,330	88,442
Convertible bonds	1,597,366	570,826	372,405
Stocks	1,279,511	1,265,263	1,391,184
Negotiable certificates of deposit	199,978	499,666	999,309
Commercial paper contracts with reference rate	2,453	2,135	2,325
Currency swap contracts	1,147,798	3,126,729	1,603,215
Futures exchange margins	313,588	193,117	166,359
Foreign-currency margin contracts	104,777	81,509	183,235
Forward contracts	67,992	256,258	208,072
Currency option contracts - buy	29,430	73,155	109,270
Interest rate swap contracts	10,470	9,478	345,241
Stock warrants	3,375	159	4,674
Cross-currency swap contracts	3,189	13,294	13,979
Asset swap options	-	-	1
	<u>48,926,371</u>	<u>54,427,847</u>	<u>52,275,935</u>
<u>Financial assets designated as at fair value through profit or loss</u>			
Convertible bond asset swap contracts	-	-	20,040
Financial assets at fair value through profit or loss	<u>\$ 48,926,371</u>	<u>\$ 54,427,847</u>	<u>\$ 52,295,975</u>
<u>Held-for-trading financial liabilities</u>			
Payable - security borrowing	\$ 134,695	\$ 193,154	\$ 19,406
Securities purchased under resell agreements - short sale	100,908	-	-
Currency swap contracts	1,138,923	1,923,092	3,434,922
Asset swap options	65,791	17,372	-
Interest rate swap contracts	40,316	240,021	14,151
Currency option contracts - sell	30,071	74,734	109,956
Forward contracts	22,071	160,751	53,746
Stock warrants issued liabilities, net	12,587	3,773	8,434
Cross-currency swap contracts	9,981	181,780	116,083
TAIEX Future put options	-	393	-
Foreign-currency margin contracts	-	-	796
	<u>1,555,343</u>	<u>2,795,070</u>	<u>3,757,494</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>			
Bank debentures (Note 25)	<u>11,845,202</u>	<u>12,336,035</u>	<u>12,664,306</u>
Financial liabilities at fair value through profit or loss	<u>\$ 13,400,545</u>	<u>\$ 15,131,105</u>	<u>\$ 16,421,800</u>

As of September 30, 2017, December 31, 2016 and September 30, 2016, financial assets at fair value through profit or loss amounting to \$22,098,306 thousand, \$19,348,965 thousand and \$16,510,422 thousand, respectively, had been sold under repurchase agreements.

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 September 30, 2017, December 31, 2016 and September 30, 2016, the contract (notional) amounts of derivative transactions of TCB were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Currency swap contracts	\$ 395,443,879	\$ 383,022,590	\$ 392,821,056
Interest rate swap contracts	17,239,565	14,928,007	14,769,594
Forward contracts	11,946,375	21,618,774	27,285,516
Currency option contracts - sell	9,182,406	6,939,285	7,794,736
Currency option contracts - buy	9,075,156	6,718,188	7,726,486
Cross-currency swap contracts	2,420,277	1,387,092	1,265,107
Foreign-currency margin contracts	1,548,040	1,162,522	1,506,052

As of September 30, 2017, the open position of futures transactions of TCB were as follows:

Items	Products	September 30, 2017			
		Buy/Sell	Open Position Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Futures contracts	TAIEX Futures 201710				

As of September 30, 2017, December 31, 2016 and September 30, 2016, the open position of futures transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

Items	Products	September 30, 2017			
		Buy/Sell	Open Position Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Future contracts	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201710				
	Japanese Yen Futures 201712	buy	2	6,719	6,748
	Soybean Futures 201711	buy	2	3,062	2,930
	E-mini Dow Jones Futures 201712	buy	4	13,325	13,524
	Vivotek Inc. Futures 201710	buy	5	944	985

(Continued)

September 30, 2017					
Items	Products	Open Position		Contract Amounts or Premium Paid	Fair Values
		Buy/Sell	Number of Contracts	(Charged)	
	Formosa Plastics Corp. Futures 201710	sell	38	\$ 7,216	\$ 6,984
	Formosa Chemicals & Fiber Corp. Futures 201710	sell	19	3,595	3,504
	Hon Hai Precision Ind. Co., Ltd. Futures 201710	sell	2	428	428
	First Financial Holding Co., Ltd. Futures 201710	sell	13	509	506
	Everlight Electronics Co., Ltd. Futures 201710	sell	13	1,233	1,249
	China Development Financial Holding Corp. Futures 201710	sell	6	112	109
	Fubon SSE180 ETF 201710	sell	475	148,810	148,058
	Fubon SSE180 ETF 201711	sell	3	935	935
	Yuanta/P-shares SSE50 ETF 201710	sell	68	20,947	20,910
	Cathay FTSE China A50 ETF Futures 201710	sell	181	35,341	35,150
	Fubon SZSE 100 Index ETF Futures 201710	sell	63	7,019	6,999
	Capital SZSE SME Price Index ETF Futures 201710	sell	39	6,165	6,155
	Taiwan Stock Exchange Electronic Sector Index Futures 201710	sell	33	59,066	58,186
	Taiwan Stock Exchange Finance Sector Index Futures 201710	sell	45	51,019	50,526
	TAIEX Futures 201710	sell	43	89,268	89,259
	Fuh Hwa CSI300 A Shares ETF Futures 201710	sell	3	696	700
	Euro STOXX 50® Index Futures 201712	sell	12	14,668	15,341
	CAC-40 Stock Index Futures 201710	sell	4	7,455	7,617
	H-shares Index Futures 201710	sell	65	137,563	137,277

(Continued)

September 30, 2017

Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
	Tokyo Stock Price Index Futures 201712	sell	10	\$ 42,437	\$ 45,074
	NYMEX Crude Oil Futures 201711	sell	154	240,620	240,784
	NYMEX Crude Oil Futures 201812	sell	7	10,769	10,913
	SGX FTSE China A50 Index Futures 201710	sell	580	210,721	210,697
	SGX FTSE China A50 Index Futures 201711	sell	74	26,869	26,983
	US Dollar Index Futures 201712	sell	6	16,862	16,864
	E-mini S&P 500 Index Futures 201712	sell	61	229,064	232,218
	NYMEX Gold Futures 201712	sell	14	54,499	54,429
	Nifty 50 Futures 201710	sell	14	8,248	8,306
	E-Mini Nasdaq 100 Index Futures 201712	sell	7	25,436	25,344
	US 2 Year T-Note Futures 201712	sell	6	39,287	39,163
	US 10 Year T-Note Futures 201712	sell	11	42,214	41,711
	Ultra 10-Year U.S. Treasury Note Futures 201712	sell	7	35,653	34,977
	CBOE Volatility Index Futures 201710	sell	10	3,757	3,533
	CBOE Volatility Index Futures 201711	sell	6	2,488	2,365

(Concluded)

December 31, 2016					
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
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
	SGX FTSE China A50 Index 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
	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
	SGX FTSE China A50 Index Futures 201701	Sell	6	1,908	1,928
	Option contracts	TAIEX Index Options 201701	Sell	60	408

		September 30, 2016			
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	TAIEX Futures 201610	Buy	5	\$ 9,198	\$ 9,130
	TAIEX Futures 201610	Sell	3	5,487	5,478
	Flexium Interconnect Inc. stock futures 201610	Sell	187	33,786	34,745
	Flexium Interconnect Inc. stock futures 201611	Sell	44	8,151	8,166
	Fuh Hwa CSI 300 A shares ETF Futures 201610	Buy	6	1,206	1,202
	Fubon SZSE 100 Index ETF Futures 201610	Buy	15	1,484	1,478
	Mini-Hang Seng Index Futures 201610	Sell	32	30,663	30,169
	SGX FTSE China A50 Index Futures 201610	Buy	88	26,589	26,403
	Nifty 50 Futures 201610	Buy	41	22,456	22,246
	H-shares Index Futures 201610	Sell	1	1,983	1,941
	Mini H-shares Index Futures 201610	Sell	7	2,778	2,717
	E-mini S&P 500 Futures 201612	Buy	2	6,756	6,775
	E-mini S&P 500 Futures 201612	Sell	15	50,489	50,813
	NYMEX Crude Oil Futures 201712	Sell	25	40,284	41,199

As of September 30, 2017, December 31, 2016 and September 30, 2016, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Asset swap contracts	\$ 478,000	\$ 170,500	\$ 1,000

TCS engages in currency swap contracts and interest rate swap contracts to manage the exposures due to exchange rate and interest 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 September 30, 2017, December 31, 2016 and September 30, 2016, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Interest rate swap contracts	\$ 2,090,000	\$ 2,090,000	\$ 1,050,000
Currency swap contracts	1,341,055	267,675	1,173,638

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Stock warrants issued liabilities	\$ 832,980	\$ 627,433	\$ 682,890
Losses (gains) on changes in fair value of stock warrants issued liabilities	<u>(250,960)</u>	<u>(272,367)</u>	<u>28,340</u>
	<u>582,020</u>	<u>355,066</u>	<u>711,230</u>
Repurchase of stock warrants issued liabilities	763,844	590,352	666,320
Gains (losses) on changes in fair value of repurchased of stock warrants issued liabilities	<u>(194,411)</u>	<u>(239,059)</u>	<u>36,476</u>
	<u>569,433</u>	<u>351,293</u>	<u>702,796</u>
Stock warrants liabilities, net	<u>\$ 12,587</u>	<u>\$ 3,773</u>	<u>\$ 8,434</u>

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

As of September 30, 2017, December 31, 2016 and September 30, 2016, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Currency swap contracts	\$ 13,239,788	\$ 12,520,950	\$ 10,352,094
Cross-currency swap contracts	605,200	2,094,300	2,038,400

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Government bonds	\$ 114,303,213	\$ 101,708,465	\$ 92,557,930
Corporate bonds	46,248,939	36,569,650	38,962,776
Bank debentures	34,394,854	30,234,436	28,734,112
Stocks	5,846,601	5,115,171	5,334,582
Beneficial certificates	<u>4,731,975</u>	<u>5,018,202</u>	<u>5,100,149</u>
	<u>\$ 205,525,582</u>	<u>\$ 178,645,924</u>	<u>\$ 170,689,549</u>

The Company evaluated its available-for-sale financial assets and recognized a reversal of impairment loss of \$3,236 thousand because of the change in credit ratings of the bond issuers for the nine months ended September 30, 2016.

As of September 30, 2017, December 31, 2016 and September 30, 2016, available-for-sale financial assets amounting to \$18,084,568 thousand, \$22,196,686 thousand and \$17,724,049 thousand, respectively, had been sold under repurchase agreements.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,813,474 thousand, \$1,298,413 thousand and \$1,514,437 thousand under resell agreements as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively, will subsequently be sold for \$1,814,793 thousand, \$1,298,958 thousand and \$1,514,782 thousand, respectively.

11. RECEIVABLES, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Accrued interest	\$ 7,405,344	\$ 7,205,814	\$ 6,314,013
Margin loans receivable	4,866,986	3,485,942	3,622,927
Credit cards	3,099,266	2,932,579	2,569,995
Acceptances	3,078,968	3,289,300	2,962,513
Receivable on securities	2,431,635	631,566	1,113,322
Settlement consideration	1,905,405	1,361,874	1,621,454
Lease payment receivable	1,804,587	1,615,075	1,849,215
Acquired loans	1,565,833	2,153,693	2,308,786
Settlement receivable	1,530,293	1,005,396	1,444,633
Receivables on lending funds	1,056,284	611,988	-
Receivables on merchant accounts in the credit card business	786,736	693,721	724,332
Accounts receivable factored without recourse	470,593	561,785	499,354
Credits receivable	465,808	468,946	470,557
Accounts receivable	435,025	543,573	439,889
Receivable - separated accounts	404,986	480,911	315,795
Refundable deposits receivable in leasehold agreements	183,993	272,993	272,993
Others	461,176	449,551	493,723
	<u>31,952,918</u>	<u>27,764,707</u>	<u>27,023,501</u>
Less: Allowance for possible losses	1,345,580	1,618,858	1,550,723
Less: Unrealized interest revenue	<u>125,170</u>	<u>111,694</u>	<u>107,679</u>
	<u>\$ 30,482,168</u>	<u>\$ 26,034,155</u>	<u>\$ 25,365,099</u>

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

The allowances for possible losses on receivables (except spot exchange receivable - foreign currencies, which amounted to \$0 thousand, \$0 thousand and \$1,123 thousand, respectively) assessed for impairment as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

Items		September 30, 2017		December 31, 2016		September 30, 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	\$ 1,104,115	\$ 521,556	\$ 1,645,621	\$ 929,595	\$ 1,735,369	\$ 906,895
	Assessment of collective impairment	118,810	33,295	115,996	37,125	126,095	40,844
With no objective evidence of impairment	Assessment of collective impairment	30,729,993	790,729	26,003,090	652,138	25,160,914	602,984
Total		31,952,918	1,345,580	27,764,707	1,618,858	27,022,378	1,550,723

The changes in allowance for possible losses are summarized below:

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	\$ 1,618,858	\$ 1,319,773
Provision for possible losses	104,816	293,540
Write-offs	(398,262)	(62,765)
Recovery of written-off receivables	23,199	6,423
Effects of exchange rate changes	<u>(3,031)</u>	<u>(6,248)</u>
Balance, September 30	<u>\$ 1,345,580</u>	<u>\$ 1,550,723</u>

12. DISCOUNTS AND LOANS, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Bills discounted	\$ 1,109,965	\$ 1,624,550	\$ 1,495,576
Overdraft			
Unsecured	142,673	144,492	150,541
Secured	70,432	89,017	117,579
Import and export negotiations	1,000,643	581,716	421,479
Short-term loans			
Unsecured	254,454,458	222,846,953	216,118,756
Accounts receivable financing	629,070	560,979	470,500
Secured	183,790,589	174,550,850	166,091,046
Medium-term loans			
Unsecured	289,945,686	298,972,980	302,447,420
Secured	306,749,163	309,946,717	299,411,184
Long-term loans			
Unsecured	28,806,168	29,959,231	28,325,765
Secured	935,373,424	944,395,557	946,563,892

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
Overdue loans	\$ 7,078,936	\$ 6,768,785	\$ 5,865,884
Life insurance loan	581,359	377,800	359,663
Temporary insurance paid	<u>24,010</u>	<u>15,456</u>	<u>12,629</u>
	2,009,756,576	1,990,835,083	1,967,851,914
Less: Allowance for possible losses	24,091,461	23,554,791	21,750,951
Less: Adjustment of discount	<u>403,898</u>	<u>460,474</u>	<u>491,859</u>
	<u>\$ 1,985,261,217</u>	<u>\$ 1,966,819,818</u>	<u>\$ 1,945,609,104</u> (Concluded)

As of September 30, 2017, December 31, 2016 and September 30, 2016, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was \$104,226 thousand and \$86,765 thousand for the nine months ended September 30, 2017 and 2016, respectively, based on the average loan interest rate for the year.

The allowances for possible losses on discounts and loans assessed for impairment as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

Items	September 30, 2017		December 31, 2016		September 30, 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	\$ 19,281,487	\$ 3,851,083	\$ 19,082,451	\$ 4,833,355	\$ 15,902,076	\$ 3,688,441
	Assessment of collective impairment	11,342,612	1,884,915	10,715,491	1,817,649	11,044,207	1,988,197
With no objective evidence of impairment	Assessment of collective impairment	1,979,132,477	18,355,463	1,961,037,141	16,903,787	1,940,905,631	16,074,313
Total		2,009,756,576	24,091,461	1,990,835,083	23,554,791	1,967,851,914	21,750,951

The changes in allowance for possible losses are summarized below:

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	\$ 23,554,791	\$ 21,461,997
Provision for possible losses	2,276,814	3,338,491
Write-offs	(2,528,723)	(3,340,123)
Recovery of written-off credits	987,675	461,787
Effects of exchange rate change	<u>(199,096)</u>	<u>(171,201)</u>
Balance, September 30	<u>\$ 24,091,461</u>	<u>\$ 21,750,951</u>

The bad-debt expenses and provision for losses on guarantees for the three months and nine months ended September 30, 2017 and 2016 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Provision for possible losses on discounts and loans	\$ 650,775	\$ 786,750	\$ 2,276,814	\$ 3,338,491
Provision for possible losses on receivables	96,253	45,765	104,816	293,540
Provision (reversal of provision) for possible losses on overdue receivables	33,348	10,325	(75,311)	210,563
Provision (reversal of provision) for possible losses on guarantees	<u>84,699</u>	<u>(13,357)</u>	<u>140,847</u>	<u>(10,404)</u>
	<u>\$ 865,075</u>	<u>\$ 829,483</u>	<u>\$ 2,447,166</u>	<u>\$ 3,832,190</u>

As of September 30, 2017, December 31, 2016 and September 30, 2016, TCB was in compliance with the FSC-required provision for credit assets.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Negotiable certificates of deposit in the Central Bank	\$ 406,775,000	\$ 431,410,000	\$ 423,610,000
Government bonds	72,184,560	52,658,934	45,044,249
Corporate bonds	29,311,312	22,173,288	20,146,979
Bank debentures	6,400,850	5,594,463	5,979,267
Certificates of deposit	281,418	299,646	291,648
Treasury bills	<u>-</u>	<u>498,878</u>	<u>498,878</u>
	<u>\$ 514,953,140</u>	<u>\$ 512,635,209</u>	<u>\$ 495,571,021</u>

The Company evaluated its held-to-maturity financial assets and recognized a reversal of impairment loss of \$7,927 thousand and \$3,146 thousand on some bonds because of the change in credit ratings of the bond issuers for the nine months ended September 30, 2017 and 2016, respectively.

As of September 30, 2017, December 31, 2016 and September 30, 2016, held-to-maturity financial assets amounting to \$1,561,050 thousand, \$2,198,860 thousand and \$201,202 thousand, respectively, had been sold under repurchase agreements.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>September 30, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	<u>\$ 121,058</u>	30.00	<u>\$ 121,381</u>	30.00	<u>\$ 121,437</u>	30.00

Aggregate information of associate that is not individually material:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2017	2016	2017	2016
The Company's share of:				
Net income	\$ 2,233	\$ 2,495	\$ 5,076	\$ 5,481
Other comprehensive income	<u>409</u>	<u>-</u>	<u>670</u>	<u>(341)</u>
Total comprehensive income for the period	<u>\$ 2,642</u>	<u>\$ 2,495</u>	<u>\$ 5,746</u>	<u>\$ 5,140</u>

The Company received \$6,069 thousand and \$5,726 thousand of dividends from United Real Estate Management Co., Ltd. for the nine months ended September 30, 2017 and 2016, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the nine months ended September 30, 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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Overdue receivables	\$ 97,934	\$ 603,505	\$ 549,833
Less: Allowance for possible losses	<u>69,819</u>	<u>560,868</u>	<u>526,499</u>
Overdue receivables, net	28,115	42,637	23,334
Debt instruments with no active market, net	91,046,246	89,326,692	92,417,793
Due from banks	21,144,150	18,429,346	17,410,288
Financial assets carried at cost, net	4,279,439	4,255,259	4,179,160
Security borrowing margin	305,533	260,094	27,841
Separate-account assets (Note 29)	<u>93,881,027</u>	<u>87,468,591</u>	<u>84,891,914</u>
	<u>\$ 210,684,510</u>	<u>\$ 199,782,619</u>	<u>\$ 198,950,330</u>

Debt instruments with no active market are summarized as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds	\$ 74,676,609	\$ 72,829,255	\$ 75,398,415
Bank debentures	<u>16,369,637</u>	<u>16,497,437</u>	<u>17,019,378</u>
	<u>\$ 91,046,246</u>	<u>\$ 89,326,692</u>	<u>\$ 92,417,793</u>

Financial assets carried at cost are summarized as follows:

	<u>September 30, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	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 Financial Information Service Co., Ltd.	631,153	0.24	631,153	0.24	631,153	0.24
Taiwan Financial Asset Service Co., Ltd.	135,405	2.89	135,405	2.89	135,405	2.89
Others	<u>101,125</u>	5.88	<u>101,125</u>	5.88	<u>101,125</u>	5.88
	<u>371,222</u>		<u>347,042</u>		<u>270,943</u>	
	<u>\$ 4,279,439</u>		<u>\$ 4,255,259</u>		<u>\$ 4,179,160</u>	

Management believed that the above equity investments held by the Company have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period. The Company evaluated its financial assets carried at cost and recognized an impairment loss of \$726 thousand because of the operating loss of some of the investee companies.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Land	\$ 3,212,209	\$ 2,864,226	\$ 2,726,449
Buildings	<u>1,092,370</u>	<u>875,558</u>	<u>872,367</u>
	<u>\$ 4,304,579</u>	<u>\$ 3,739,784</u>	<u>\$ 3,598,816</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2017	\$ 2,864,226	\$ 1,360,753	\$ 4,224,979
Additions	42,400	44,526	86,926
Disposals	(92,390)	(73,098)	(165,488)
Reclassification	<u>397,973</u>	<u>282,678</u>	<u>680,651</u>
Balance, September 30, 2017	<u>\$ 3,212,209</u>	<u>\$ 1,614,859</u>	<u>\$ 4,827,068</u>
Balance, January 1, 2016	\$ 2,679,194	\$ 1,240,554	\$ 3,919,748
Additions	-	1,422	1,422
Disposals	(267,895)	(135,965)	(403,860)
Reclassification	<u>315,150</u>	<u>194,773</u>	<u>509,923</u>
Balance, September 30, 2016	<u>\$ 2,726,449</u>	<u>\$ 1,300,784</u>	<u>\$ 4,027,233</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2017	\$ -	\$ 485,195	\$ 485,195
Disposals	-	(774)	(774)
Depreciation expenses	-	28,715	28,715
Reclassification	<u>-</u>	<u>9,353</u>	<u>9,353</u>
Balance, September 30, 2017	<u>\$ -</u>	<u>\$ 522,489</u>	<u>\$ 522,489</u>
Balance, January 1, 2016	\$ -	\$ 349,581	\$ 349,581
Disposals	-	(18,959)	(18,959)
Depreciation expenses	-	25,667	25,667
Reclassification	<u>-</u>	<u>72,128</u>	<u>72,128</u>
Balance, September 30, 2016	<u>\$ -</u>	<u>\$ 428,417</u>	<u>\$ 428,417</u>

Investment properties (except for land) are 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. 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 nine months ended September 30, 2017 and 2016.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Rental income from investment properties	\$ 47,147	\$ 46,302	\$ 138,359	\$ 136,132
Direct operating expenses for investment properties that generate rental income	<u>(22,197)</u>	<u>(16,949)</u>	<u>(59,406)</u>	<u>(47,810)</u>
	<u>\$ 24,950</u>	<u>\$ 29,353</u>	<u>\$ 78,953</u>	<u>\$ 88,322</u>

17. PROPERTIES AND EQUIPMENT, NET

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Carrying amount</u>			
Land	\$ 24,355,261	\$ 24,330,673	\$ 24,508,417
Buildings	7,673,060	7,864,023	7,976,064
Machinery and equipment	556,465	755,917	823,102
Transportation equipment	98,905	98,383	102,228
Other equipment	149,263	165,167	168,074
Leasehold improvements	116,863	144,048	150,754
Leased assets	12,081	-	-
Prepayments for equipment, land and buildings and construction in progress	<u>5,243,805</u>	<u>4,874,792</u>	<u>4,794,621</u>
	<u>\$ 38,205,703</u>	<u>\$ 38,233,003</u>	<u>\$ 38,523,260</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
<u>Cost</u>									
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	98,254	94,799	54,831	25,390	31,282	23,040	13,352	978,929	1,319,877
Disposals	-	(8,672)	(324,931)	(9,635)	(55,588)	(24,148)	-	-	(422,974)
Reclassification	(73,499)	(26,106)	9,894	-	142	572	-	(609,916)	(698,913)
Effects of exchange rate changes	(167)	(355)	(7,110)	(977)	(2,130)	(4,622)	-	-	(15,361)
Balance, September 30, 2017	<u>\$ 24,370,438</u>	<u>\$ 14,474,034</u>	<u>\$ 4,557,386</u>	<u>\$ 651,075</u>	<u>\$ 1,282,376</u>	<u>\$ 913,957</u>	<u>\$ 13,352</u>	<u>\$ 5,243,805</u>	<u>\$ 51,506,423</u>
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	-	12,648	53,816	13,342	30,270	11,013	-	84,566	205,655
Disposals	-	(860)	(537,169)	(18,892)	(15,650)	(15,163)	-	-	(587,734)
Reclassification	(315,150)	(177,061)	42,061	969	1,654	8,055	-	(93,300)	(532,772)
Effects of exchange rate changes	(130)	(107)	(5,375)	(832)	(1,681)	(4,212)	-	-	(12,337)
Balance, September 30, 2016	<u>\$ 24,523,594</u>	<u>\$ 14,487,516</u>	<u>\$ 4,821,344</u>	<u>\$ 635,383</u>	<u>\$ 1,319,966</u>	<u>\$ 901,256</u>	<u>\$ -</u>	<u>\$ 4,794,621</u>	<u>\$ 51,483,680</u>
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total	
<u>Accumulated depreciation and impairment</u>									
Balance, January 1, 2017	\$ 15,177	\$ 6,550,345	\$ 4,068,785	\$ 537,914	\$ 1,143,503	\$ 775,067	\$ -	\$ -	\$ 13,090,791
Disposals	-	(8,435)	(323,913)	(9,616)	(55,411)	(24,148)	-	-	(421,523)
Depreciation expenses	-	268,660	263,851	25,421	45,365	48,244	1,271	-	652,812
Reclassification	-	(9,353)	-	-	-	-	-	-	(9,353)
Effects of exchange rate changes	-	(243)	(7,802)	(1,549)	(344)	(2,069)	-	-	(12,007)
Balance, September 30, 2017	<u>\$ 15,177</u>	<u>\$ 6,800,974</u>	<u>\$ 4,000,921</u>	<u>\$ 552,170</u>	<u>\$ 1,133,113</u>	<u>\$ 797,094</u>	<u>\$ 1,271</u>	<u>\$ -</u>	<u>\$ 13,300,720</u>
Balance, January 1, 2016	\$ 15,177	\$ 6,303,683	\$ 4,240,770	\$ 525,126	\$ 1,120,325	\$ 719,807	\$ -	\$ -	\$ 12,924,888
Disposals	-	-	(536,759)	(18,855)	(15,570)	(15,133)	-	-	(586,317)
Depreciation expenses	-	280,069	299,919	28,639	49,118	60,018	-	-	717,763
Reclassification	-	(72,128)	-	-	-	-	-	-	(72,128)
Effects of exchange rate changes	-	(172)	(5,688)	(1,755)	(1,981)	(14,190)	-	-	(23,786)
Balance, September 30, 2016	<u>\$ 15,177</u>	<u>\$ 6,511,452</u>	<u>\$ 3,998,242</u>	<u>\$ 533,155</u>	<u>\$ 1,151,892</u>	<u>\$ 750,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,960,420</u>

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As September 30, 2017, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.

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

Buildings	
Main buildings	37 to 50 years
Equipment installed in buildings	10 to 15 years
Machinery and equipment	3 to 10 years
Transportation equipment	4 to 10 years
Other equipment	2 to 20 years
Leasehold improvements	2 to 10 years
Leased assets	7 years

As of September 30, 2017, December 31, 2016 and September 30, 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 auditors' 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 September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

18. INTANGIBLE ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>391,672</u>	<u>446,838</u>	<u>466,531</u>
	<u>\$ 3,561,677</u>	<u>\$ 3,616,843</u>	<u>\$ 3,636,536</u>
	Goodwill	Computer Software	Total
Balance, January 1, 2017	\$ 3,170,005	\$ 446,838	\$ 3,616,843
Separate acquisition	-	66,333	66,333
Amortization expenses	-	(138,763)	(138,763)
Reclassification	-	18,203	18,203
Effect of exchange rate changes	<u>-</u>	<u>(939)</u>	<u>(939)</u>
Balance, September 30, 2017	<u>\$ 3,170,005</u>	<u>\$ 391,672</u>	<u>\$ 3,561,677</u>
Balance, January 1, 2016	\$ 3,170,005	\$ 513,137	\$ 3,683,142
Separate acquisition	-	83,476	83,476
Amortization expenses	-	(150,638)	(150,638)
Reclassification	-	22,171	22,171
Effect of exchange rate changes	<u>-</u>	<u>(1,615)</u>	<u>(1,615)</u>
Balance, September 30, 2016	<u>\$ 3,170,005</u>	<u>\$ 466,531</u>	<u>\$ 3,636,536</u>

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

Goodwill resulting from merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of September 30, 2017, December 31, 2016 and September 30, 2016.

19. OTHER ASSETS, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Refundable deposits	\$ 1,470,800	\$ 1,377,805	\$ 1,399,954
Operating deposits and settlement funds	657,984	648,314	643,183
Prepaid expenses	449,723	286,562	625,588
Collaterals assumed, net	257,088	262,506	262,506
Others	<u>229,854</u>	<u>105,292</u>	<u>117,431</u>
	<u>\$ 3,065,449</u>	<u>\$ 2,680,479</u>	<u>\$ 3,048,662</u>

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2017	December 31, 2016	September 30, 2016
Due to banks	\$ 116,744,924	\$ 127,052,418	\$ 119,065,005
Call loans from banks	99,010,948	91,385,406	99,755,740
Deposits from Chunghwa Post Co., Ltd.	4,372,053	5,815,108	6,808,184
Bank overdraft	534,807	9,482,741	4,252,830
Due to the Central Bank	<u>413,280</u>	<u>299,512</u>	<u>305,145</u>
	<u>\$ 221,076,012</u>	<u>\$ 234,035,185</u>	<u>\$ 230,186,904</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$42,197,956 thousand, \$44,139,415 thousand and \$34,395,488 thousand under repurchase agreements as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively, would subsequently be purchased for \$42,209,861 thousand, \$44,156,109 thousand and \$34,406,495 thousand, respectively.

22. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$25,988,000 thousand, \$16,525,000 thousand and \$15,593,000 thousand and the annual discount rates were from 0.508% to 0.878%, from 0.650% to 0.888% and from 0.608% to 0.868% as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively, and the commercial paper will mature by November 13, 2017, October 26, 2017 and February 4, 2017, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of September 30, 2017, the Company had not used the amount of \$38,950,114 thousand, the sum of the amount of the commercial paper issued and the credit.

23. PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Checks for clearing	\$ 6,897,271	\$ 21,179,639	\$ 13,228,705
Collections payable	5,903,915	5,919,674	10,249,660
Collections of notes and checks for various financial institutions in other cities	5,531,977	1,441,353	1,227,034
Accrued interest	4,586,518	3,763,243	4,021,606
Accrued expenses	4,388,585	4,810,225	4,145,288
Acceptances	3,109,649	3,396,401	2,999,517
Payable on securities	2,817,521	856,710	1,712,180
Settlement consideration	1,703,599	1,143,804	1,623,960
Payables on notes and checks collected for others	1,642,364	533,563	1,585,630
Settlement payable	1,590,880	1,225,453	1,423,928
Tax payable	536,078	486,461	424,882
Payables for short-sale transactions	349,499	392,215	306,179
Deposits on short-sale transactions	321,612	362,651	284,376
Dividends payable	274,604	244,503	252,959
Factored accounts payable	137,842	385,123	356,862
Insurance claims and benefits payable	95,718	265,515	84,707
Others	<u>2,485,657</u>	<u>2,032,736</u>	<u>2,358,041</u>
	<u>\$ 42,373,289</u>	<u>\$ 48,439,269</u>	<u>\$ 46,285,514</u>

24. DEPOSITS AND REMITTANCES

	September 30, 2017	December 31, 2016	September 30, 2016
Deposits			
Checking	\$ 35,534,623	\$ 46,824,959	\$ 39,497,414
Demand	500,911,407	479,896,040	490,359,678
Savings - demand	818,474,455	796,973,550	772,889,668
Time	475,557,487	476,827,373	484,262,997
Negotiable certificates of deposit	6,396,100	1,622,800	1,428,600
Savings - time	653,755,906	669,211,936	673,587,446
Treasury	91,003,061	90,797,579	85,831,468
Remittances	<u>265,405</u>	<u>433,539</u>	<u>332,859</u>
	<u>\$ 2,581,898,444</u>	<u>\$ 2,562,587,776</u>	<u>\$ 2,548,190,130</u>

25. BONDS PAYABLE

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

	September 30, 2017	December 31, 2016	September 30, 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
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
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

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000
First subordinated bonds in 2014, Type C: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the 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	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	-	-
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	<u>1,400,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 68,610,000</u>	<u>\$ 74,610,000</u>	<u>\$ 74,610,000</u> (Concluded)

To expand its long-term USD capital, TCB applied for the issuance of unsecured bank debentures amounting to US\$1,000,000 thousand. The application was approved by the FSC on January 22, 2015. 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; TCB may exercise its redemption rights at an agreed price after two years and three years, respectively, from the issue dates. If 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, 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank debentures bonds issued in 2015, Type A	\$ 8,884,554	\$ 9,253,296	\$ 9,462,769
Unsecured bank debentures bonds issued in 2015, Type B	<u>2,960,648</u>	<u>3,082,739</u>	<u>3,201,537</u>
	<u>\$ 11,845,202</u>	<u>\$ 12,336,035</u>	<u>\$ 12,664,306</u>

TCB has been approved by the FSC to issue unsecured subordinated bonds amounting to \$6,000,000 thousand on May 18, 2017. As of September 30, 2017, the amount of unissued unsecured subordinated bonds of TCB was \$4,000,000 thousand.

26. OTHER BORROWINGS

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Short-term borrowings (Note 22)	<u>\$ 1,633,218</u>	0.870-5.873	<u>\$ 1,328,384</u>	0.870-4.785	<u>\$ 1,629,731</u>	0.930-4.785

27. PROVISIONS

	September 30, 2017	December 31, 2016	September 30, 2016
Reserve for life insurance liabilities	\$ 30,753,765	\$ 30,554,508	\$ 30,636,027
Reserve for insurance contracts with financial instrument features	11,301,111	11,511,953	11,575,753
Provision for employee benefits	6,480,668	6,501,792	6,364,341
Provision for losses on guarantees	1,556,158	1,415,708	1,428,673
Others	<u>379,436</u>	<u>350,110</u>	<u>356,334</u>
	<u>\$ 50,471,138</u>	<u>\$ 50,334,071</u>	<u>\$ 50,361,128</u>

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

	September 30, 2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 10,519,199	\$ 7,616,579	\$ 18,135,778
Health insurance	343,978	-	343,978
Annuity insurance	-	12,205,542	12,205,542
Investment insurance	<u>68,467</u>	<u>-</u>	<u>68,467</u>
	10,931,644	19,822,121	30,753,765
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,931,644</u>	<u>\$ 19,822,121</u>	<u>\$ 30,753,765</u>

	December 31, 2016		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	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	<u>49,278</u>	<u>-</u>	<u>49,278</u>
	9,533,081	21,021,427	30,554,508
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,533,081</u>	<u>\$ 21,021,427</u>	<u>\$ 30,554,508</u>

	September 30, 2016		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Participation Features	Total
Life insurance	\$ 8,736,438	\$ 10,001,471	\$ 18,737,909
Health insurance	240,936	-	240,936
Annuity insurance	-	11,618,030	11,618,030
Investment insurance	<u>39,152</u>	<u>-</u>	<u>39,152</u>
	9,016,526	21,619,501	30,636,027
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,016,526</u>	<u>\$ 21,619,501</u>	<u>\$ 30,636,027</u>

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

	For the Nine Months Ended September 30, 2017		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Participation Features	Total
Balance, January 1	\$ 9,533,081	\$ 21,021,427	\$ 30,554,508
Provision	1,579,809	1,265,419	2,845,228
Recovery	<u>(181,246)</u>	<u>(2,464,725)</u>	<u>(2,645,971)</u>
Ending balance	10,931,644	19,822,121	30,753,765
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
Balance, September 30	<u>\$ 10,931,644</u>	<u>\$ 19,822,121</u>	<u>\$ 30,753,765</u>

For the Nine Months Ended September 30, 2016

	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	\$ 7,505,991	\$ 25,237,863	\$ 32,743,854
Provision	1,665,255	879,690	2,544,945
Recovery	<u>(154,720)</u>	<u>(4,498,052)</u>	<u>(4,652,772)</u>
Ending balance	9,016,526	21,619,501	30,636,027
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
Balance, September 30	<u>\$ 9,016,526</u>	<u>\$ 21,619,501</u>	<u>\$ 30,636,027</u>

b. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	September 30, 2017	December 31, 2016	September 30, 2016
Life insurance liability reserve	\$ 30,753,765	\$ 30,554,508	\$ 30,636,027
Unearned premium reserve	171,481	143,392	132,469
Claims reserve	36,139	15,155	28,427
Premium deficiency reserve	<u>27,255</u>	<u>45,576</u>	<u>47,953</u>
Book value of insurance reserve	<u>\$ 30,988,640</u>	<u>\$ 30,758,631</u>	<u>\$ 30,844,876</u>
Present value of discounted cash flows	<u>\$ 27,655,619</u>	<u>\$ 27,664,036</u>	<u>\$ 27,596,004</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

September 30, 2017, December 31, 2016 and September 30, 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Life insurance	<u>\$ 11,301,111</u>	<u>\$ 11,511,953</u>	<u>\$ 11,575,753</u>

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	\$ 11,511,953	\$ 11,735,236
Insurance claim payments for the period	(349,511)	(299,536)
Reserve for insurance contracts with financial instrument features	<u>138,669</u>	<u>140,053</u>
Balance, September 30	<u>\$ 11,301,111</u>	<u>\$ 11,575,753</u>

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve of foreign exchange variation

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	\$ 145,987	\$ 171,211
Provisions		
Compulsory provisions	7,920	6,949
Additional provisions	<u>48,208</u>	<u>43,274</u>
	56,128	50,223
Recovery	<u>(57,554)</u>	<u>(73,949)</u>
Balance, September 30	<u>\$ 144,561</u>	<u>\$ 147,485</u>

3) Impact of the reserve of foreign exchange variation

For the nine months ended September 30, 2017

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 12,046,851	\$ 12,048,035	\$ 1,184
Earnings per share (NT\$)	0.96	0.96	-
Reserve of foreign exchange variation	-	144,561	144,561
Equity	203,223,007	203,078,204	(144,803)

For the nine months ended September 30, 2016

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 10,832,795	\$ 10,856,521	\$ 23,726
Earnings per share (NT\$)	0.86	0.86	-
Reserve of foreign exchange variation	-	147,485	147,485
Equity	199,674,527	199,527,042	(147,485)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Reserve for life insurance liabilities, net	\$ (183,114)	\$ (586,660)	\$ 199,257	\$ (2,107,827)
Reserve for insurance contracts with financial instrument features, net	28,920	31,725	138,669	140,053
Others, net	<u>9,551</u>	<u>(9,923)</u>	<u>29,117</u>	<u>(1,287)</u>
	<u>\$ (144,643)</u>	<u>\$ (564,858)</u>	<u>\$ 367,043</u>	<u>\$ (1,969,061)</u>

f. Provisions for employee benefits are summarized below:

	September 30, 2017	December 31, 2016	September 30, 2016
Net defined benefit liabilities	\$ 2,416,273	\$ 2,531,665	\$ 2,483,578
Present value of retired employees' preferential interest deposit obligation	<u>4,064,395</u>	<u>3,970,127</u>	<u>3,880,763</u>
	<u>\$ 6,480,668</u>	<u>\$ 6,501,792</u>	<u>\$ 6,364,341</u>

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

	For the Nine Months Ended September 30	
	2017	2016
Balance, January 1	\$ 1,415,708	\$ 1,439,421
Provision (reversal of provision) for losses on guarantees	140,847	(10,404)
Effects of exchange rate changes	<u>(397)</u>	<u>(344)</u>
Balance, September 30	<u>\$ 1,556,158</u>	<u>\$ 1,428,673</u>

28. EMPLOYEE BENEFITS PLAN

a. Defined contribution plan

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

The Company recognized expense of \$124,285 thousand and \$118,420 thousand in the consolidated statement of comprehensive income for the nine months ended September 30, 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. TCB 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); TCB has no right to influence the investment policy and strategy. Before the end of each year, TCB 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, TCB 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 nine months ended September 30, 2017 and 2016, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$640,442 thousand and \$671,112 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 TCB's internal rules. Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, 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 nine months ended September 30, 2017 and 2016, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$709,422 thousand and \$481,421 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

	September 30, 2017	December 31, 2016	September 30, 2016
Structured products - host contracts	\$ 2,718,310	\$ 1,208,004	\$ 2,362,230
Guarantee deposits received	1,206,883	1,096,352	1,454,271
Appropriation for loans	330,679	354,678	711,097
Lease payables	12,235	-	-
Separate-account liabilities	<u>93,881,027</u>	<u>87,468,591</u>	<u>84,891,914</u>
	<u>\$ 98,149,134</u>	<u>\$ 90,127,625</u>	<u>\$ 89,419,512</u>

The status of the Company's investment-linked products - separate account as of September 30, 2017, December 31, 2016 and September 30, 2016, are summarized as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Fund assets for investment-linked products (part of other financial assets)			
Cash	\$ 965,227	\$ 663,440	\$ 1,039,723
Beneficial certificates	92,747,593	86,381,356	83,814,947
Other receivables	<u>168,207</u>	<u>423,795</u>	<u>37,244</u>
	<u>\$ 93,881,027</u>	<u>\$ 87,468,591</u>	<u>\$ 84,891,914</u>
Fund liabilities for investment-linked products (part of other financial liabilities)			
Reserve for investment-linked products	\$ 93,476,041	\$ 86,987,680	\$ 84,576,119
Other payables	<u>404,986</u>	<u>480,911</u>	<u>315,795</u>
	<u>\$ 93,881,027</u>	<u>\$ 87,468,591</u>	<u>\$ 84,891,914</u>

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2017	2016	2017	2016
Income on investment-linked products				
Premium income	\$ 4,322,176	\$ 5,279,456	\$ 13,800,580	\$ 12,020,808
Unrealized gains on financial instruments	789,343	1,765,071	1,366,477	3,526,505
Others	<u>125,902</u>	<u>84,017</u>	<u>337,417</u>	<u>235,901</u>
	<u>\$ 5,237,421</u>	<u>\$ 7,128,544</u>	<u>\$ 15,504,474</u>	<u>\$ 15,783,214</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Expense for investment-linked products				
Net investment-linked product provision of insurance reserves	\$ 2,414,708	\$ 4,470,607	\$ 7,448,030	\$ 8,424,173
Insurance claims and surrender	1,740,229	1,500,274	4,490,203	3,721,793
Losses on foreign exchange	642,262	686,804	2,382,838	1,080,350
Losses on disposal of investments	279,437	325,717	708,485	2,122,749
Insurance fees	115,004	95,393	332,695	291,789
Service charge and maintenance fees	<u>45,781</u>	<u>49,749</u>	<u>142,223</u>	<u>142,360</u>
	<u>\$ 5,237,421</u>	<u>\$ 7,128,544</u>	<u>\$ 15,504,474</u>	<u>\$ 15,783,214</u>

(Concluded)

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

30. OTHER LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Advance receipts	\$ 1,540,957	\$ 1,962,888	\$ 1,787,076
Others	<u>88,316</u>	<u>72,738</u>	<u>101,948</u>
	<u>\$ 1,629,273</u>	<u>\$ 2,035,626</u>	<u>\$ 1,889,024</u>

31. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest revenue				
From discounts and loans	\$ 10,014,922	\$ 9,739,509	\$ 29,528,746	\$ 29,961,871
From investments	2,423,223	2,155,369	7,042,233	5,154,818
From due from banks and call loans to other banks	608,919	572,155	1,692,639	3,045,659
Others	<u>567,069</u>	<u>546,477</u>	<u>1,299,516</u>	<u>1,284,557</u>
	<u>13,614,133</u>	<u>13,013,510</u>	<u>39,563,134</u>	<u>39,446,905</u>
Interest expense				
From deposits	(4,014,945)	(3,917,906)	(11,715,254)	(12,596,529)
From funds borrowing from the Central Bank and other banks	(342,286)	(189,741)	(965,166)	(509,880)
From subordinated bank debentures	(224,905)	(237,492)	(715,826)	(717,207)

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
From due to the Central Bank and other banks	\$ (95,938)	\$ (103,833)	\$ (326,594)	\$ (402,560)
From securities sold under repurchase agreements	(48,396)	(32,239)	(144,362)	(118,090)
From structure products	(15,726)	(6,371)	(30,962)	(24,890)
Others	(18,914)	(12,871)	(50,736)	(44,648)
	<u>(4,761,110)</u>	<u>(4,500,453)</u>	<u>(13,948,900)</u>	<u>(14,413,804)</u>
	<u>\$ 8,853,023</u>	<u>\$ 8,513,057</u>	<u>\$ 25,614,234</u>	<u>\$ 25,033,101</u> (Concluded)

32. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Service fee and commission revenues				
From trust business	\$ 378,784	\$ 314,762	\$ 1,030,375	\$ 784,498
From insurance service	328,857	464,665	839,249	1,562,545
From loans	304,586	188,261	615,023	487,775
From guarantee	196,860	176,644	541,451	481,174
From investment-linked products	140,404	117,432	401,790	337,954
From credit cards	133,726	137,136	401,557	410,142
From brokerage service	106,222	64,435	257,918	176,661
From remittance	80,437	75,297	231,783	234,923
From cross-bank transactions	67,551	64,314	200,086	189,237
From trust affiliated business	58,306	46,781	160,000	129,161
Others	323,371	290,391	915,351	888,147
	<u>2,119,104</u>	<u>1,940,118</u>	<u>5,594,583</u>	<u>5,682,217</u>
Service charge and commission expenses				
From cross-bank transactions	(77,420)	(72,517)	(227,069)	(206,172)
From insurance business	(108,683)	(54,141)	(206,779)	(142,982)
From credit cards	(48,882)	(44,715)	(147,700)	(140,356)
From credit cards acquiring	(30,710)	(29,303)	(97,098)	(89,717)
Others	(67,581)	(54,813)	(188,325)	(167,429)
	<u>(333,276)</u>	<u>(255,489)</u>	<u>(866,971)</u>	<u>(746,656)</u>
	<u>\$ 1,785,828</u>	<u>\$ 1,684,629</u>	<u>\$ 4,727,612</u>	<u>\$ 4,935,561</u>

33. PREMIUM INCOME (LOSSES), NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Income on investment-linked products (Note 29)	\$ 5,237,421	\$ 7,128,544	\$ 15,504,474	\$ 15,783,214
Premium income	<u>1,098,527</u>	<u>1,450,998</u>	<u>3,937,369</u>	<u>3,549,153</u>
	<u>6,335,948</u>	<u>8,579,542</u>	<u>19,441,843</u>	<u>19,332,367</u>
Expense for investment-linked products (Note 29)	(5,237,421)	(7,128,544)	(15,504,474)	(15,783,214)
Insurance claims and benefits	(902,337)	(1,730,405)	(2,813,950)	(4,763,506)
Reinsurance premium ceded	(33,012)	(40,980)	(93,290)	(93,921)
Others	<u>(12,852)</u>	<u>(24,862)</u>	<u>(43,947)</u>	<u>(38,971)</u>
	<u>(6,185,622)</u>	<u>(8,924,791)</u>	<u>(18,455,661)</u>	<u>(20,679,612)</u>
	<u>\$ 150,326</u>	<u>\$ (345,249)</u>	<u>\$ 986,182</u>	<u>\$ (1,347,245)</u>

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

	For the Three Months Ended September 30, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 101,404	\$ 1,674,980	\$ (428,642)	\$ 79,953	\$ 1,427,695
Held-for-trading financial liabilities	-	(1,744,722)	775,654	-	(969,068)
Financial liabilities designated as at fair value through profit or loss	<u>(138,637)</u>	<u>-</u>	<u>16,073</u>	<u>-</u>	<u>(122,564)</u>
	<u>\$ (37,233)</u>	<u>\$ (69,742)</u>	<u>\$ 363,085</u>	<u>\$ 79,953</u>	<u>\$ 336,063</u>
	For the Three Months Ended September 30, 2016				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 81,457	\$ 3,905,308	\$ 182,523	\$ 28,542	\$ 4,197,830
Financial assets designated as at fair value through profit or loss	82	-	31	-	113
Held-for-trading financial liabilities	-	(3,702,387)	(1,039,626)	-	(4,742,013)
Financial liabilities designated as at fair value through profit or loss	<u>(139,417)</u>	<u>-</u>	<u>26,094</u>	<u>-</u>	<u>(113,323)</u>
	<u>\$ (57,878)</u>	<u>\$ 202,921</u>	<u>\$ (830,978)</u>	<u>\$ 28,542</u>	<u>\$ (657,393)</u>
	For the Nine Months Ended September 30, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 305,125	\$ 9,479,019	\$ (2,009,778)	\$ 96,873	\$ 7,871,239
Held-for-trading financial liabilities	-	(8,652,031)	1,331,692	-	(7,320,339)
Financial liabilities designated as at fair value through profit or loss	<u>(408,529)</u>	<u>-</u>	<u>(274,844)</u>	<u>-</u>	<u>(683,373)</u>
	<u>\$ (103,404)</u>	<u>\$ 826,988</u>	<u>\$ (952,930)</u>	<u>\$ 96,873</u>	<u>\$ (132,473)</u>

	For the Nine Months Ended September 30, 2016				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	\$ 247,842	\$ 13,226,384	\$ (1,948,488)	\$ 44,687	\$ 11,570,425
Financial assets designated as at fair value through profit or loss	263	-	(56)	-	207
Held-for-trading financial liabilities	-	(11,136,531)	(787,502)	-	(11,924,033)
Financial liabilities designated as at fair value through profit or loss	<u>(417,827)</u>	<u>-</u>	<u>(559,556)</u>	<u>-</u>	<u>(977,383)</u>
	<u>\$ (169,722)</u>	<u>\$ 2,089,853</u>	<u>\$ (3,295,602)</u>	<u>\$ 44,687</u>	<u>\$ (1,330,784)</u>

35. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Employee benefits				
Salaries	\$ 2,060,561	\$ 2,055,386	\$ 6,194,428	\$ 6,213,880
Incentives	772,322	744,543	2,202,541	2,267,208
Excessive interest from preferential interest deposits	309,881	270,691	1,026,644	801,939
Post-employment benefits, termination benefits and compensation	257,986	271,270	911,421	816,705
Overtime	100,880	98,136	294,857	289,301
Others	466,104	455,760	1,344,453	1,339,246
Depreciation expenses	222,970	242,033	681,527	743,430
Amortization expenses	45,727	49,220	138,799	150,670

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 employees' compensation and remuneration of directors) for the employees' compensation and remuneration of directors, 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 nine months ended September 30, 2017 and 2016, employees' compensation were estimated at \$2,221 thousand and \$1,642 thousand and the remuneration of directors were estimated at \$64,624 thousand and \$58,259 thousand, respectively, based on the amended Articles and past experiences.

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 proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration of directors 2016 and 2015 approved by the TCFHC's 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 TCFHC's board of directors and the amounts recognized in the consolidated financial statements.

Information of employees' compensation and remuneration of directors approved by the TCFHC's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

36. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Current tax				
Current period	\$ 691,554	\$ 736,156	\$ 2,257,458	\$ 1,963,285
Additional 10% income tax on unappropriated earnings	-	-	-	28,586
Prior year's adjustments	<u>(1,083)</u>	<u>-</u>	<u>1,418</u>	<u>1,769</u>
	690,471	736,156	2,258,876	1,993,640
Deferred tax				
Current period	<u>34,076</u>	<u>(245,386)</u>	<u>(467,586)</u>	<u>(452,666)</u>
Income tax expense recognized in profit or loss	<u>\$ 724,547</u>	<u>\$ 490,770</u>	<u>\$ 1,791,290</u>	<u>\$ 1,540,974</u>

b. Income tax recognized in other comprehensive loss (income)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
<u>Deferred tax</u>				
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of financial statements of foreign operations	\$ (89)	\$ (52,520)	\$ (94,774)	\$ (93,480)
Unrealized gains (losses) on available-for-sale financial assets	<u>12,675</u>	<u>(4,201)</u>	<u>45,012</u>	<u>23,495</u>
Total income tax recognized in other comprehensive loss (income)	<u>\$ 12,586</u>	<u>\$ (56,721)</u>	<u>\$ (49,762)</u>	<u>\$ (69,985)</u>

c. Deferred tax assets and liabilities

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Deferred tax assets</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 3,814	\$ 3,968	\$ 328,302
Available-for-sale financial assets	161	15,215	1
Investments accounted for using equity method	-	-	532
Properties and equipment	8,948	9,447	9,378
Payable for annual leave	123,777	73,041	122,937
Defined benefit obligation	6,368	26,069	-
Employee's preferential interest deposit obligation	690,947	674,922	659,730
Other liabilities	4,989	5,220	5,200
Allowance for possible losses	75,032	75,486	76,148
Collaterals assumed	316	316	316
Employee benefits	1,275	2,040	2,295
Pension liabilities	497	898	985
Unrealized interest expense	233,146	163,696	139,841
Unrealized foreign exchange losses	101,996	-	5,225
Revenue from disposal of acquired loans	54,821	54,821	17,240
Exchange differences on foreign operations	<u>84,813</u>	<u>9,383</u>	<u>22,650</u>
	<u>\$ 1,390,900</u>	<u>\$ 1,114,522</u>	<u>\$ 1,390,780</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 126	\$ 267,748	\$ 18,517
Available-for-sale financial assets	30,023	65	30,577
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	2,564
Investments accounted for using equity method	22,362	6,930	4,897
Collaterals assumed	397	397	397
Lease incentive	5,175	4,908	4,818
Properties and equipment	-	89	-
Unrealized foreign exchange gains	40,736	43,416	37,385
Others	<u>13,451</u>	<u>10,343</u>	<u>9,118</u>
	<u>\$ 3,072,822</u>	<u>\$ 3,313,792</u>	<u>\$ 3,068,825</u>

d. Imputed tax credits are summarized as follows:

	TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT	TCVC
Balances of stockholders' imputed tax credit								
September 30, 2017	\$ 1,410,957	\$ 27,003	\$ 116	\$ 2,976	\$ 9,749	\$ 38,908	\$ -	\$ 5,431
December 31, 2016	1,644,782	30,914	116	7,137	3,729	120,883	-	2,946
September 30, 2016	3,309,746	30,914	116	7,107	3,467	86,016	-	-
Estimated creditable tax ratio for distributing the 2016 earnings	12.39%	0.34%	0.03%	0.84%	2.06%	13.33%	-	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 September 30, 2017, December 31, 2016 and September 30, 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	2015	2014	2015

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.

37. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended September 30, 2017</u>			
Basic earnings per share (EPS)	\$ 4,479,776	12,202,704	<u>\$ 0.37</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>142</u>	
Diluted EPS	<u>\$ 4,479,776</u>	<u>12,202,846</u>	<u>\$ 0.37</u>
<u>For the three months ended September 30, 2016</u>			
Basic EPS	\$ 3,849,258	12,202,704	<u>\$ 0.32</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>119</u>	
Diluted EPS	<u>\$ 3,849,258</u>	<u>12,202,823</u>	<u>\$ 0.32</u>
<u>For the nine months ended September 30, 2017</u>			
Basic EPS	\$ 11,701,887	12,202,704	<u>\$ 0.96</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>184</u>	
Diluted EPS	<u>\$ 11,701,887</u>	<u>12,202,888</u>	<u>\$ 0.96</u>
<u>For the nine months ended September 30, 2016</u>			
Basic EPS	\$ 10,548,765	12,202,704	<u>\$ 0.86</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>162</u>	
Diluted EPS	<u>\$ 10,548,765</u>	<u>12,202,866</u>	<u>\$ 0.86</u>

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

	<u>Before Adjusted Retrospectively</u>		<u>After Adjusted Retrospectively</u>	
	<u>For the Three Months Ended September 30, 2016</u>	<u>For the Nine Months Ended September 30, 2016</u>	<u>For the Three Months Ended September 30, 2016</u>	<u>For the Nine Months Ended September 30, 2016</u>
Basic EPS (NT\$)	<u>\$ 0.32</u>	<u>\$ 0.89</u>	<u>\$ 0.32</u>	<u>\$ 0.86</u>
Diluted EPS (NT\$)	<u>\$ 0.32</u>	<u>\$ 0.89</u>	<u>\$ 0.32</u>	<u>\$ 0.86</u>

The Company can elect to distribute employees' compensation by stock or by cash. If compensation is in the form of shares, the Company should presume that the entire amount of the bonus or compensation will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating diluted EPS if the shares have a dilutive effect. 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.

38. EQUITY

a. Capital stock

Common stocks

	September 30, 2017	December 31, 2016	September 30, 2016
Number of shares authorized (in thousands)	<u>15,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>12,202,704</u>	<u>11,847,285</u>	<u>11,847,285</u>
Common stocks issued	<u>\$ 122,027,036</u>	<u>\$ 118,472,850</u>	<u>\$ 118,472,850</u>

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

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

On June 16, 2017, the stockholders of TCFHC resolved to issue 355,419 thousand shares, which included the 2016 earnings amounting to \$3,554,186 thousand. This issuance was approved by the FSC and the change in registration is awaiting the approval of the 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 September 30, 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	<u>10,410,804</u>
	54,189,783
Additional paid-in capital from TCFHC's share issuance in excess of par value	3,861,434
Cash dividends from TCFHC received by subsidiary	148,857
Additional paid-in capital from TCFHC's share issuance in excess of par value	12,642,000
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	<u>618,750</u>
	71,460,824

Uses

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

c. Special reserve

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

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

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

	For the Nine Months Ended September 30	
	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	<u> -</u>	<u> -</u>
Balance on September 30	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

Under TCFHC's amended 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.

Under TCFHC's amended Articles of Incorporation on June 16, 2017, when TCFHC appropriated its earnings, legal reserve was 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 was used for proposing a distribution plan at distribution percentages from 30% to 100%, 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 employees' compensation, please refer to Note 34.

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

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

The appropriations from the earnings of 2016 and 2015 were approved in the stockholders' meeting on June 16, 2017 and 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 Nine Months Ended September 30	
	2017	2016
Balance on January 1	\$ 3,802,863	\$ 3,727,455
Attributable to non-controlling interests		
Net income	346,148	307,756
Exchange differences in translation of financial statements of foreign operations	10,668	(4,253)
Unrealized gains on available for sale financial assets	168,666	125,562
Cash dividends distributed by subsidiary	<u>(129,360)</u>	<u>(34,820)</u>
Balance on September 30	<u>\$ 4,198,985</u>	<u>\$ 4,121,700</u>

39. 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 Global Emerging Markets Equity Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Fund of Emerging Markets Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
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 nine months ended <u>September 30, 2017</u>				
Others	<u>\$ 7,500,000</u>	<u>\$ 3,000,000</u>	<u>\$ 6,777</u>	0.270-0.560
For the nine months ended <u>September 30, 2016</u>				
Others	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 6,430</u>	0.280-0.430

2) Due to banks

	For the Nine Months Ended September 30			
	2017		2016	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 200,672	\$ 874	\$ 187,023	\$ 938
Others				
Tamshui First Credit Bank	25,245,538	187,828	24,768,275	198,716
Other	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>106</u>
	<u>\$ 25,450,123</u>	<u>\$ 188,702</u>	<u>\$ 24,955,298</u>	<u>\$ 199,760</u>

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended <u>September 30, 2017</u>				
Other	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 222</u>	0.173-0.185

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended <u>September 30, 2017</u>				
Main management	\$ 140,698	\$ 110,960	\$ 1,081	1.245-2.428
Others	<u>65,765</u>	<u>46,743</u>	<u>558</u>	1.137-2.465
	<u>\$ 206,463</u>	<u>\$ 157,703</u>	<u>\$ 1,639</u>	
For the nine months ended <u>September 30, 2016</u>				
Main management	\$ 146,572	\$ 140,412	\$ 1,479	1.260-2.428
Others	<u>107,987</u>	<u>41,996</u>	<u>762</u>	1.260-2.360
	<u>\$ 254,559</u>	<u>\$ 182,408</u>	<u>\$ 2,241</u>	

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.

5) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
For the nine months ended <u>September 30, 2017</u>			
Others	<u>\$ -</u>	<u>\$ 325</u>	0.315-0.370
For the nine months ended <u>September 30, 2016</u>			
Others	<u>\$ -</u>	<u>\$ 879</u>	0.290-0.380

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the nine months ended September 30, 2017</u>			
Associates	\$ 147,632	\$ 324	0-0.775
Main management	574,953	7,118	0-13.000
Others	<u>7,533,093</u>	<u>19,281</u>	0-13.000
	<u>\$ 8,255,678</u>	<u>\$ 26,723</u>	

For the nine months ended
September 30, 2016

Associates	\$ 170,111	\$ 384	0-1.130
Main management	471,227	7,246	0-13.000
Others	<u>10,530,882</u>	<u>42,149</u>	0-13.000
	<u>\$ 11,172,220</u>	<u>\$ 49,779</u>	

September 30, 2017	December 31, 2016	September 30, 2016
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7) Accrued income (part of receivables)

Others	<u>\$ 14,885</u>	<u>\$ 15,940</u>	<u>\$ 16,051</u>
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8) Accrued interest (part of receivables)

Others	<u>\$ 344</u>	<u>\$ 549</u>	<u>\$ 314</u>
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**For the Nine Months Ended
September 30**

2017	2016
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9) Service fee income (part of service fee and commission income, net)

Associates	\$ 27	\$ 45
Main management	171	136
Others	<u>153,917</u>	<u>147,229</u>
	<u>\$ 154,115</u>	<u>\$ 147,410</u>

10) Service charge (part of service fee and commission income, net)

Main management	\$ 23	\$ 19
Others	<u>3</u>	<u>6,652</u>
	<u>\$ 26</u>	<u>\$ 6,671</u>

For the Nine Months Ended September 30, 2016

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2016.09.26-2016.10.26	US\$ 7,000	\$ 523	Financial assets at fair value through profit or loss	\$ 523
Other - Giga Solution Tech. Co., Ltd.	Forward	2016.08.11-2016.10.31	US\$ 500	87	Financial assets at fair value through profit or loss	87
	Forward	2016.08.15-2016.11.17	US\$ 300	(10)	Financial liabilities at fair value through profit or loss	(10)
	Forward	2016.08.19-2016.10.24	US\$ 500	(50)	Financial liabilities at fair value through profit or loss	(50)
	Forward	2016.08.31-2016.11.02	US\$ 400	(132)	Financial liabilities at fair value through profit or loss	(132)
	Forward	2016.09.12-2016.10.31	US\$ 500	(153)	Financial liabilities at fair value through profit or loss	(153)
	Forward	2016.09.12-2016.11.28	US\$ 200	(68)	Financial liabilities at fair value through profit or loss	(68)
	Forward	2016.09.12-2016.12.12	US\$ 400	(136)	Financial liabilities at fair value through profit or loss	(136)
	Forward	2016.09.30-2016.12.15	US\$ 500	13	Financial assets at fair value through profit or loss	13

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

For the Nine Months Ended September 30

	2017	2016
Financial assets and liabilities at fair value through profit or loss		
Others	<u>\$ (23,582)</u>	<u>\$ (10,006)</u>

16) Loans

September 30, 2017

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 2017 (Note)	Ending Balance	Loan Classification			Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans	Collaterals	
Consumer loans	42	\$ 65,228	\$ 51,438	\$ 51,438	\$ -	Land and buildings	None
Self-used housing mortgage loans	35	141,235	106,265	106,265	-	Land and buildings	None

September 30, 2016

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 2016 (Note)	Ending Balance	Loan Classification			Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans	Collaterals	
Consumer loans	42	\$ 107,085	\$ 55,302	\$ 55,302	\$ -	Land and buildings	None
Self-used housing mortgage loans	31	147,474	127,106	127,106	-	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

	September 30, 2017	December 31, 2016	September 30, 2016
Subsidiary	<u>\$ 594,519</u>	<u>\$ 560,413</u>	<u>\$ 581,061</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended September 30, 2017				
Subsidiary	\$ 7,629,058	\$ 7,443,684	\$ 26,569	0.001-2.700
Sister companies	3,500,000	300,000	2,614	0.330-0.560
Others	<u>7,500,000</u>	<u>3,000,000</u>	<u>6,777</u>	0.270-0.560
	<u>\$ 18,629,058</u>	<u>\$ 10,743,684</u>	<u>\$ 35,960</u>	

For the nine months
ended September 30,
2016

Subsidiary	\$ 8,097,832	\$ 7,712,881	\$ 17,025	0.001-2.800
Sister companies	4,700,000	4,700,000	8,769	0.280-0.440
Others	<u>3,000,000</u>	<u>3,000,000</u>	<u>6,430</u>	0.280-0.430
	<u>\$ 15,797,832</u>	<u>\$ 15,412,881</u>	<u>\$ 32,224</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended September 30, 2017				
Sister company TCS	<u>\$ 252,760</u>	<u>\$ 242,080</u>	<u>\$ 2,375</u>	1.100-1.660

d) Due to banks

	For the Nine Months Ended September 30			
	2017		2016	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 13,120	\$ -	\$ 2,320	\$ -
Main management	200,672	874	187,023	938
Others				
Tamshui First Credit				
Bank	25,245,538	187,828	24,768,275	198,716
Other	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>106</u>
	<u>\$ 25,463,243</u>	<u>\$ 188,702</u>	<u>\$ 24,957,618</u>	<u>\$ 199,760</u>

e) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the nine months ended September 30, 2017</u>				
Sister companies	\$ 58,300	\$ -	\$ 25	2.265
Main management	140,698	110,960	1,081	1.245-2.428
Others	<u>65,765</u>	<u>46,743</u>	<u>558</u>	1.137-2.465
	<u>\$ 264,763</u>	<u>\$ 157,703</u>	<u>\$ 1,664</u>	
<u>For the nine months ended September 30, 2016</u>				
Sister companies	\$ 84,120	\$ -	\$ 23	2.265-2.475
Main management	146,572	140,412	1,479	1.260-2.428
Others	<u>107,987</u>	<u>41,996</u>	<u>762</u>	1.260-2.360
	<u>\$ 338,679</u>	<u>\$ 182,408</u>	<u>\$ 2,264</u>	

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 (%)
<u>For the nine months ended September 30, 2017</u>			
Sister company	\$ <u> -</u>	\$ <u> 1,116</u>	0-0.450
<u>For the nine months ended September 30, 2016</u>			
Sister company	\$ <u> 5,694,742</u>	\$ <u> 4,901</u>	0.300-0.450

g) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the nine months ended September 30, 2017</u>			
Parent company	\$ 56,833	\$ 27	0-0.080
Sister companies	2,323,103	4,314	0-2.900
Associates	147,632	324	0-0.775
Main management	574,953	7,118	0-13.000
Others	<u>7,533,093</u>	<u>19,281</u>	0-13.000
	<u>\$ 10,635,614</u>	<u>\$ 31,064</u>	
<u>For the nine months ended September 30, 2016</u>			
Parent company	\$ 62,637	\$ 41	0-0.110
Sister companies	2,649,074	8,512	0-1.360
Associates	170,111	384	0-1.130
Main management	471,227	7,246	0-13.000
Others	<u>10,530,882</u>	<u>42,149</u>	0-13.000
	<u>\$ 13,883,931</u>	<u>\$ 58,332</u>	

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

	September 30, 2017	December 31, 2016	September 30, 2016
Parent company	\$ <u> 1,126,338</u>	\$ <u> 951,196</u>	\$ <u> 897,078</u>

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

	September 30, 2017	December 31, 2016	September 30, 2016
Parent company	\$ <u> 886,310</u>	\$ <u> 129,356</u>	\$ <u> 325,877</u>

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

	For the Nine Months Ended September 30	
	2017	2016
Sister companies		
BPCTLI	\$ 610,054	\$ 684,629
Others	19,118	19,473
Associates	27	45
Main management	171	136
Others	<u>775</u>	<u>265</u>
	<u>\$ 630,145</u>	<u>\$ 704,548</u>

k) Purchases and sales of securities

Related Party	For the Nine Months Ended September 30, 2017			
	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ <u> -</u>	\$ <u> 200,114</u>	\$ <u> -</u>	\$ <u> 3,747,317</u>

Related Party	For the Nine Months Ended September 30, 2016			
	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ <u> 1,498,666</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 31,353,467</u>

l) Derivatives

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	For the Nine Months Ended September 30, 2017	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2017.08.22- 2017.11.22	US\$ 4,936	\$ (167)	Financial liabilities at fair value through profit or loss	\$ (167)
	Currency swap	2017.08.22- 2017.11.22	US\$ 10,033	(340)	Financial liabilities at fair value through profit or loss	(340)
	Currency swap	2017.08.22- 2017.11.22	US\$ 13,000	(440)	Financial liabilities at fair value through profit or loss	(440)
	Currency swap	2017.09.08- 2017.11.08	US\$ 3,187	689	Financial assets at fair value through profit or loss	689
	Currency swap	2017.09.19- 2018.03.19	US\$ 1,699	284	Financial assets at fair value through profit or loss	284
	Currency swap	2017.09.19- 2018.03.19	US\$ 3,129	523	Financial assets at fair value through profit or loss	523
	Currency swap	2017.09.19- 2018.03.19	US\$ 3,129	523	Financial assets at fair value through profit or loss	523

(Continued)

For the Nine Months Ended September 30, 2017

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
	Currency swap	2017.09.19-2018.03.19	US\$ 4,850	\$ 811	Financial assets at fair value through profit or loss	\$ 811
	Currency swap	2017.09.19-2018.03.19	US\$ 10,488	1,753	Financial assets at fair value through profit or loss	1,753
	Currency swap	2017.08.15-2017.10.16	US\$ 5,030	(502)	Financial liabilities at fair value through profit or loss	(502)
	Currency swap	2017.08.15-2017.10.16	US\$ 5,001	(499)	Financial liabilities at fair value through profit or loss	(499)
	Currency swap	2017.08.15-2017.10.16	US\$ 10,012	(998)	Financial liabilities at fair value through profit or loss	(998)
	Currency swap	2017.08.15-2017.10.16	US\$ 9,989	(996)	Financial liabilities at fair value through profit or loss	(996)
	Currency swap	2017.08.15-2017.10.16	US\$ 5,006	(499)	Financial liabilities at fair value through profit or loss	(499)
	Currency swap	2017.08.15-2017.10.16	US\$ 10,483	(1,045)	Financial liabilities at fair value through profit or loss	(1,045)
	Currency swap	2017.08.15-2017.10.16	US\$ 1,920	(191)	Financial liabilities at fair value through profit or loss	(191)
	Currency swap	2017.09.13-2017.10.13	US\$ 3,299	825	Financial assets at fair value through profit or loss	825
	Currency swap	2017.09.08-2017.11.08	US\$ 2,002	433	Financial assets at fair value through profit or loss	433
	Currency swap	2017.09.08-2017.11.08	US\$ 9,977	2,158	Financial assets at fair value through profit or loss	2,158
	Currency swap	2017.09.19-2018.03.19	US\$ 5,165	863	Financial assets at fair value through profit or loss	863
	Currency swap	2017.09.19-2018.03.19	US\$ 4,814	805	Financial assets at fair value through profit or loss	805
	Currency swap	2017.08.24-2017.10.24	US\$ 2,870	12	Financial assets at fair value through profit or loss	12
	Currency swap	2017.08.24-2017.10.24	US\$ 10,000	40	Financial assets at fair value through profit or loss	40
	Currency swap	2017.08.24-2017.10.24	US\$ 2,000	8	Financial assets at fair value through profit or loss	8
	Currency swap	2017.08.24-2017.10.24	US\$ 10,418	42	Financial assets at fair value through profit or loss	42
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.08.16-2017.10.16	US\$ 7,000	(26)	Financial liabilities at fair value through profit or loss	(26)
	Currency swap	2017.08.16-2017.10.16	US\$ 1,000	(4)	Financial liabilities at fair value through profit or loss	(4)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.08.16-2017.10.16	US\$ 4,000	(15)	Financial liabilities at fair value through profit or loss	(15)
	Currency swap	2017.08.16-2017.10.16	US\$ 5,020	(19)	Financial liabilities at fair value through profit or loss	(19)
	Currency swap	2017.08.16-2017.10.16	US\$ 400	(59)	Financial liabilities at fair value through profit or loss	(59)

(Concluded)

For the Nine Months Ended September 30, 2016

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2016.09.22-2016.12.22	US\$ 4,935	\$ (281)	Financial liabilities at fair value through profit or loss	\$ (281)
	Currency swap	2016.09.22-2016.12.22	US\$ 10,033	(571)	Financial liabilities at fair value through profit or loss	(571)
	Currency swap	2016.09.22-2016.12.22	US\$ 13,000	(739)	Financial liabilities at fair value through profit or loss	(739)
	Currency swap	2016.07.06-2017.01.06	US\$ 3,187	(2,676)	Financial liabilities at fair value through profit or loss	(2,676)
	Currency swap	2016.07.13-2016.10.13	US\$ 6,981	(5,679)	Financial liabilities at fair value through profit or loss	(5,679)
	Currency swap	2016.04.11-2017.04.11	US\$ 3,499	(3,343)	Financial liabilities at fair value through profit or loss	(3,343)
	Currency swap	2016.07.13-2016.10.13	US\$ 1,699	(1,382)	Financial liabilities at fair value through profit or loss	(1,382)
	Currency swap	2016.09.12-2016.10.12	US\$ 10,259	885	Financial assets at fair value through profit or loss	885
	Currency swap	2016.07.15-2017.01.17	US\$ 3,129	(2,507)	Financial liabilities at fair value through profit or loss	(2,507)
	Currency swap	2016.07.15-2017.01.17	US\$ 4,850	(3,887)	Financial liabilities at fair value through profit or loss	(3,887)
	Currency swap	2016.07.15-2017.01.17	US\$ 3,129	(2,507)	Financial liabilities at fair value through profit or loss	(2,507)
	Currency swap	2016.09.12-2016.10.12	US\$ 20,579	1,775	Financial assets at fair value through profit or loss	1,775
	Currency swap	2016.07.14-2017.10.14	US\$ 1,920	(1,567)	Financial liabilities at fair value through profit or loss	(1,567)
	Currency swap	2016.03.15-2017.03.15	US\$ 10,488	(14,454)	Financial liabilities at fair value through profit or loss	(14,454)
	Currency swap	2016.09.19-2016.10.19	US\$ 5,254	(1,348)	Financial liabilities at fair value through profit or loss	(1,348)
	Currency swap	2016.09.26-2016.12.27	US\$ 3,780	29	Financial assets at fair value through profit or loss	29
	Currency swap	2016.09.26-2016.12.27	US\$ 10,036	77	Financial assets at fair value through profit or loss	77
	Currency swap	2016.09.26-2016.12.27	US\$ 10,028	76	Financial assets at fair value through profit or loss	76
	Currency swap	2016.09.30-2016.10.31	US\$ 11,219	620	Financial assets at fair value through profit or loss	620
	Currency swap	2016.09.30-2016.10.31	US\$ 6,722	371	Financial assets at fair value through profit or loss	371
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2016.09.26-2016.10.26	US\$ 7,000	523	Financial assets at fair value through profit or loss	523

(Continued)

For the Nine Months Ended September 30, 2016							
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet		
					Account	Amounts	
Other - Giga Solution Tech. Co., Ltd.	Forward	2016.08.11-2016.10.31	US\$ 500	\$ 87	Financial assets at fair value through profit or loss	\$ 87	
	Forward	2016.08.15-2016.11.17	US\$ 300	(10)	Financial liabilities at fair value through profit or loss	(10)	
	Forward	2016.08.19-2016.10.24	US\$ 500	(50)	Financial liabilities at fair value through profit or loss	(50)	
	Forward	2016.08.31-2016.11.02	US\$ 400	(132)	Financial liabilities at fair value through profit or loss	(132)	
	Forward	2016.09.12-2016.10.31	US\$ 500	(153)	Financial liabilities at fair value through profit or loss	(153)	
	Forward	2016.09.12-2016.11.28	US\$ 200	(68)	Financial liabilities at fair value through profit or loss	(68)	
	Forward	2016.09.12-2016.12.12	US\$ 400	(136)	Financial liabilities at fair value through profit or loss	(136)	
	Forward	2016.09.30-2016.12.15	US\$ 500	13	Financial assets at fair value through profit or loss	13	

(Concluded)

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

	For the Nine Months Ended September 30	
	2017	2016
Financial assets and liabilities at fair value through profit or loss		
Sister company		
BPCTLI	\$ (189,203)	\$ (7,286)
Others	<u>(23,582)</u>	<u>(10,006)</u>
	<u>\$ (212,785)</u>	<u>\$ (17,292)</u>

m) Loans

September 30, 2017

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 2017 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	42	\$ 65,228	\$ 51,438	\$ 51,438	\$ -	Land and buildings	None
Self-used housing mortgage loans	35	141,235	106,265	106,265	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	58,300	-	-	-	Bonds	None

September 30, 2016

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 2016 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	42	\$ 107,085	\$ 55,302	\$ 55,302	\$ -	Land and buildings	None
Self-used housing mortgage loans	31	147,474	127,106	127,106	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	84,120	-	-	-	Bonds	None

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

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

a) Collections for underwriting stock value (part of other current assets)

	September 30, 2017	December 31, 2016	September 30, 2016
Sister companies	<u>\$ 123,876</u>	<u>\$ 751</u>	<u>\$ 14,284</u>

b) To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of September 30, 2017, December 31, 2016 and September 30, 2016, TCS had no borrowing and overdraft. The overdraft for the nine months ended September 30, 2017 and 2016 were as follows:

	For the Nine Months Ended September 30, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister company	<u>\$ 58,300</u>	<u>\$ -</u>	<u>\$ 25</u>	2.265

	For the Nine Months Ended September 30, 2016			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister company	<u>\$ 84,120</u>	<u>\$ -</u>	<u>\$ 23</u>	2.265-2.475

c) Call loans

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the nine months ended September 30, 2017				
Sister company TCB	<u>\$ 252,760</u>	<u>\$ 242,080</u>	<u>\$ 2,375</u>	1.100-1.660

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

	For the Year Ended December 31, 2016			
	Ending Balance	Service Fee (Part of Other Operating Expenses)	Interest Expense (Part of Financial Costs)	Interest Rate (%)
Sister company	<u>\$ 499,611</u>	<u>\$ 52</u>	<u>\$ 224</u>	0.710

3) Taiwan Cooperative Bills Finance Corporation Ltd.

- a) Cash in bank

	Highest Balance	Ending Balance	Interest Rate (%)	Interest Revenue
<u>September 30, 2017</u>				
Sister company	\$ 291,658	\$ 50,930	0.010-1.065	\$ 10
<u>December 31, 2016</u>				
Sister company	303,214	75,479	0.010-1.345	18
<u>September 30, 2016</u>				
Sister company	303,214	48,983	0.010-1.345	9

- b) Call loans from banks

	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
<u>For the nine months ended September 30, 2017</u>				
Sister company	\$ 3,500,000	\$ 300,000	0.330-0.560	\$ 2,615
<u>For the nine months ended September 30, 2016</u>				
Sister company	4,700,000	4,700,000	0.280-0.440	8,769

c) Securities sold under repurchase agreement

	Ending Balance	Interest Rate (%)	Interest Expense
For the nine months ended <u>September 30, 2017</u>			
Sister company	\$ 256,662	0.310-0.560	\$ 2,844
Others	-	0.315-0.370	325
For the nine months ended <u>September 30, 2016</u>			
Sister company	6,124,203	0.270-0.450	5,441
Others	-	0.290-0.380	879

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

	<u>December 31, 2016</u>			
	Ending Balance	Face Amount	Premiums (%)	Service Fee
Parent company	\$ 500,000	\$ -	0.360-0.642	\$ 45
Sister companies	<u>500,000</u>	<u>-</u>	0.710	<u>52</u>
	<u>\$ 1,000,000</u>	<u>\$ -</u>		<u>\$ 97</u>
	<u>September 30, 2016</u>			
	Ending Balance	Face Amount	Premiums (%)	Service Fee
Parent company	<u>\$ -</u>	<u>\$ -</u>	0.360-0.440	<u>\$ 27</u>

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)

	<u>September 30, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	Amount	%	Amount	%	Amount	%
Sister company						
TCB	<u>\$ 2,104,066</u>	<u>62</u>	<u>\$ 2,016,984</u>	<u>46</u>	<u>\$ 2,286,556</u>	<u>55</u>

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

	<u>For the Nine Months Ended September 30, 2017</u>		
	Purchased Securities (Note)	Securities Purchased Under Resell Agreements	
		Amount	Rate (%)
Sister company			
TCBF	\$ 7,358,828	\$ 256,662	0.310-0.560

	For the Nine Months Ended September 30, 2016		
	Purchased Securities (Note)	Securities Purchased Under Resell Agreements	
		Amount	Rate (%)
Sister company TCBF	\$ 7,861,152	\$ 429,461	0.270-0.390

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

September 30, 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	2017.08.18-2017.11.22	US\$ 75,410	\$ 5,677	Financial assets at fair value through profit or loss	\$ 5,677
		2017.08.11-2018.3.19	US\$ 77,027	(9,769)	Financial liabilities at fair value through profit or loss	(9,769)

December 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	2016.03.11-2017.04.11	US\$ 13,988	\$ 5,727	Financial assets at fair value through profit or loss	\$ 5,727
		2016.07.04-2017.03.14	US\$ 98,384	(30,276)	Financial liabilities at fair value through profit or loss	(30,276)

September 30, 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	2016.03.11-2017.04.11	US\$ 72,104	\$ 40,941	Financial assets at fair value through profit or loss	\$ 40,941
		2016.09.08-2016.12.27	US\$ 72,623	(3,833)	Financial liabilities at fair value through profit or loss	(3,833)

For the nine months ended September 30, 2017 and 2016, the realized gains or losses on cross-currency swaps and currency swaps with TCB were \$189,203 thousand gains and \$7,286 thousand gains, respectively.

d) Operating expenses- insurance contract expenses

	For the Nine Months Ended September 30	
	2017	2016
Insurance contract expenses Sister company TCB	<u>\$ 577,451</u>	<u>\$ 686,664</u>

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

5) Taiwan Cooperative Securities Investment Trust Co., Ltd.

	For the Nine Months Ended September 30	
	2017	2016
Management fee income		
Sister company	\$ 745	\$ 177
Others	<u>152,752</u>	<u>146,332</u>
	<u>\$ 153,497</u>	<u>\$ 146,509</u>

6) Taiwan Cooperative Venture Capital Co., Ltd.

	September 30, 2017	December 31, 2016	September 30, 2016
Cash in bank (part of cash and cash equivalents)			
Sister company	<u>\$ 62,984</u>	<u>\$ 95,836</u>	<u>\$ 187,955</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the nine months ended September 30, 2017 and 2016, are summarized as follows:

	For the Nine Months Ended September 30	
	2017	2016
Salaries and other short-term employment benefits	\$ 115,298	\$ 109,322
Post-employment benefits	4,699	4,763
Interest arising from the employees' preferential rate in excess of normal rates	<u>1,189</u>	<u>1,451</u>
	<u>\$ 121,186</u>	<u>\$ 115,536</u>

40. 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collaterals for domestic overdraft	31,510,000	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	1,456,320	2,312,000	2,347,000
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,155,900	1,180,700	1,103,000
Guarantee deposits for the insurance operation	960,000	900,000	900,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	369,774	360,864	351,232
Guarantee deposits for securities operation	355,000	355,000	345,000
Guarantee deposits for the bills finance business	227,400	227,400	227,400
Guarantee deposits for the trust business compensation reserve	220,000	200,000	200,000
Collaterals for overseas branch U.S. dollar settlement	50,383	43,497	32,928
Overseas branches' guarantee deposits for operation	6,052	6,444	6,272
Others	<u>90,200</u>	<u>91,400</u>	<u>93,200</u>
	<u>\$ 87,901,029</u>	<u>\$ 88,687,305</u>	<u>\$ 88,216,032</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Fund Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousands as collateral for day-term overdraft as of September 30, 2017, December 31, 2016 and September 30, 2016. The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as TCB's liquidity reserve.

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

(In Thousands of U.S. Dollars)

Date	Outstanding Balance			Collateral Value
	Loan	Bond	Total	
September 30, 2017	<u>\$ 224,380</u>	<u>\$ -</u>	<u>\$ 224,380</u>	<u>\$ 176,994</u>
December 31, 2016	<u>\$ 304,786</u>	<u>\$ 5,000</u>	<u>\$ 309,786</u>	<u>\$ 234,525</u>
September 30, 2016	<u>\$ 296,530</u>	<u>\$ 17,000</u>	<u>\$ 313,530</u>	<u>\$ 235,136</u>

41. 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. (TCFHC)

As of September 30, 2017, TCFHC's outstanding major construction and procurement contracts amounted to \$143,927 thousand, of which \$129,858 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd. (TCB)

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 September 30, 2017, refundable deposits on these leases totaled \$169,011 thousand. Minimum future annual rentals are as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Within one year	\$ 587,201	\$ 631,700	\$ 551,475
One to five years	1,163,618	1,312,200	1,151,201
Over five years	<u>109,475</u>	<u>112,219</u>	<u>97,912</u>
	<u>\$ 1,860,294</u>	<u>\$ 2,056,119</u>	<u>\$ 1,800,588</u>

The lease payments recognized as expenses are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Minimum lease payments	\$ 164,880	\$ 162,398	\$ 492,108	\$ 494,089
Contingent rentals	<u>874</u>	<u>245</u>	<u>1,355</u>	<u>743</u>
	<u>\$ 165,754</u>	<u>\$ 162,643</u>	<u>\$ 493,463</u>	<u>\$ 494,832</u>

2) Lease agreements on investment properties owned by TCB and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of September 30, 2017, guarantee deposits on these leases totaled \$33,780 thousand. Minimum future annual rentals are as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Within one year	\$ 116,680	\$ 118,213	\$ 99,020
One to five years	212,565	224,664	200,929
Over five years	<u>13,739</u>	<u>18,372</u>	<u>-</u>
	<u>\$ 342,984</u>	<u>\$ 361,249</u>	<u>\$ 299,949</u>

3) As of September 30, 2017, TCB's outstanding major construction and procurement contracts amounted to \$5,758,403 thousand, of which \$707,797 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.

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Within one year	\$ 2,683	\$ 2,501	\$ 2,844
One to five years	11,960	11,317	12,869
Over five years	<u>11,672</u>	<u>13,755</u>	<u>15,643</u>
	<u>\$ 26,315</u>	<u>\$ 27,573</u>	<u>\$ 31,356</u>

d. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of September 30, 2017, the commitments or contingencies arose from business were as follows:

	September 30, 2017
Guarantees of commercial paper	<u>\$ 21,777,600</u>
Purchase of reference-rate commercial paper	<u>\$ 4,760,000</u>

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

- 1) As of September 30, 2017, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$11,868 thousand, of which \$7,562 thousand was still unpaid.
- 2) 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 \$1,422 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 September 30, 2017, guarantee deposits on these leases totaled \$10,396 thousand. Minimum future annual rentals are as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Within one year	\$ 53,137	\$ 53,504	\$ 52,015
One to five years	167,275	166,521	168,981
Over five years	<u>566,873</u>	<u>598,677</u>	<u>580,068</u>
	<u>\$ 787,285</u>	<u>\$ 818,702</u>	<u>\$ 801,064</u>

42. FINANCIAL INSTRUMENTS

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

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

	<u>September 30, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 514,953,140	\$ 515,419,863	\$ 512,635,209	\$ 512,107,900	\$ 495,571,021	\$ 497,521,041
Debt instruments with no active market	91,046,246	93,163,146	89,326,692	90,664,298	92,417,793	95,060,867
<u>Financial liabilities</u>						
Bonds payable	68,610,000	69,593,824	74,610,000	75,636,377	74,610,000	76,093,787

Fair value hierarchy as at September 30, 2017, December 31, 2016 and September 30, 2016:

September 30, 2017

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 515,419,863	\$ 7,169,840	\$ 508,250,023	\$ -
Debt instruments with no active market	93,163,146	408,380	92,754,766	-
<u>Financial liabilities</u>				
Bonds payable	69,593,824	-	69,593,824	-

December 31, 2016

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
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	-
<u>Financial liabilities</u>				
Bonds payable	75,636,377	-	75,636,377	-

September 30, 2016

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 497,521,041	\$ 9,687,517	\$ 487,833,524	\$ -
Debt instruments with no active market	95,060,867	412,754	94,648,113	-
<u>Financial liabilities</u>				
Bonds payable	76,093,787	-	76,093,787	-

- 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 Taipei Exchange (TPEX, 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 0.5490% to 1.2564%, 0.7325% to 1.3754% and 0.6584% to 1.0995% as of September 30, 2017, December 31, 2016 and September 30, 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 measured at fair value on a recurring basis as of September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

Financial Instruments Measured at Fair Value	September 30, 2017			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 1,279,511	\$ 1,275,813	\$ 3,698	\$ -
Debt instruments	9,830,904	6,358,303	3,472,601	-
Others	36,135,337	1,901,842	34,233,495	-
Available-for-sale financial assets				
Stocks	5,846,601	5,846,601	-	-
Debt instruments	194,947,006	31,811,410	163,135,596	-
Others	4,731,975	4,731,975	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,080,805)	(235,603)	(11,845,202)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,680,619	316,963	1,363,656	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,319,740)	(12,587)	(1,307,153)	-
Financial Instruments Measured at Fair Value	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 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	-
<u>Liabilities</u>				
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
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	\$ 3,753,699	\$ 193,276	\$ 3,560,423	\$ -
<u>Liabilities</u>				
Financial liabilities at FVTPL	(2,601,916)	(4,166)	(2,597,750)	- (Concluded)

Financial Instruments Measured at Fair Value	September 30, 2016			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 1,391,184	\$ 1,389,142	\$ 2,042	\$ -
Debt instruments	8,646,996	7,762,161	884,835	-
Others	39,603,709	88,442	39,515,267	-
Financial assets designated as at FVTPL	20,040	-	20,040	-
Available-for-sale financial assets				
Stocks	5,334,582	4,263,252	1,071,330	-
Debt instruments	160,254,818	37,119,783	123,135,035	-
Others	5,100,149	5,100,149	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,683,712)	(19,406)	(12,664,306)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,634,046	171,033	2,463,013	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(3,738,088)	(8,434)	(3,729,654)	-

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

	September 30, 2017	December 31, 2016	September 30, 2016
Difference between carrying amount and contractual amount at maturity			
Fair value	\$ 11,845,202	\$ 12,336,035	\$ 12,664,306
Amount payable at maturity	<u>12,104,000</u>	<u>12,888,000</u>	<u>12,544,000</u>
	<u>\$ (258,798)</u>	<u>\$ (551,965)</u>	<u>\$ 120,306</u>

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the nine months ended September 30, 2017	\$ (18,323)
For the nine months ended September 30, 2016	<u>\$ (9,687)</u>
Accumulated amount of change	
As of September 30, 2017	<u>\$ 16,175</u>
As of December 31, 2016	<u>\$ 34,498</u>
As of September 30, 2016	<u>\$ (7,519)</u>

The change in fair value attributable to change in credit risk was calculated as the difference between total change in fair value of bank debentures and the change in fair value due to change in market risk factors alone. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding. The fair value of bank debentures was 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's board of directors is the highest decision-making unit of each subsidiary's risk management system and takes the ultimate overall responsibility for risk management. Each subsidiary has also established a risk management committee or independent risk management unit, which is in charge of the execution of risk management procedures.

2) Credit risk

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

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

3) Market risk

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

Taiwan Cooperative Bank Ltd. and subsidiary

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 commitments 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 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 9 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Irrevocable loan commitments issued	\$ 95,717,542	\$ 101,561,712	\$ 104,053,761
Irrevocable credit card commitments	44,354,720	41,895,556	40,257,871
Letters of credit issued yet unused	19,625,387	21,152,739	21,146,228
Other guarantees	84,123,648	78,348,294	78,409,079

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	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 805,538,755	40	\$ 809,134,142	39	\$ 814,904,266	40
Manufacturing	379,278,848	19	327,044,724	16	321,227,796	16

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, call loans to security firms, 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

September 30, 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	\$ 3,004,123	\$ 37,342	\$ 57,801	\$ 3,099,266	\$ 20,471	\$ 16,010	\$ 3,062,785
Others	12,366,318	31,818	433,854	12,831,990	249,943	282,894	12,299,153
Discounts and loans	1,969,507,664	9,019,444	30,624,099	2,009,151,207	5,735,998	18,355,463	1,985,059,746

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

September 30, 2016	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 2,460,903	\$ 42,151	\$ 66,974	\$ 2,570,028	\$ 27,614	\$ 20,997	\$ 2,521,417
Others	10,995,288	34,244	548,854	11,578,386	359,242	279,319	10,939,825
Discounts and loans	1,930,166,162	10,367,177	26,946,283	1,967,479,622	5,676,638	16,074,313	1,945,728,671

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

Items	September 30, 2017	December 31, 2016	September 30, 2016
Loans			
Secured	\$ 1,403,227,739	\$ 1,407,436,657	\$ 1,389,851,294
Unsecured	566,279,925	545,657,947	540,314,868
Total	\$ 1,969,507,664	\$ 1,953,094,604	\$ 1,930,166,162

c) Credit quality analysis of securities

September 30, 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	\$ 145,557,273	\$ -	\$ -	\$ 145,557,273	\$ -	\$ 145,557,273
Equities	4,566,929	-	-	4,566,929	-	4,566,929
Others	237,079	-	-	237,079	-	237,079
Held-to-maturity financial assets						
Debt instruments	105,498,002	-	-	105,498,002	3,333	105,494,669
Others	407,056,418	-	-	407,056,418	-	407,056,418
Other financial assets						
Debt instruments	82,454,225	-	-	82,454,225	-	82,454,225
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	20,125,345	-	-	20,125,345	-	20,125,345

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

September 30, 2016	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+(C)-(D)
Available-for-sale financial assets						
Debt instruments	\$ 108,455,485	\$ -	\$ -	\$ 108,455,485	\$ -	\$ 108,455,485
Equities	4,576,019	-	-	4,576,019	-	4,576,019
Others	330,045	-	-	330,045	-	330,045
Held-to-maturity financial assets						
Debt instruments	68,404,369	-	-	68,404,369	10,956	68,393,413
Others	424,400,526	-	-	424,400,526	-	424,400,526
Other financial assets						
Debt instruments	83,312,625	-	-	83,312,625	-	83,312,625
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	16,915,438	-	-	16,915,438	-	16,915,438

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	September 30, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 29,728	\$ 7,614	\$ 37,342
Others	18,027	13,791	31,818
Loans			
Secured	5,746,772	2,310,006	8,056,778
Unsecured	884,860	77,806	962,666
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	September 30, 2016		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 34,367	\$ 7,784	\$ 42,151
Others	20,143	14,101	34,244
Loans			
Secured	7,098,384	2,096,947	9,195,331
Unsecured	951,111	220,735	1,171,846
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 over-the-counter 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, measurement, monitoring, and reporting. Every units' risk management personnel analyze data on market risk position and evaluate measurement methods, including the statistical basic measurement method, sensitivity analysis, and situational analysis. Monitoring content includes trading processes, collective and individual, of all transaction units and all financial instruments, such as change of position, change of profit and loss, trading pattern, and if trading objects are transacted within the authorized scope and limits.

TCB and its 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 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	September 30, 2017	December 31, 2016	September 30, 2016
Interest rate risk	Interest rate curve increased 100 basis points	\$ (104,788)	\$ (338,493)	\$ (341,606)
	Interest rate curve fell 100 basis points	112,136	363,546	368,773
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(177,872)	(132,789)	(130,634)
	USD/NT\$, EUR/NT\$ fell 3%	177,872	132,789	130,634
	Others (RMB, AUD etc.)/ NT\$ increased 5%	(3,094)	220,149	226,467
	Others (RMB, AUD etc.)/ NT\$ fell 5%	3,094	(220,149)	(226,487)
Equity security price risk	Equity security price increased by 15%	143,492	120,054	83,582
	Equity security price fell by 15%	(138,248)	(120,054)	(83,582)

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 Nine Months Ended September 30			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets -				
due from banks	\$ 30,332,656	2.13	\$ 26,298,824	1.82
Due from the Central Bank	162,862,757	0.36	430,380,931	0.56
Call loans to banks and other financial assets -				
call loans to security firms	73,488,021	1.41	124,774,678	0.93
Held-for-trading financial assets	14,311,292	0.63	18,286,290	0.51
Securities purchased under resell agreements	771,629	0.33	2,106,957	0.34
Discounts and loans	1,958,068,637	2.01	1,966,912,674	2.02
Available-for-sale financial assets	132,892,225	1.95	97,363,433	2.07
Held-to-maturity financial assets	513,709,138	0.72	205,582,027	0.44
Debt instruments with no active market	81,685,899	2.29	82,502,042	2.04
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	223,058,592	0.71	209,778,769	0.53
Financial liabilities designated as at fair value				
through profit or loss	12,168,264	4.49	12,933,175	4.32
Securities sold under repurchase agreements	10,160,309	0.23	12,953,894	0.29
Demand deposits	481,337,429	0.11	486,660,563	0.12
Savings - demand deposits	808,437,907	0.27	761,024,486	0.33
Time deposits	467,950,898	1.13	496,004,079	1.04
Time savings deposits	661,662,656	1.07	679,801,896	1.17
Treasury deposits	82,552,230	0.66	80,707,024	0.72
Negotiable certificates of deposits	3,870,753	0.31	5,823,879	0.31
Structured products	2,885,480	1.35	5,122,613	0.65
Bank debentures	71,657,619	1.34	69,701,241	1.37

b) United Taiwan Bank S.A.

	For the Nine Months Ended September 30			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks	\$ 79,788	0.27	\$ 51,628	0.07
Due from the Central Bank	273,537	-	150,152	0.01
Discounts and loans	7,826,189	2.10	8,984,455	2.14
Debt instruments with no active market	1,562,110	0.80	1,784,455	0.94
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	7,466,442	0.69	8,421,403	0.39
Demand deposits	51,723	-	44,138	-
Time deposits	84,821	1.24	86,338	0.82

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

(In Thousands)

	September 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 10,650,724	30.2600	\$ 322,290,910
RMB	11,192,328	4.5510	50,936,283
AUD	894,859	23.7350	21,239,480
EUR	383,513	35.7500	13,710,585
JPY	38,261,331	0.2693	10,303,777
HKD	1,453,573	3.8730	5,629,687
ZAR	1,636,021	2.2300	3,648,327
GBP	77,877	40.5600	3,158,686
CAD	67,696	24.2800	1,643,670
NZD	32,484	21.8100	708,477
CHF	16,009	31.2450	500,216
SEK	20,472	3.7200	76,157
SGD	1,686	22.3000	37,594
KHR	745,629	0.0074	5,518
THB	4,476	0.9128	4,086
PHP	3,030	0.5946	1,802
<u>Financial liabilities</u>			
USD	11,358,630	30.2600	343,712,138
RMB	10,250,732	4.5510	46,651,081
AUD	745,320	23.7350	17,690,176
JPY	49,948,134	0.2693	13,451,033
ZAR	3,044,063	2.2300	6,788,259
EUR	180,599	35.7500	6,456,428
NZD	141,145	21.8100	3,078,377
HKD	771,910	3.8730	2,989,606
GBP	45,637	40.5600	1,851,017
CAD	62,387	24.2800	1,514,755
CHF	15,925	31.2450	497,564
SGD	10,157	22.3000	226,510
SEK	15,094	3.7200	56,149
THB	14,210	0.9128	12,971
PHP	74	0.5946	44
KHR	2,889	0.0074	21
MYR	-	7.1690	2

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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

September 30, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 9,924,016	31.3600	\$ 311,217,150
RMB	11,295,024	4.6940	53,018,844
AUD	818,079	23.9250	19,572,535
JPY	51,613,715	0.3104	16,020,897
EUR	353,440	35.1800	12,434,030
GBP	123,891	40.6600	5,037,391
HKD	1,157,619	4.0430	4,680,255
ZAR	1,370,887	2.2500	3,084,496
CAD	124,519	23.8500	2,969,768
NZD	18,767	22.7500	426,951
CHF	7,347	32.4550	238,453
SEK	10,265	3.6600	37,571
SGD	841	22.9700	19,309
THB	10,063	0.9088	9,145
KHR	720,738	0.0076	5,478
PHP	2,565	0.6469	1,659
<u>Financial liabilities</u>			
USD	11,249,940	31.3600	352,798,114
RMB	10,564,382	4.6940	49,589,210
AUD	803,498	23.9250	19,223,686
ZAR	3,076,333	2.2500	6,921,749
JPY	21,826,648	0.3104	6,774,991
EUR	170,187	35.1800	5,987,196
HKD	952,204	4.0430	3,849,760
GBP	85,595	40.6600	3,480,284
NZD	78,920	22.7500	1,795,423
CAD	57,931	23.8500	1,381,655
SGD	10,162	22.9700	233,426
CHF	6,833	32.4550	221,762
SEK	17,248	3.6600	63,126
THB	9,121	0.9088	8,289
PHP	51	0.6469	33
KHR	2,888	0.0076	22
MYR	-	7.5680	2

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 identification, measurement, monitoring and control of liquidity risk 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 financial 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's contingency measures for business emergency or sudden liquidity crisis are aimed at quick crisis resolution and resumption of normal operations.

TCB's liquidity reserve ratios were 25.26% in September 2017, 25.51% in December 2016 and 25.63% in September 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.

September 30, 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	\$ 147,485,775	\$ 47,721,562	\$ 6,028,900	\$ 3,279,775	\$ -	\$ 204,516,012
Financial liabilities at fair value through profit or loss	100,724	-	-	-	12,104,000	12,204,724
Securities sold under repurchase agreements	6,423,393	2,209,742	1,652,844	142,206	-	10,428,185
Payables	26,954,461	1,294,794	2,040,167	3,800,514	1,833,154	35,923,090
Deposits and remittances	248,337,275	313,196,013	425,468,603	601,798,989	994,511,408	2,583,312,288
Bank debentures	4,000,000	-	-	14,610,000	50,000,000	68,610,000
Other items of cash outflow on maturity	3,192,284	730,632	12,980	25,960	272,450	4,234,306

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

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 158,617,197	\$ 50,413,596	\$ 7,777,257	\$ 4,558,854	\$ -	\$ 221,366,904
Financial liabilities at fair value through profit or loss	-	-	-	-	12,544,000	12,544,000
Securities sold under repurchase agreements	5,703,989	2,508,783	1,865,553	22,473	-	10,100,798
Payables	32,230,976	1,543,705	1,988,623	3,491,479	1,538,774	40,793,557
Deposits and remittances	246,713,998	322,326,688	418,988,960	579,610,132	982,222,402	2,549,862,180
Bank debentures	-	-	-	8,000,000	66,610,000	74,610,000
Other items of cash outflow on maturity	3,168,928	592,342	28,394	75,162	560,902	4,425,728

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 September 30, 2017, December 31, 2016 and September 30, 2016 must be repaid soon, the capital expenditure will be increased by \$1,357,393,290 thousand, \$1,332,990,997 thousand and \$1,307,037,466 thousand, respectively, within 30 days after 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

September 30, 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	\$ 97	\$ 66	\$ 275	\$ 175	\$ -	\$ 613
Interest	(3,859)	(551)	(4,078)	(6,853)	(6,627)	(21,968)

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)

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 15	\$ 7,496	\$ 5,771	\$ 4,385	\$ -	\$ 17,667
Interest	(2,655)	(87)	(1,404)	(3,580)	(6,555)	(14,281)

b) Derivative financial liabilities to be settled at gross amounts

September 30, 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	\$ 99,247,171	\$ 58,234,912	\$ 19,504,577	\$ 16,191,741	\$ -	\$ 193,178,401
Cash inflow	99,697,311	58,527,319	19,613,742	16,265,472	-	194,103,844
Interest derivatives						
Cash outflow	123,802	403,527	54,235	144,419	19,929,389	20,655,372
Cash inflow	453,775	272,906	-	553,272	28,691,166	29,971,119
Total cash outflow	99,370,973	58,638,439	19,558,812	16,336,160	19,929,389	213,833,773
Total cash inflow	100,151,086	58,800,225	19,613,742	16,818,744	28,691,166	224,074,963
Net cash flow	780,113	161,786	54,930	482,584	8,761,777	10,241,190

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	483,522	113,737	21,502,697	22,175,239
Cash inflow	-	594,624	419,155	-	30,163,544	31,177,323
Total cash outflow	100,614,110	48,724,977	10,696,503	5,661,218	21,509,017	187,205,825
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	(78,278)	(64,835)	8,660,874	10,389,438

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 71,964,616	\$ 74,498,300	\$ 40,684,568	\$ 15,035,560	\$ 50,026	\$ 202,233,070
Cash inflow	72,808,000	75,791,659	41,467,370	15,255,108	50,046	205,372,183
Interest derivatives						
Cash outflow	129,729	1,224	130,447	314,831	-	576,231
Cash inflow	130,144	-	129,729	308,500	-	568,373
Total cash outflow	72,094,345	74,499,524	40,815,015	15,350,391	50,026	202,809,301
Total cash inflow	72,938,144	75,791,659	41,597,099	15,563,608	50,046	205,940,556
Net cash flow	843,799	1,292,135	782,084	213,217	20	3,131,255

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.

September 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,081,920	\$ 2,431,671	\$ 2,618,573	\$ 16,933,714	\$ 71,651,664	\$ 95,717,542
Irrevocable credit card commitments	7,530	128,149	2,657,603	1,570,236	39,991,202	44,354,720
Letters of credit issued yet unused	4,510,753	10,931,893	1,759,937	219,336	2,203,468	19,625,387
Other guarantees	1,878,564	7,958,686	4,844,655	9,348,110	60,093,633	84,123,648

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

September 30, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,027,862	\$ 3,958,723	\$ 8,822,140	\$ 11,992,048	\$ 77,252,988	\$ 104,053,761
Irrevocable credit card commitments	9,060	200,968	796,320	1,879,616	37,371,907	40,257,871
Letters of credit issued yet unused	4,388,999	10,045,482	2,552,667	1,250,117	2,908,963	21,146,228
Other guarantees	2,518,486	7,404,131	5,022,027	8,254,680	55,209,755	78,409,079

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 due to the market price changes. The risk factors causing market price changes include interest rates, exchange rates, stock prices and commodity prices, which may cause a gain or loss on or off the balance sheet.

b) Market risk strategy and procedures

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

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

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

c) Market risk management framework

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

d) Market risk measurement

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were \$439,920 thousand, \$445,220 thousand and \$437,719 thousand as of September 30, 2017, December 31, 2016 and September 30, 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 September 30, 2017, December 31, 2016 and September 30, 2016 the fair values of financial assets would have decreased by \$22,203 thousand, \$20,690 thousand and \$20,264 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 September 30, 2017, December 31, 2016 and September 30, 2016, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$17,838 thousand, \$18,966 thousand and \$18,079 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 nine months ended September 30, 2017 and 2016, the income before income tax would have decreased \$192,745 thousand and \$173,982 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of September 30, 2017, December 31, 2016 and September 30, 2016.

September 30, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 9,809	30.24	\$ 296,564
ZAR	26,823	2.23	59,827
AUD	2,092	23.68	49,545
EUR	463	35.70	16,514
Receivables			
USD	6,867	30.24	207,638
RMB	2,544	4.55	11,566
Available-for-sale financial assets			
USD	379,939	30.24	11,487,459
RMB	70,885	4.55	322,242
Debt investments with no active market			
USD	240,875	30.24	7,282,852
RMB	203,069	4.55	923,152
<u>Financial liabilities</u>			
Guarantee deposits			
USD	-	30.24	-

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 7,099	32.19	\$ 228,515
ZAR	113	2.37	268
AUD	4,112	23.28	95,728
EUR	477	33.88	16,162
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

Financial liabilities

Guarantee deposits			
USD	430	32.19	13,842 (Concluded)

September 30, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 11,297	31.38	\$ 354,514
ZAR	766	2.27	1,729
AUD	1,585	23.91	37,893
EUR	502	35.18	17,676
Receivables			
USD	6,006	31.38	188,482
RMB	2,164	4.70	10,164
Available-for-sale financial assets			
USD	297,805	31.38	9,345,121
RMB	31,050	4.70	145,810
Debt investments with no active market			
USD	241,497	31.38	7,578,171
RMB	240,999	4.70	1,131,729

Financial liabilities

Guarantee deposits			
USD	2,170	31.38	68,095

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

Assuming the Lehman crisis in 2008 reoccurred as of September 30, 2017, December 31, 2016 and September 30, 2016, the losses on financial assets would have been \$1,928,673 thousand, \$1,958,955 thousand and \$1,986,936 thousand, respectively. Also assuming the Japan earthquake on March 11, 2011 reoccurred as of September 30, 2017, December 31, 2016 and September 30, 2016, the loss on financial assets would have been \$115,125 thousand, \$180,906 thousand and \$244,611 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

	September 30, 2017		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 21,210,522	\$ 21,210,522	50
Domestic investment - corporate bonds (twAAA - twAA)	1,425,086	1,433,493	3
Overseas investment - government bonds	17,901	17,901	-
Overseas investment - corporate bonds (Aa2 - A2)	12,533,077	12,669,693	30
Overseas investment - corporate bonds (A3)	3,576,586	3,618,326	9
Overseas investment - corporate bonds (Baa1 - Ba1)	<u>3,520,590</u>	<u>3,581,057</u>	<u>8</u>
	<u>\$ 42,283,762</u>	<u>\$ 42,530,992</u>	<u>100</u>
	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 (Baa1 - Ba1)	<u>3,596,421</u>	<u>3,612,572</u>	<u>9</u>
	<u>\$ 40,890,110</u>	<u>\$ 41,013,764</u>	<u>100</u>
	September 30, 2016		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 23,191,625	\$ 23,191,625	55
Domestic investment - corporate bonds (twAAA - twAA)	600,796	613,586	2
Overseas investment - corporate bonds (Aa2 - A2)	13,252,465	13,569,301	32
Overseas investment - corporate bonds (A3)	1,253,016	1,268,183	3
Overseas investment - corporate bonds (Baa1 - Ba1)	<u>3,508,748</u>	<u>3,598,512</u>	<u>8</u>
	<u>\$ 41,806,650</u>	<u>\$ 42,241,207</u>	<u>100</u>

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

Note 2: The sources of credit ratings are Taiwan Ratings Corp. or 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 reviewed by the Investment Committee monthly.

c) Maturity analysis

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

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

ii. Maturity analysis of derivatives

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

	September 30, 2017			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Cross-currency swap contracts	\$ (6,771)	\$ -	\$ -	\$ -
Currency swap contracts	<u>(50,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (57,476)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	December 31, 2016			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Cross-currency swap contracts	\$ (131,528)	\$ (46,673)	\$ -	\$ -
Currency swap contracts	<u>(129,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (260,665)</u>	<u>\$ (46,673)</u>	<u>\$ -</u>	<u>\$ -</u>

	September 30, 2016			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Cross-currency swap contracts	\$ (93,500)	\$ (30,141)	\$ -	\$ -
Currency swap contracts	<u>227,094</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 133,594</u>	<u>\$ (30,141)</u>	<u>\$ -</u>	<u>\$ -</u>

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 Reserve
	1	2	3	4	5	6	7	8	
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	21,112	21,112	21,112	-
2013	19,586	27,531	27,762	28,666	28,554	28,556	28,556	28,556	2
2014	25,862	28,357	28,976	31,000	31,005	31,007	31,007	31,007	7
2015	35,899	42,080	42,252	44,406	44,413	44,416	44,416	44,416	2,164
2016	26,485	31,129	31,722	32,226	32,232	32,235	32,235	32,235	1,106
2017	51,513	64,050	65,381	67,034	67,047	67,052	67,052	67,052	15,539
							Incurred but not reported		18,818
							Reported but not paid		<u>17,321</u>
							Balance of claim reserve		<u>\$ 36,139</u>

b) Development of retained business

	Development Ages								Claim Reserve
	1	2	3	4	5	6	7	8	
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	19,065	19,065	19,065	-
2013	19,497	26,841	27,071	27,975	27,862	27,865	27,865	27,865	3
2014	25,174	27,659	28,278	30,301	30,306	30,309	30,309	30,309	8
2015	31,538	37,711	37,884	39,162	39,169	39,172	39,172	39,172	1,288
2016	25,930	30,499	31,077	31,556	31,563	31,565	31,565	31,565	1,066
2017	51,450	63,971	65,299	66,950	66,962	66,967	66,967	66,967	15,517
							Incurred but not reported		17,882
							Reported but not paid		<u>17,035</u>
							Balance of claim reserve		<u>\$ 34,917</u>

3) Sensitivity analysis of insurance risk

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

Insurance contracts and investment contracts with a discretionary participation feature.

	September 30, 2017		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 55,544	\$ 46,102
Discount rate	(0.25%)	(55,668)	(46,204)
Mortality rate	10%	(12,745)	(10,579)
Mortality rate	(10%)	12,743	10,576
Withdrawal rate	30%	11,881	9,861
Withdrawal rate	(30%)	(12,016)	(9,973)
Illness rate/loss rate	15%	(8,958)	(7,436)
Expense rate	10%	(47,056)	(39,057)
	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)
	September 30, 2016		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 55,046	\$ 45,688
Discount rate	(0.25%)	(55,168)	(45,789)
Mortality rate	10%	(10,426)	(8,654)
Mortality rate	(10%)	10,424	8,652
Withdrawal rate	30%	7,776	6,454
Withdrawal rate	(30%)	(8,614)	(7,150)
Illness rate/loss rate	15%	(9,081)	(7,537)
Expense rate	10%	(43,577)	(36,168)

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.

BPCTLI 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:

September 30, 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	\$ 22,098,306	\$ 22,147,486	\$ 22,098,306	\$ 22,147,486	\$ (49,180)
Available-for-sale financial assets - securities sold under repurchase agreements	18,084,568	18,491,216	18,084,568	18,491,216	(406,648)
Held-to-maturity financial assets - securities sold under repurchase agreements	1,561,050	1,559,254	1,602,241	1,559,254	42,987

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

September 30, 2016					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 16,510,422	\$ 16,442,400	\$ 16,510,422	\$ 16,442,400	\$ 68,022
Available-for-sale financial assets - securities sold under repurchase agreements	17,724,049	17,752,933	17,724,049	17,752,933	(28,884)
Held-to-maturity financial assets - securities sold under repurchase agreements	201,202	200,155	206,890	200,155	6,735

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.

September 30, 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		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,813,474	\$ -	\$ 1,813,474	\$ (1,461,056)	\$ -	\$ 352,418

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 42,197,956	\$ -	\$ 42,197,956	\$ (41,507,492)	\$ -	\$ 690,464

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		Net Amount
				Financial Instruments	Cash Collateral Received	
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		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 44,139,415	\$ -	\$ 44,139,415	\$ (43,430,840)	\$ -	\$ 708,575

September 30, 2016

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,514,437	\$ -	\$ 1,514,437	\$ (1,514,437)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 34,395,488	\$ -	\$ 34,395,488	\$ (33,985,906)	\$ -	\$ 409,582

43. 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%.

44. 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)	September 30, 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	\$ 41,951,293	21.16
2	Group B Petroleum and coal products manufacturing	20,816,056	10.50
3	Group C Harbor services	18,443,898	9.30
4	Group D Computers and computing peripheral equipment manufacturing	12,433,170	6.27
5	Group E Cotton and textile	10,589,865	5.34
6	Group F Shipping agency	10,473,069	5.28
7	Group G Real estate development	9,740,718	4.91
8	Group H Real estate development	9,735,428	4.91
9	Group I Liquid crystal panel and component manufacturing	9,566,777	4.82
10	Group J Iron and steel smelting	9,517,290	4.80

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2016		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 48,787,525	25.60
2	Group B Petroleum and coal products manufacturing	26,000,137	13.64
3	Group C Harbor services	19,196,397	10.07
4	Group D Computers and computing peripheral equipment manufacturing	12,618,470	6.62
5	Group F Shipping agency	10,721,431	5.63
6	Group K Cotton and textile	9,700,064	5.09
7	Group E Cotton and textile	9,612,049	5.04
8	Group J Iron and steel smelting	8,794,350	4.61
9	Group I Liquid crystal panel and component manufacturing	8,704,366	4.57
10	Group H Real estate development	7,688,757	4.03

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 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	\$ 960,000	19.26
2	Group B Real estate development	663,800	13.32
3	Group C Aluminum refinery manufacturing	650,000	13.04
4	Group D Manmade fiber manufacturing	630,000	12.64
5	Group E Shipping agency	620,000	12.44
6	Group F Wholesale of motor vehicles and motorcycles parts and accessories	600,000	12.04
7	Group G Other financial intermediation not elsewhere classified	590,000	11.84
8	Group H Real estate development	555,000	11.13
9	Group I Pulp manufacturing	550,000	11.03
10	Group J Other retail sale in non-specialized stores	510,000	10.23

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2016		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group E Shipping agency	\$ 700,000	14.15
2	Group C Aluminum refinery manufacturing	640,000	12.94
3	Group G Other financial intermediation not elsewhere classified	635,000	12.84
4	Group K Renting and leasing of motor vehicles	604,000	12.21
5	Group F Wholesale of motor vehicles and motorcycles parts and accessories	600,000	12.13
6	Group D Manmade fiber manufacturing	540,000	10.91
7	Group A Other financial intermediation not elsewhere classified	530,000	10.71
8	Group L Private financing industry	520,000	10.51
9	Group I Pulp manufacturing	490,000	9.90
10	Group M Catering industry	480,000	9.70

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
September 30, 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	\$ 2,196,800,443	\$ 83,822,017	\$ 31,014,482	\$ 239,969,001	\$ 2,551,605,943
Interest rate-sensitive liabilities	887,205,447	1,297,990,672	106,421,203	49,262,689	2,340,880,011
Interest rate sensitivity gap	1,309,594,996	(1,214,168,655)	(75,406,721)	190,706,312	210,725,932
Net worth					182,051,684
Ratio of interest rate-sensitive assets to liabilities					109.00
Ratio of interest rate sensitivity gap to net worth					115.75

**Interest Rate Sensitivity
September 30, 2016**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,246,093,734	\$ 79,113,638	\$ 12,122,942	\$ 201,113,858	\$ 2,538,444,172
Interest rate-sensitive liabilities	871,606,199	1,256,059,851	124,908,579	58,775,000	2,311,349,629
Interest rate sensitivity gap	1,374,487,535	(1,176,946,213)	(112,785,637)	142,338,858	227,094,543
Net worth					180,620,337
Ratio of interest rate-sensitive assets to liabilities					109.83
Ratio of interest rate sensitivity gap to net worth					125.73

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
September 30, 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	\$ 11,556,284	\$ 1,021,472	\$ 350,294	\$ 1,171,395	\$ 14,099,445
Interest rate-sensitive liabilities	13,280,640	1,281,350	753,403	5,000	15,320,393
Interest rate sensitivity gap	(1,724,356)	(259,878)	(403,109)	1,166,395	(1,220,948)
Net worth					536,711
Ratio of interest rate-sensitive assets to liabilities					92.03
Ratio of interest rate sensitivity gap to net worth					(227.49)

**Interest Rate Sensitivity
September 30, 2016**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,133,437	\$ 1,166,902	\$ 475,447	\$ 743,789	\$ 12,519,575
Interest rate-sensitive liabilities	12,533,816	1,229,375	602,901	15,000	14,381,092
Interest rate sensitivity gap	(2,400,379)	(62,473)	(127,454)	728,789	(1,861,517)
Net worth					317,050
Ratio of interest rate-sensitive assets to liabilities					87.06
Ratio of interest rate sensitivity gap to net worth					(587.14)

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
September 30, 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	\$ 314,746	\$ 69,065	\$ -	\$ -	\$ 383,811
Interest rate-sensitive liabilities	305,334	816	1,033	-	307,183
Interest rate sensitivity gap	9,412	68,249	(1,033)	-	76,628
Net worth					71,456
Ratio of interest rate-sensitive assets to liabilities					124.95
Ratio of interest rate sensitivity gap to net worth					107.24

**Interest Rate Sensitivity
September 30, 2016**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 283,086	\$ 90,266	\$ -	\$ -	\$ 373,352
Interest rate-sensitive liabilities	220,038	55,439	27,864	-	303,341
Interest rate sensitivity gap	63,048	34,827	(27,864)	-	70,011
Net worth					63,464
Ratio of interest rate-sensitive assets to liabilities					123.08
Ratio of interest rate sensitivity gap to net worth					110.32

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		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	0.55	0.50
	After income tax	0.48	0.44
Return on equity	Before income tax	9.19	8.48
	After income tax	8.00	7.43
Net income ratio		34.76	33.73

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	7.27	6.81
	After income tax	7.28	6.81
Return on equity	Before income tax	7.92	7.36
	After income tax	7.93	7.36
Net income ratio		98.73	98.74

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	0.52	0.47
	After income tax	0.45	0.41
Return on equity	Before income tax	8.39	7.84
	After income tax	7.22	6.80
Net income ratio		33.70	30.54

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	1.23	1.33
	After income tax	1.22	1.30
Return on equity	Before income tax	10.57	11.34
	After income tax	10.45	11.11
Net income ratio		111.06	86.61

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	1.83	1.69
	After income tax	1.64	1.55
Return on equity	Before income tax	8.27	5.26
	After income tax	7.40	4.82
Net income ratio		34.16	29.41

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

(%)

Items		September 30, 2017	September 30, 2016
Return on total assets	Before income tax	0.63	0.63
	After income tax	0.64	0.61
Return on equity	Before income tax	11.52	11.12
	After income tax	11.81	10.69
Net income ratio		58.64	54.64

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for each period-end date.

Note 5: The above profitability ratios are calculated on the basis of annualized figures.

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
September 30, 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	\$ 2,925,266,644	\$ 271,166,256	\$ 416,450,715	\$ 202,670,402	\$ 166,761,946	\$ 358,133,863	\$ 1,510,083,462
Main capital outflow on maturity	3,418,320,977	200,890,610	181,510,994	409,421,548	452,029,162	655,946,771	1,518,521,892
Gap	(493,054,333)	70,275,646	234,939,721	(206,751,146)	(285,267,216)	(297,812,908)	(8,438,430)

Maturity Analysis of Assets and Liabilities
September 30, 2016

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 2,884,365,950	\$ 353,601,778	\$ 435,630,019	\$ 159,359,767	\$ 156,391,046	\$ 308,463,954	\$ 1,470,919,386
Main capital outflow on maturity	3,402,795,969	204,620,471	181,472,035	402,923,631	464,040,334	651,756,523	1,497,982,975
Gap	(518,430,019)	148,981,307	254,157,984	(243,563,864)	(307,649,288)	(343,292,569)	(27,063,589)

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

**Maturity Analysis of Assets and Liabilities
September 30, 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	\$ 22,580,494	\$ 8,174,946	\$ 4,602,774	\$ 2,444,242	\$ 1,322,270	\$ 6,036,262
Main capital outflow on maturity	26,904,085	11,832,970	4,976,043	3,225,973	3,692,293	3,176,806
Gap	(4,323,591)	(3,658,024)	(373,269)	(781,731)	(2,370,023)	2,859,456

**Maturity Analysis of Assets and Liabilities
September 30, 2016**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 20,616,407	\$ 7,439,277	\$ 3,686,307	\$ 2,475,524	\$ 1,388,179	\$ 5,627,120
Main capital outflow on maturity	24,995,115	11,129,165	4,330,513	2,956,888	3,617,603	2,960,946
Gap	(4,378,708)	(3,689,888)	(644,206)	(481,364)	(2,229,424)	2,666,174

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
September 30, 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	\$ 383,811	\$ 51,928	\$ -	\$ -	\$ 22,743	\$ 309,140
Main capital outflow on maturity	312,355	100,010	205,324	816	1,033	5,172
Gap	71,456	(48,082)	(205,324)	(816)	21,710	303,968

**Maturity Analysis of Assets and Liabilities
September 30, 2016**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 373,352	\$ 68,362	\$ 16,307	\$ 1,500	\$ 30,115	\$ 257,068
Main capital outflow on maturity	309,888	105,535	114,503	55,439	27,920	6,491
Gap	63,464	(37,173)	(98,196)	(53,939)	2,195	250,577

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.

September 30, 2017

(In Thousands of New Taiwan Dollars)

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	\$ 10,053,634	\$ 12,851,013	\$ 769,739	\$ -	\$ -
	Bonds	-	-	900,000	100,000	13,038,950
	Cash in bank	4,724,045	-	-	70,200	-
	Total	14,777,679	12,851,013	1,669,739	170,200	13,038,950
Source of funds	Borrowings	16,860,000	-	-	-	-
	Securities sold under repurchase agreements	21,439,950	534,697	100,092	-	-
	Total	38,299,950	534,697	100,092	-	-
Net flows		(23,522,271)	12,316,316	1,569,647	170,200	13,038,950
Accumulated capital net flows		(23,522,271)	(11,205,955)	(9,636,308)	(9,466,108)	3,572,842

September 30, 2016

(In Thousands of New Taiwan Dollars)

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	\$ 7,894,698	\$ 10,946,441	\$ 535,538	\$ -	\$ -
	Bonds	500,000	487,720	1,196,930	1,040,790	13,600,000
	Cash in bank	4,680,532	120,000	200	-	-
	Convertible bond asset swap	-	-	20,040	-	-
	Total	13,075,230	11,554,161	1,752,708	1,040,790	13,600,000
Source of funds	Borrowings	13,520,000	-	-	-	-
	Securities sold under repurchase agreements	11,243,146	10,644,771	559,175	-	-
	Total	24,763,146	10,644,771	559,175	-	-
Net flows		(11,687,916)	909,390	1,193,533	1,040,790	13,600,000
Accumulated capital net flows		(11,687,916)	(10,778,526)	(9,584,993)	(8,544,203)	5,055,797

45. 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	September 30,	December 31,	September 30,	Trust Liabilities	September 30,	December 31,	September 30,
	2017	2016	2016		2017	2016	2016
Cash in banks	\$ 4,132,245	\$ 2,403,263	\$ 2,532,338	Payables			
Short-term investments				Accrued expense	\$ 2,653	\$ 4,250	\$ 3,748
Mutual funds	157,096,384	153,234,175	155,148,101	Others	2,263	2,477	2,372
Stocks	1,420,982	1,735,287	2,032,316	Mutual funds	-	200	-
Debt instruments	2,691,102	1,364,377	1,193,431		4,916	6,927	6,120
Structured products	241,024	300,778	292,145	Accounts payable on securities under custody			
	161,449,492	156,634,617	158,665,993		101,445,673	75,487,067	74,973,732
Securities lending	314,095	833,745	650,302	Trust capital			
Receivables	7,436	8,844	8,672	Cash	163,107,451	157,272,789	159,136,239
Real estate				Real estate	66,890,002	55,568,875	49,328,656
Land	52,882,940	46,493,613	41,925,607	Securities	1,654,091	2,432,186	2,420,759
Buildings	12,110	12,192	23,816	Others	178,474	275,144	358,494
Construction in process	13,069,128	9,255,459	7,631,876		231,830,018	215,548,994	211,244,148
	65,964,178	55,761,264	49,581,299	Reserves and retained earnings			
Securities under custody	101,445,673	75,487,067	74,973,732	Cash	46,241	140,587	236,147
				Net income	(198,270)	(161,502)	(156,687)
				Appropriation	184,541	106,727	108,876
				Retained earnings	32,512	85,812	188,336
Total	\$ 333,313,119	\$ 291,128,800	\$ 286,412,336	Total	\$ 333,313,119	\$ 291,128,800	\$ 286,412,336

Trust Property List

Investment Items	September 30, 2017	December 31, 2016	September 30, 2016
Cash in banks	\$ 4,132,245	\$ 2,403,263	\$ 2,532,338
Short-term investments			
Mutual funds	157,096,384	153,234,175	155,148,101
Stocks	1,420,982	1,735,287	2,032,316
Debt instruments	2,691,102	1,364,377	1,193,431
Structured products	241,024	300,778	292,145
Securities lending	314,095	833,745	650,302
Receivables			
Accrued interest	4,645	3,353	2,870
Cash dividend	1,274	-	2,365
Receivable on the sale of securities	50	200	-
Others	1,467	5,291	3,437
Real estate			
Land	52,882,940	46,493,613	41,925,607
Buildings	12,110	12,192	23,816
Construction in process	13,069,128	9,255,459	7,631,876
Securities under custody	<u>101,445,673</u>	<u>75,487,067</u>	<u>74,973,732</u>
 Total	 <u>\$ 333,313,119</u>	 <u>\$ 291,128,800</u>	 <u>\$ 286,412,336</u>

Statements of Income on Trust Accounts For the Nine Months Ended September 30, 2017 and 2016

	2017	2016
Revenues		
Interest revenue	\$ 4,973	\$ 3,692
Cash dividends	55,734	68,877
Realized gain on investment - stocks	9,714	14,081
Unrealized gain on investment - stocks	145,966	319,098
Realized gain on investment - mutual funds	262	53
Unrealized gain on investment - mutual funds	-	979
Rentals	13,143	22,394
Others	<u>760</u>	<u>833</u>
Total revenues	<u>230,552</u>	<u>430,007</u>
Expenses		
Management fees	5,163	6,690
Taxes	1	49
Service charge	416	607
Postage	27	24
Unrealized loss on investment - stocks	177,127	180,136
Realized loss on investment - mutual funds	427	-
Unrealized loss on investment - mutual funds	-	4,633
Others	<u>1,150</u>	<u>1,721</u>
Total expenses	<u>184,311</u>	<u>193,860</u>
Income before income tax	46,241	236,147
Income tax expense	<u>-</u>	<u>-</u>
 Net income	 <u>\$ 46,241</u>	 <u>\$ 236,147</u>

b. Nature of trust business operations under the Trust Law: Note 1.

46. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, Taiwan Cooperative Bank, Ltd. (TCB) and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together; thus, related revenues received by TCB were calculated as follows: (a) revenue based on 20% of the net revenue derived from security transactions for five years; (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

To promote the credit card business together, TCB and TCS signed cooperation arrangements marketing expenses paid by TCB were based on the arrangements.

As of September 30, 2017, December 31, 2016 and September 30, 2016, TCB's accrued receivables were \$3,394 thousand, \$2,245 thousand and \$2,580 thousand, respectively. TCB's revenues from cross-selling transactions were \$5,992 thousand and \$5,331 thousand for the nine months ended September 30, 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 September 30, 2017, December 31, 2016 and September 30, 2016, TCB's accrued receivables were \$2,577 thousand, \$2,419 thousand and \$2,218 thousand, respectively. TCB's revenues from cross-selling transactions were \$27,593 thousand and \$21,379 thousand for the nine months ended September 30, 2017 and 2016, respectively.

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

Table 3 (attached).

48. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

49. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by stockholders' meetings are \$274,604 thousand, \$244,503 thousand and \$252,959 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

50. OTHER SIGNIFICANT TRANSACTIONS

Taiwan Cooperative Bank, Ltd.'s (TCB) application to set up the Changsha Branch in Mainland China was approved by the Financial Supervisory Commission on December 31, 2015. TCB 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.

51. 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; investee company - none or not applicable.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company - Table 6 (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 - Table 7 (attached).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 7) Financial asset securitization by subsidiaries: None.
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: Table 8 (attached).
- 9) Sale of nonperforming loans by subsidiaries: Table 9 (attached).
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 10 (attached).
- 11) Percentage share in investees and related information: Not applicable.
- 12) Derivative transactions: Notes 8, 39 and 42 to the consolidated financial statements.
- 13) Other significant transactions which may affect the decisions of users of financial reports: Note 50 to the consolidated financial statements.

c. Investment in Mainland China:

Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, 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 11 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 12 (attached).

52. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on business and profit or loss. The Company's reportable segments are as follows:

- a. TCB business, including deposit, 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 nine months ended September 30, 2017 and 2016 are as follows:

	For the Nine Months Ended September 30, 2017				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 24,052,374	\$ 1,561,860	\$ 25,614,234	\$ -	\$ 25,614,234
Net revenues and gains other than interest	<u>7,160,927</u>	<u>14,021,994</u>	<u>21,182,921</u>	<u>(12,138,263)</u>	<u>9,044,658</u>
Net revenues	31,213,301	15,583,854	46,797,155	(12,138,263)	34,658,892
Bad-debt expenses and provision for losses on guarantees	(2,520,830)	73,664	(2,447,166)	-	(2,447,166)
Net change in reserves for insurance liabilities	-	(367,043)	(367,043)	-	(367,043)
Operating expenses	<u>(16,461,356)</u>	<u>(1,672,079)</u>	<u>(18,133,435)</u>	<u>128,077</u>	<u>(18,005,358)</u>
Income before income tax	<u>\$ 12,231,115</u>	<u>\$ 13,618,396</u>	<u>\$ 25,849,511</u>	<u>\$ (12,010,186)</u>	<u>\$ 13,839,325</u>
	For the Nine Months Ended September 30, 2016				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 23,503,474	\$ 1,529,627	\$ 25,033,101	\$ -	\$ 25,033,101
Net revenues and gains other than interest	<u>7,673,886</u>	<u>10,392,012</u>	<u>18,065,898</u>	<u>(10,915,355)</u>	<u>7,150,543</u>
Net revenues	31,177,360	11,921,639	43,098,999	(10,915,355)	32,183,644
Bad-debt expenses and provision for losses on guarantees	(3,669,116)	(163,074)	(3,832,190)	-	(3,832,190)
Net change in reserves for insurance liabilities	-	1,969,061	1,969,061	-	1,969,061
Operating expenses	<u>(16,539,222)</u>	<u>(1,516,982)</u>	<u>(18,056,204)</u>	<u>133,184</u>	<u>(17,923,020)</u>
Income before income tax	<u>\$ 10,969,022</u>	<u>\$ 12,210,644</u>	<u>\$ 23,179,666</u>	<u>\$ (10,782,171)</u>	<u>\$ 12,397,495</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES

SEPTEMBER 30, 2017, DECEMBER 31, 2016 AND SEPTEMBER 30, 2016

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				September 30, 2017	December 31, 2016	September 30, 2016	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	Note
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life Insurance	51.00	51.00	51.00	
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	Note

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				September 30, 2017	December 31, 2016	September 30, 2016	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the nine months ended September 30, 2017 and 2016 are not reviewed.

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
 SEPTEMBER 30, 2017 AND 2016
 (In Thousands of New Taiwan Dollars, %)

Period		September 30, 2017					September 30, 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	\$ 3,973,306	\$ 684,087,427	0.58	\$ 7,692,686	193.61	\$ 2,867,005	\$ 657,833,998	0.44	\$ 6,048,870	210.98	
	Unsecured	1,362,051	545,863,390	0.25	6,341,089	465.55	2,431,783	519,309,783	0.47	7,009,865	288.26	
Consumer banking	Housing mortgage (Note 4)	1,231,660	491,289,424	0.25	7,446,364	604.58	1,022,315	509,085,761	0.20	6,205,581	607.01	
	Cash card	-	-	-	-	-	-	-	-	-	-	
	Small-scale credit loans (Note 5)	48,497	12,954,445	0.37	88,161	181.79	49,029	13,419,981	0.37	224,003	456.88	
	Other (Note 6)	Secured	909,430	258,133,708	0.35	2,266,721	249.25	604,452	251,197,986	0.24	1,924,932	318.46
		Unsecured	39,381	8,296,842	0.47	99,827	253.49	22,577	8,152,386	0.28	131,347	581.77
Loan		7,564,325	2,000,625,236	0.38	23,934,848	316.42	6,997,161	1,958,999,895	0.36	21,544,598	307.90	
		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)	
		8,440	3,108,936	0.27	52,508	622.13	7,668	2,576,964	0.30	63,264	825.04	
	Accounts receivable factored without recourse (Note 7)	-	470,593	-	5,310	-	-	499,354	-	5,693	-	
	Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			1,732					2,469			
	Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			9,873					13,982			
	Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			15,942					20,066			
	Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			47,772					54,077			

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Cash and cash equivalents	\$ 56,833	\$ 33,611	\$ 62,637	<u>Liabilities</u>			
Receivables	151	161	162	Commercial paper issued, net	\$ 17,961,670	\$ 13,520,863	\$ 13,515,683
Current tax assets	2,011,246	1,049,081	1,250,772	Payables	181,407	165,623	143,160
Investments accounted for using equity method	217,009,686	208,347,429	209,034,926	Current tax liabilities	2,053,908	1,066,367	1,287,817
Properties and equipment, net	788	1,864	3,320	Other financial liabilities	236	196	196
Intangible assets	361	2,138	2,970	Other liabilities	6,472	7,161	6,533
Deferred tax assets	223	191	193	Total liabilities	<u>20,203,693</u>	<u>14,760,210</u>	<u>14,953,389</u>
Other assets	<u>3,624</u>	<u>3,733</u>	<u>3,751</u>	<u>Equity</u>			
				Capital stock	122,027,036	118,472,850	118,472,850
				Capital surplus	57,964,343	57,964,343	57,964,343
				Retained earnings	18,127,199	18,864,961	15,695,269
				Other equity	760,641	(624,156)	3,272,880
				Total equity	<u>198,879,219</u>	<u>194,677,998</u>	<u>195,405,342</u>
Total	<u>\$ 219,082,912</u>	<u>\$ 209,438,208</u>	<u>\$ 210,358,731</u>	Total	<u>\$ 219,082,912</u>	<u>\$ 209,438,208</u>	<u>\$ 210,358,731</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,560,053	\$ 3,907,740	\$ 11,895,091	\$ 10,723,244
Other revenues and gains	<u>847</u>	<u>874</u>	<u>2,569</u>	<u>2,033</u>
Total revenues and gains	<u>4,560,900</u>	<u>3,908,614</u>	<u>11,897,660</u>	<u>10,725,277</u>
Expenses and losses				
Operating expenses	68,874	49,164	164,050	138,226
Other expenses and losses	<u>12,250</u>	<u>10,192</u>	<u>44,975</u>	<u>42,290</u>
Total expenses and losses	<u>81,124</u>	<u>59,356</u>	<u>209,025</u>	<u>180,516</u>
Income before income tax	4,479,776	3,849,258	11,688,635	10,544,761
Income tax benefit	<u>-</u>	<u>-</u>	<u>13,252</u>	<u>4,004</u>
Net income	4,479,776	3,849,258	11,701,887	10,548,765
Other comprehensive income (loss)	<u>(83,030)</u>	<u>357,049</u>	<u>1,384,797</u>	<u>1,583,815</u>
Total comprehensive income	<u>\$ 4,396,746</u>	<u>\$ 4,206,307</u>	<u>\$ 13,086,684</u>	<u>\$ 12,132,580</u>
Earnings per share (New Taiwan dollars)				
Basic	<u>\$0.37</u>	<u>\$0.32</u>	<u>\$0.96</u>	<u>\$0.86</u>
Diluted	<u>\$0.37</u>	<u>\$0.32</u>	<u>\$0.96</u>	<u>\$0.86</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings				Other Equity			Total 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	
	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)	
Appropriation of the 2016 earnings										
Legal reserve	-	-	-	1,376,480	-	(1,376,480)	-	-	-	-
Cash dividends	-	-	-	-	-	(8,885,463)	-	-	-	(8,885,463)
Stock dividends	355,419	3,554,186	-	-	-	(3,554,186)	-	-	-	-
Total comprehensive income										
Net income for the nine months ended September 30, 2017	-	-	-	-	-	11,701,887	-	-	-	11,701,887
Other comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	-	(462,721)	1,865,841	(18,323)	1,384,797
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	11,701,887	(462,721)	1,865,841	(18,323)	13,086,684
BALANCE, SEPTEMBER 30, 2017	<u>12,202,704</u>	<u>\$ 122,027,036</u>	<u>\$ 57,964,343</u>	<u>\$ 5,019,668</u>	<u>\$ 996,026</u>	<u>\$ 12,111,505</u>	<u>\$ (472,006)</u>	<u>\$ 1,216,472</u>	<u>\$ 16,175</u>	<u>\$ 198,879,219</u>
BALANCE, JANUARY 1, 2016	11,072,229	\$ 110,722,290	\$ 57,964,343	\$ 2,356,575	\$ 996,026	\$ 12,866,132	\$ 300,415	\$ 1,386,482	\$ 2,168	\$ 186,594,431
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	1,286,613	-	(1,286,613)	-	-	-	-
Cash dividends	-	-	-	-	-	(3,321,669)	-	-	-	(3,321,669)
Stock dividends	775,056	7,750,560	-	-	-	(7,750,560)	-	-	-	-
Total comprehensive income										
Net income for the nine months ended September 30, 2016	-	-	-	-	-	10,548,765	-	-	-	10,548,765
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	-	(456,398)	2,049,900	(9,687)	1,583,815
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	10,548,765	(456,398)	2,049,900	(9,687)	12,132,580
BALANCE, SEPTEMBER 30, 2016	<u>11,847,285</u>	<u>\$ 118,472,850</u>	<u>\$ 57,964,343</u>	<u>\$ 3,643,188</u>	<u>\$ 996,026</u>	<u>\$ 11,056,055</u>	<u>\$ (155,983)</u>	<u>\$ 3,436,382</u>	<u>\$ (7,519)</u>	<u>\$ 195,405,342</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended	
	September 30	
	2017	2016
Cash flows from operating activities		
Income before income tax	\$ 11,688,635	\$ 10,544,761
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(11,895,091)	(10,723,244)
Depreciation and amortization expenses	2,925	7,449
Interest expense	44,975	42,290
Interest revenue	(27)	(41)
Net changes in operating assets and liabilities		
Decrease in receivables	10	13
Decrease in other assets	109	4
Increase (decrease) in payables	15,784	(12,157)
Increase (decrease) in other liabilities	(689)	1,078
Cash used in operations	(143,369)	(139,847)
Interest received	27	41
Dividends received	9,617,679	9,040,903
Interest paid	(44,168)	(40,292)
Income tax refund	38,596	51,053
Net cash generated by operating activities	<u>9,468,765</u>	<u>8,911,858</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(5,000,048)	(5,300,505)
Acquisition of properties and equipment	(72)	(22)
Increase in refundable deposits	-	(253)
Net cash used in investing activities	<u>(5,000,120)</u>	<u>(5,300,780)</u>
Cash flows from financing activities		
Increase in commercial paper issued	4,440,000	-
Decrease in commercial paper issued	-	(260,000)
Increase in other financial liabilities	40	119
Decrease in other financial liabilities	-	(208)
Dividends paid	(8,885,463)	(3,321,669)
Net cash used in financing activities	<u>(4,445,423)</u>	<u>(3,581,758)</u>
Net increase in cash and cash equivalents	23,222	29,320
Cash and cash equivalents, beginning of the period	<u>33,611</u>	<u>33,317</u>
Cash and cash equivalents, end of the period	<u>\$ 56,833</u>	<u>\$ 62,637</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Cash and cash equivalents	\$ 41,247,947	\$ 54,064,826	\$ 47,088,104	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	264,786,124	302,017,438	329,125,662	Due to the Central Bank and other banks	\$ 203,436,048	\$ 225,668,911	\$ 220,252,146
Financial assets at fair value through profit or loss	14,113,681	27,866,137	27,874,257	Financial liabilities at fair value through profit or loss	13,118,995	14,631,011	16,320,833
Securities purchased under resell agreements	453,326	-	5,897,830	Securities sold under repurchase agreements	10,428,185	12,000,831	10,100,798
Receivables, net	15,333,025	14,808,694	13,434,035	Payables	36,410,168	44,120,225	41,197,741
Current tax assets	1,332,344	1,187,408	1,021,742	Current tax liabilities	1,127,313	328,375	458,148
Discounts and loans, net	1,976,293,786	1,958,508,412	1,936,973,596	Deposits and remittances	2,583,166,487	2,564,157,192	2,549,732,853
Available-for-sale financial assets, net	150,361,281	123,640,946	113,361,549	Bank debentures	68,610,000	74,610,000	74,610,000
Held-to-maturity financial assets	512,551,087	510,048,964	492,793,939	Other financial liabilities	4,234,306	2,614,125	4,425,728
Investments accounted for using equity method	2,068,988	1,882,267	1,922,294	Provisions	7,424,004	7,171,678	7,006,272
Other financial assets, net	105,418,357	99,887,733	102,595,392	Deferred tax liabilities	3,034,249	3,261,164	2,988,960
Properties and equipment, net	37,995,141	37,962,847	38,341,757	Other liabilities	1,149,327	1,170,965	1,200,141
Investment properties, net	2,967,148	2,886,363	2,690,547	Total liabilities	<u>2,932,139,082</u>	<u>2,949,734,477</u>	<u>2,928,293,620</u>
Intangible assets	3,492,137	3,545,312	3,576,845	<u>Equity</u>			
Deferred tax assets	1,139,407	954,971	1,275,767	Capital stock	88,081,300	85,863,000	85,863,000
Other assets	<u>877,862</u>	<u>711,131</u>	<u>883,329</u>	Capital surplus	58,767,245	55,985,497	55,985,497
				Retained earnings	50,954,256	49,140,179	46,185,497
				Other equity	489,758	(749,704)	2,529,031
				Total equity	<u>198,292,559</u>	<u>190,238,972</u>	<u>190,563,025</u>
Total	<u>\$ 3,130,431,641</u>	<u>\$ 3,139,973,449</u>	<u>\$ 3,118,856,645</u>	Total	<u>\$ 3,130,431,641</u>	<u>\$ 3,139,973,449</u>	<u>\$ 3,118,856,645</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Cash and cash equivalents	\$ 4,154,165	\$ 4,179,619	\$ 4,560,652	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	23,670,531	20,606,902	19,376,406	Call loans from banks	\$ 16,860,000	\$ 10,900,000	\$ 13,520,000
Available-for-sale financial assets	11,823,943	12,217,608	14,393,932	Securities sold under repurchase agreements	22,069,513	24,009,038	22,442,468
Receivables, net	1,622,190	168,636	153,200	Payables	66,991	68,356	53,781
Current tax assets	72,373	79,755	68,042	Provisions	612,823	745,822	786,742
Held-to-maturity financial assets	2,402,053	2,586,245	2,777,082	Other liabilities	36,564	31,385	56,927
Other financial assets	649,477	649,477	249,477	Total liabilities	<u>39,645,891</u>	<u>35,754,601</u>	<u>36,859,918</u>
Properties and equipment, net	12,548	12,849	12,973	<u>Equity</u>			
Intangible assets	7,516	7,761	2,762	Capital stock	3,547,270	3,547,270	3,547,270
Other assets, net	<u>215,430</u>	<u>211,363</u>	<u>212,773</u>	Capital surplus	3,240	3,240	3,240
				Retained earnings	1,416,395	1,391,660	1,280,506
				Other equity	17,430	23,444	116,365
				Total equity	<u>4,984,335</u>	<u>4,965,614</u>	<u>4,947,381</u>
Total	<u>\$ 44,630,226</u>	<u>\$ 40,720,215</u>	<u>\$ 41,807,299</u>	Total	<u>\$ 44,630,226</u>	<u>\$ 40,720,215</u>	<u>\$ 41,807,299</u>

Taiwan Cooperative Securities Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	\$ 27,507,557	\$ 19,509,596	\$ 19,028,560	<u>Liabilities</u>			
Available-for-sale financial assets - non-current	31,822	31,809	42,898	Current liabilities	\$ 22,643,985	\$ 14,865,117	\$ 14,250,460
Financial assets carried at cost - non-current	16,845	99	-	Deferred tax liabilities	126	1,506	2,940
Properties and equipment, net	58,126	74,728	70,671	Other liabilities	4,081	7,137	7,839
Intangible assets	49,152	48,577	41,096	Total liabilities	<u>22,648,192</u>	<u>14,873,760</u>	<u>14,261,239</u>
Deferred tax assets	7,460	10,055	10,604	<u>Equity</u>			
Other non-current assets	<u>418,360</u>	<u>416,716</u>	<u>415,209</u>	Capital stock	4,724,200	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	427,967	227,794	238,172
				Other equity	(5,477)	(28,614)	90,987
				Total equity	<u>5,441,130</u>	<u>5,217,820</u>	<u>5,347,799</u>
Total	<u>\$ 28,089,322</u>	<u>\$ 20,091,580</u>	<u>\$ 19,609,038</u>	Total	<u>\$ 28,089,322</u>	<u>\$ 20,091,580</u>	<u>\$ 19,609,038</u>

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	\$ 26,670	\$ 41,122	\$ 27,654	<u>Liabilities</u>			
Accounts receivable, net	2,290,197	2,309,329	1,831,407	Current liabilities	\$ 2,361,733	\$ 1,825,267	\$ 1,638,174
Investments accounted for using the equity method	889,023	878,249	877,215	Deferred tax liabilities	9,390	9,122	12,677
Properties and equipment, net	3,983	4,598	4,435	Other liabilities	<u>25,940</u>	<u>25,570</u>	<u>25,017</u>
Investment properties, net	1,976,407	1,520,427	1,488,692	Total liabilities	<u>2,397,063</u>	<u>1,859,959</u>	<u>1,675,868</u>
Intangible assets	2,893	2,431	1,692	<u>Equity</u>			
Deferred tax assets	113,902	111,598	87,720	Capital stock	2,825,280	2,825,280	2,825,280
Long-term lease payment receivable	191,386	115,015	407,175	Capital surplus	2,553	2,553	2,553
Other assets	<u>259,451</u>	<u>264,869</u>	<u>264,870</u>	Retained earnings	586,070	605,655	521,300
				Other equity	<u>(57,054)</u>	<u>(45,809)</u>	<u>(34,141)</u>
				Total equity	<u>3,356,849</u>	<u>3,387,679</u>	<u>3,314,992</u>
Total	<u>\$ 5,753,912</u>	<u>\$ 5,247,638</u>	<u>\$ 4,990,860</u>	Total	<u>\$ 5,753,912</u>	<u>\$ 5,247,638</u>	<u>\$ 4,990,860</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)**

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Cash and cash equivalents	\$ 2,450,818	\$ 3,751,573	\$ 3,114,491	<u>Liabilities</u>			
Receivables	1,030,446	1,029,934	983,551	Payables	\$ 412,459	\$ 607,847	\$ 380,678
Current tax assets	33,745	165,145	139,348	Current tax liabilities	87,771	-	-
Investments	46,886,246	45,579,644	46,536,708	Financial liabilities at fair value through profit or loss	80,124	314,356	116,187
Reinsurance assets	18,229	8,034	14,606	Insurance liabilities	30,988,640	30,758,631	30,844,876
Equipment, net	66,844	75,490	68,728	Reserve for insurance contracts with financial instrument features	11,301,111	11,511,953	11,575,753
Deferred tax assets	101,590	8,845	-	Reserve of foreign exchange variation	144,561	145,987	147,485
Other assets	1,027,362	974,948	1,011,816	Deferred tax liabilities	29,057	41,910	64,249
Separate-account assets	<u>93,881,027</u>	<u>87,468,591</u>	<u>84,891,914</u>	Other liabilities	442,710	850,195	735,639
				Separate-account liabilities	<u>93,881,027</u>	<u>87,468,591</u>	<u>84,891,914</u>
				Total liabilities	<u>137,367,460</u>	<u>131,699,470</u>	<u>128,756,781</u>
				<u>Equity</u>			
				Capital stock	6,399,532	6,000,000	6,000,000
				Capital surplus	9,310	9,310	9,310
				Retained earnings	1,042,802	1,020,438	889,344
				Other equity	<u>677,203</u>	<u>332,986</u>	<u>1,105,727</u>
				Total equity	<u>8,128,847</u>	<u>7,362,734</u>	<u>8,004,381</u>
Total	<u>\$ 145,496,307</u>	<u>\$ 139,062,204</u>	<u>\$ 136,761,162</u>	Total	<u>\$ 145,496,307</u>	<u>\$ 139,062,204</u>	<u>\$ 136,761,162</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)**

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	\$ 375,273	\$ 355,498	\$ 345,340	<u>Liabilities</u>			
Financial assets carried at cost - non-current	2,274	3,000	3,000	Current liabilities	\$ 32,295	\$ 29,278	\$ 26,697
Properties and equipment, net	1,487	348	385	Non-current liabilities	<u>2,431</u>	<u>3,835</u>	<u>3,626</u>
Intangible assets	2,429	3,020	3,227	Total liabilities	<u>34,726</u>	<u>33,113</u>	<u>30,323</u>
Prepayments for equipment	200	-	-	<u>Equity</u>			
Other assets	<u>26,263</u>	<u>26,263</u>	<u>26,263</u>	Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Accumulated deficit	<u>(2,660)</u>	<u>(20,844)</u>	<u>(27,968)</u>
				Total equity	<u>373,200</u>	<u>355,016</u>	<u>347,892</u>
Total	<u>\$ 407,926</u>	<u>\$ 388,129</u>	<u>\$ 378,215</u>	Total	<u>\$ 407,926</u>	<u>\$ 388,129</u>	<u>\$ 378,215</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2017	December 31, 2016	September 30, 2016	Liabilities and Equity	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	\$ 840,462	\$ 858,705	\$ 936,871	<u>Liabilities</u>			
Financial assets carried at cost - non-current	158,660	150,500	74,500	Current liabilities	\$ 4,328	\$ 3,381	\$ 1,495
Properties and equipment, net	1,582	2,044	2,198	Non-current liabilities	<u>376</u>	<u>439</u>	<u>387</u>
Intangible assets	81	85	96	Total liabilities	<u>4,704</u>	<u>3,820</u>	<u>1,882</u>
Other assets	<u>243</u>	<u>243</u>	<u>243</u>	<u>Equity</u>			
				Capital stock	1,000,000	1,000,000	1,000,000
				Retained earnings	25,713	1,053	5,309
				Other equity	<u>(29,389)</u>	<u>6,704</u>	<u>6,717</u>
				Total equity	<u>996,324</u>	<u>1,007,757</u>	<u>1,012,026</u>
Total	<u>\$ 1,001,028</u>	<u>\$ 1,011,577</u>	<u>\$ 1,013,908</u>	Total	<u>\$ 1,001,028</u>	<u>\$ 1,011,577</u>	<u>\$ 1,013,908</u>

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017	2016
Interest revenues	\$ 37,739,911	\$ 37,737,028
Less: Interest expenses	<u>(13,687,537)</u>	<u>(14,233,554)</u>
Net interest	24,052,374	23,503,474
Net revenues and gains other than interest	<u>7,160,927</u>	<u>7,673,886</u>
Total net revenues	31,213,301	31,177,360
Bad-debt expenses and provision for losses on guarantees	(2,520,830)	(3,669,116)
Operating expenses	<u>(16,461,356)</u>	<u>(16,539,222)</u>
Income before income tax	12,231,115	10,969,022
Income tax expense	<u>(1,713,138)</u>	<u>(1,446,692)</u>
Net income	10,517,977	9,522,330
Other comprehensive income	<u>1,239,462</u>	<u>1,470,819</u>
Total comprehensive income	<u>\$ 11,757,439</u>	<u>\$ 10,993,149</u>
Earnings per share (NT\$)		
Basic	<u>\$1.21</u>	<u>\$1.13</u>

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017	2016
Net interest	\$ 204,770	\$ 242,332
Net revenues and gains other than interest	<u>146,320</u>	<u>231,550</u>
Total net revenues	351,090	473,882
Reversal of allowance for credit losses and provision	141,103	38,771
Operating expenses	<u>(97,753)</u>	<u>(93,967)</u>
Income before income tax	394,440	418,686
Income tax expense	<u>(4,506)</u>	<u>(8,236)</u>
Net income	389,934	410,450
Other comprehensive loss	<u>(6,014)</u>	<u>(45,138)</u>
Total comprehensive income	<u>\$ 383,920</u>	<u>\$ 365,312</u>
Earnings per share (NT\$)		
Basic	<u>\$1.10</u>	<u>\$1.16</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017	2016
Revenues	\$ 941,965	\$ 711,355
Service charge	(26,660)	(16,930)
Other operating costs	(94,405)	(30,879)
Employee benefits	(309,968)	(274,516)
Other operating expenses	(225,449)	(165,454)
Other gains (losses)	<u>45,246</u>	<u>(15,625)</u>
Income before income tax	330,729	207,951
Income tax expense	<u>(34,843)</u>	<u>(17,386)</u>
Net income	295,886	190,565
Other comprehensive income	<u>23,137</u>	<u>67,393</u>
 Total comprehensive income	 <u>\$ 319,023</u>	 <u>\$ 257,958</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.63</u>	<u>\$0.40</u>

Co-operative Assets Management Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017	2016
Operating revenues	\$ 600,836	\$ 636,443
Operating expenses	<u>(254,010)</u>	<u>(278,463)</u>
Operating benefits	346,826	357,980
Non-operating income (losses)	<u>11,262</u>	<u>(34,948)</u>
Income before income tax	358,088	323,032
Income tax expense	<u>(60,392)</u>	<u>(54,916)</u>
Net income	297,696	268,116
Other comprehensive loss	<u>(11,245)</u>	<u>(46,663)</u>
 Total comprehensive income	 <u>\$ 286,451</u>	 <u>\$ 221,453</u>
 Earnings per share (NT\$)		
Basic	<u>\$1.05</u>	<u>\$0.95</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017	2016
Operating revenues	\$ 20,716,237	\$ 20,599,128
Operating costs	(19,546,626)	(19,482,977)
Operating expenses	<u>(500,480)</u>	<u>(481,709)</u>
Income before income tax	669,131	634,442
Income tax benefit (expense)	<u>16,765</u>	<u>(24,543)</u>
Net income	685,896	609,899
Other comprehensive income	<u>344,217</u>	<u>256,249</u>
Total comprehensive income	<u>\$ 1,030,113</u>	<u>\$ 866,148</u>
Earnings per share (NT\$)		
Basic	<u>\$1.07</u>	<u>\$0.95</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017	2016
Operating revenues	\$ 154,721	\$ 147,655
Operating expenses	<u>(137,632)</u>	<u>(136,455)</u>
Operating gain	17,089	11,200
Non-operating gains and losses	<u>1,095</u>	<u>2,086</u>
Gain before income tax	18,184	13,286
Income tax expense	<u>-</u>	<u>-</u>
Net income	18,184	13,286
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 18,184</u>	<u>\$ 13,286</u>
Earnings per share (NT\$)		
Basic	<u>\$0.60</u>	<u>\$0.44</u>

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017	2016
Operating revenues	\$ 39,366	\$ 23,681
Operating costs	(57)	(8,378)
Operating expenses	<u>(14,744)</u>	<u>(10,563)</u>
Operating gain	24,565	4,740
Non-operating gains and losses	<u>1,343</u>	<u>2,900</u>
Income before income tax	25,908	7,640
Income tax expense	<u>(301)</u>	<u>(192)</u>
Net income	25,607	7,448
Other comprehensive income (loss)	<u>(36,093)</u>	<u>6,717</u>
Total comprehensive income	<u>\$ (10,486)</u>	<u>\$ 14,165</u>
Earnings per share (NT\$)		
Basic	<u>\$0.26</u>	<u>\$0.07</u>

(Concluded)

TABLE 4

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

**BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

Business Segment Items	For the Nine Months Ended September 30, 2017				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 24,143,502	\$ 49,072	\$ 757,520	\$ 664,140	\$ 25,614,234
Net revenues and gains other than interest	6,583,604	307,737	1,137,171	1,016,146	9,044,658
Total net revenues	30,727,106	356,809	1,894,691	1,680,286	34,658,892
Bad-debt expenses and provision for losses on guarantees	(2,478,570)	141,103	-	(109,699)	(2,447,166)
Net change in reserves for insurance liabilities	-	-	(367,043)	-	(367,043)
Operating expenses	(16,498,294)	(91,316)	(463,752)	(951,996)	(18,005,358)
Income before income tax	11,750,242	406,596	1,063,896	618,591	13,839,325
Income tax benefit (expenses)	(1,713,139)	(4,506)	16,765	(90,410)	(1,791,290)
Net income	10,037,103	402,090	1,080,661	528,181	12,048,035

Business Segment Items	For the Nine Months Ended September 30, 2016				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 23,630,636	\$ 103,351	\$ 744,474	\$ 554,640	\$ 25,033,101
Net revenues and gains (losses) other than interest	6,884,612	384,662	(976,436)	857,705	7,150,543
Total net revenues (losses)	30,515,248	488,013	(231,962)	1,412,345	32,183,644
Bad-debt expenses and provision for losses on guarantees	(3,674,610)	38,770	-	(196,350)	(3,832,190)
Net change in reserves for insurance liabilities	-	-	1,969,061	-	1,969,061
Operating expenses	(16,528,510)	(87,526)	(449,382)	(857,602)	(17,923,020)
Income before income tax	10,312,128	439,257	1,287,717	358,393	12,397,495
Income tax expenses	(1,446,693)	(8,236)	(24,543)	(61,502)	(1,540,974)
Net income	8,865,435	431,021	1,263,174	296,891	10,856,521

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 160,000	\$ 145,434	\$ 135,434	3-8	Short-term financing	\$ -	Operating use	\$ 1,354	Real estate	\$ 448,281	\$ 335,685 (Note 3)	\$ 1,342,740 (Note 3)
		Taroko textile Corporation	Receivables on lending funds	No	98,490	91,605	91,605	3-8	Short-term financing	-	Operating use	916	Stocks	121,900	335,685 (Note 3)	1,342,740 (Note 3)
		Hanky & Partners (Taiwan) Ltd.	Receivables on lending funds	No	239,290	230,627	230,627	3-8	Short-term financing	-	Operating use	2,306	Real estate	293,728	335,685 (Note 3)	1,342,740 (Note 3)
		Sin-Dan Co., Ltd.	Receivables on lending funds	No	50,000	42,065	42,065	3-8	Short-term financing	-	Operating use	421	Land	101,380	335,685 (Note 3)	1,342,740 (Note 3)
		Sen-Yuan Construction Co., Ltd.	Receivables on lending funds	No	273,000	200,829	200,829	3-8	Short-term financing	-	Operating use	2,008	Real estate	307,620	335,685 (Note 3)	1,342,740 (Note 3)
		Sanlight Corporation	Receivables on lending funds	No	200,000	195,565	195,565	3-8	Short-term financing	-	Operating use	1,956	Stocks	200,000	335,685 (Note 3)	1,342,740 (Note 3)
2	Cooperative Financial International Lease Co., Ltd.	Shan Yuan Group (Tsingtao) Ltd.	Receivables on lending funds	No	104,673	102,239	102,239	10	Short-term financing	-	Operating use	1,533	Real estate	1,881,156	133,353 (Note 4)	355,609 (Note 4)
		Markor Investment Group (Tianjin) Co., Ltd.	Receivables on lending funds	No	26,851	19,236	19,236	10.61	Short-term financing	-	Operating use	289	Real estate	50,493	133,353 (Note 4)	355,609 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Receivables on lending funds	No	45,510	38,684	38,684	8	Business relationship	206,302	Operating use	580	Real estate	47,376	133,353 (Note 4)	355,609 (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 September 30, 2017 was \$3,356,849 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 September 30, 2017 was \$889,023 thousand.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
 SEPTEMBER 30, 2017
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Taiwan Cooperative Venture Capital Co., Ltd.	<u>Beneficial certificates</u> TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	3,874	\$ 39,091	-	\$ 39,091	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	889,023	100.00	889,023	Note
Taiwan Cooperative Securities Investment Trust Co., Ltd.	FundRich Securities Co., Ltd.	-	Financial assets carried at cost	227	2,274	0.38	2,757	
Taiwan Cooperative Venture Capital Co., Ltd.	First Financial Holding Co., Ltd.	-	Available-for-sale financial assets	714	13,964	0.01	13,964	
	Pou Chen Corporation	-	Available-for-sale financial assets	358	13,604	0.01	13,604	
	Mega Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,200	28,500	0.01	28,500	
	Taiwan Mobile Corp.	-	Available-for-sale financial assets	239	25,931	0.01	25,931	
	China Motor Corporation	-	Available-for-sale financial assets	875	23,494	0.06	23,494	
	Excelsior Medical Co., Ltd.	-	Available-for-sale financial assets	144	6,408	0.11	6,408	
	Taiwan Shin Kong Security Co., Ltd.	-	Available-for-sale financial assets	175	6,808	0.05	6,808	
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	240	25,080	-	25,080	
	Lien Hwa Industrial Corporation	-	Available-for-sale financial assets	674	19,843	0.07	19,843	
	MiTAC Holdings Corporation	-	Available-for-sale financial assets	270	9,922	0.03	9,922	
	Hi Lai Foods Co., Ltd.	-	Available-for-sale financial assets	27	4,590	0.07	4,590	
	Tanvex BioPharma, Inc.	-	Available-for-sale financial assets	300	29,028	0.16	29,028	
	SuperAlloy International Co., Ltd.	-	Available-for-sale financial assets	184	16,761	0.09	16,761	
	RiTdisplay Corporation	-	Available-for-sale financial assets	217	24,557	0.53	24,557	
	Twoway Communications, Inc.	-	Available-for-sale financial assets	2,000	31,380	2.45	31,380	
	Nan Pao Resins Chemical Co., Ltd.	-	Available-for-sale financial assets	300	48,467	0.28	48,467	
	SR Suntour Inc.	-	Financial assets carried at cost	1,800	55,160	2.98	64,890	
	eLand Technologies Co., Ltd.	-	Financial assets carried at cost	500	27,500	3.49	5,960	
	M2Communication Inc.	-	Financial assets carried at cost	500	8,000	1.29	1,900	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets carried at cost	800	20,000	2.75	14,968	
	Drewloong Precision, Inc.	-	Financial assets carried at cost	400	48,000	1.54	14,820	

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

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of Shares or New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Investments accounted for using equity method	-	-	8,586,300	\$ 189,658,549	221,830	\$ 17,227,286 (Notes 1 and 2)	-	\$ -	\$ 9,173,699 (Notes 1 and 2)	\$ -	8,808,130	\$ 197,712,136 (Note 2)

Note 1: Acquisition consists of unrealized gain of \$1,709,261 thousand on available-for-sale financial assets, \$5,000,048 thousand from capital increase, \$10,517,977 thousand from the share of gains of subsidiaries accounted for using equity method. Disposal consists of \$8,703,900 thousand from cash dividends, \$451,476 thousand from exchange differences on the translation of foreign operations and \$18,323 thousand from changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss.

Note 2: When Taiwan Cooperative Financial Holding Co., Ltd. prepared the consolidated financial statements, the related account and transaction were eliminated.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

(In Thousands of New Taiwan Dollars)

Company Name	Counter-party	Nature of Relationship	Total Amounts of Brokerage Service Revenue	Total Allowance of Brokerage Service Revenue	Service Revenue From Related Party	Allowance of Service Revenue for Related Party	Percentage of Service Revenue From Related Party to Total Amounts	Percentage of Allowance of Service Revenue for Related Party to Total Allowance
Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Same parent company	\$ 520,907	\$ 262,718	\$ 11,534	\$ 8,303	2.21%	3.16%

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note 1)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2017.07.12	The Hong Kong and Shanghai Banking Corporation Limited	Medium unsecured loans of business	\$ -	\$ 121,357 (US\$3,975)	\$ 121,291 (US\$3,975)	None	None
2017.07.13	SC Lowy Primary Investments, Ltd.	International syndicated loan	-	121,620 (US\$4,000)	122,054 (US\$4,000)	None	None

Note 1: Book value equals the original loan amounting to US\$5,108 thousand and US\$5,109 thousand minus allowance for possible losses amounting US\$5,108 thousand and US\$5,109 thousand, respectively.

Co-operative Assets Management Co., Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note 2)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2017.5.22	Cuan-Yun Corporation, Ltd.	Claims and its subordinate mortgage	\$ -	\$ 24,000	\$ 24,000	None	None
2017.5.25	Xu Sir	Claims and its subordinate mortgage	31,243	40,500	9,257	None	None
2017.6.27	Chen Sir	Claims and its subordinate mortgage	2,113	4,100	1,987	None	None
2017.6.28	Kang-Juang Asset Development Limited	Claims and its subordinate mortgage	58,465	176,000	117,535	None	None

Note 2: Book value equals the amount of original loan minus allowance for possible losses.

2. The sale of a batch of nonperforming loans totaling over NT\$1 billion (excluding those sold to related parties): None.

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

SEPTEMBER 30, 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	\$ 1,126,338	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	886,310	-	-	-	-	-

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 NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2017	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 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)	\$ 272,427	100	\$ 272,427	\$ 5,343,551	\$ -
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)	69,579	100	69,579	3,030,708	-
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)	77,516	100	77,516	2,983,250	-
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)	(2,820)	100	(2,820)	2,638,005	-

Accumulated Investment in Mainland China as of September 30, 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)	\$ 119,105,045

(Continued)

Co-operative Assets Management Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 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)	\$ 24,323	100	\$ 24,323	\$ 889,023	\$ -

Accumulated Investment in Mainland China as of September 30, 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)	\$ 2,014,109

Note 1: Translation into New Taiwan dollars at the exchange rates on the date of each outflow of investment.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to the higher of 60% of TCB's net asset value or 60% of TCB's consolidated net asset value.

Note 3: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to the higher of 60% of CAM's net asset value or 60% of CAM's consolidated net asset value.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 886,310	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	886,310	Note 4	0.03
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,126,338	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,126,338	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	594,519	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	594,519	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	7,443,684	Note 4	0.22
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	7,443,684	Note 4	0.22
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,138,839	Note 4	0.03
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,138,839	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	549,858	Note 4	1.58
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	549,858	Note 4	1.58
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	189,203	Note 4	0.55
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	189,203	Note 4	0.55
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	300,000	Note 4	0.01

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	\$ 300,000	Note 4	0.01
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	256,662	Note 4	0.01
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	256,662	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	1.67
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	242,080	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Short-term borrowings	242,080	Note 4	0.01

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

- a. Parent company is denoted 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)