Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by 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, International Financial Reporting Standards, International Accounting Standards, Interpretation of IFRS and Interpretations of IAS endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants, Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in our audit of the consolidated financial statements for the year ended December 31, 2016 were as follows:

Impairment Assessment on Discounts and Loans

The discounts and loans of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2017 were $2,028,502,738 thousand, consisting 59% of the total assets. Therefore, the assessment on the impairment loss of discounts and loans may have significant impacts on the consolidated financial statements. The assessment on discounts and loans performed by the Company's management is based on whether there is any objective evidence of impairment. The amount of impairment loss is the difference between the book value and the estimated future cash flows of discounts and loans (of which collaterals and guarantees are taken into consideration). The amount of provisions of impairment loss made should also be in accordance with the FSC guidelines. Impairment assessment on discounts and loans was identified as a key audit matter due to the critical judgements and estimations involved. For accounting policies and critical accounting judgements and estimations, refer to Notes 4 and 5 to the consolidated financial statements; for discounts and loans, refer to Note 11.

With respect to the critical judgements, estimations, and assumptions used in impairment loss, the procedures we performed were as follows:

1. Understand and test the internal control of impairment assessment on discounts and loans performed by the Company.

2. Sample loans that are individually assessed for impairment loss to evaluate the reasonableness of estimated future cash flow, including the assumptions, discount rates and the value of collaterals.

3. Test the assumption pertaining to the model, data, and calculation for loans that are assessed collectively for impairment loss, including the historical data adopted, the classification of similar credit risk, recovery rate, and the impairment rate.

4. Test the classification of credit assets of the Company to evaluate whether the classification of credit assets and provisions of impairment loss are in accordance with the FSC guidelines by considering the length of overdue of the loans and the value of collaterals.

Assessment on the Retired Employees' Preferential Deposit Benefits

The present value of retired employees' preferential deposit obligation was calculated based on the actuarial results with application of various assumptions. Assessment on retired employees' preferential deposit benefits was identified as a key audit matter due to the application of critical judgements and estimations. For accounting policies and critical accounting judgements and estimations, refer to Notes 4 and 5 to the consolidated financial statements; for retired employees' preferential deposit benefits, refer to Notes 27 and 28.

With respect to the actuarial report of retired employees' preferential deposit obligation, the procedures we performed were as follows:

1. Evaluate the actuary on the basis of qualification, competency, and objectivity.

2. Evaluate the reasonableness of the actuarial assumptions and method applied, including discount rates, return on deposit, account balance decrease rate per year, and rate of probability of change in the preferential deposit system.

3. Obtain the information used by the actuary and evaluate its completeness and accuracy.

Impairment Assessment on Goodwill

When the management of the Company determines whether goodwill is impaired, estimation of the value in use of the cash-generating units to which goodwill has been allocated is required. The calculation of value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Impairment assessment on goodwill was identified as a key audit matter due to the critical judgements and estimations involved. For the accounting policies and critical accounting judgements and estimations, refer to Note 4 and 5 to the consolidated financial statements. For impairment assessment on goodwill, refer to Note 18.

With respect to the report of impairment assessment on goodwill and the report of discount rate used in assessment, the procedures we performed were as follows:

1. Evaluate the external expert on the basis of qualification, competency, and objectivity.

2. Evaluate the reasonableness of model and assumptions used by the external expert.

3. Obtain and evaluate the completeness and accuracy of the information used by the external expert.

4. Evaluate the reasonableness of the expected future cash flows arising from the cash-generating units allocated to goodwill.

Correctness of Recognized Loan Interest Income

The loan interest income of Taiwan Cooperative Bank, Ltd. and subsidiaries for the year ended December 31, 2017 was $39,654,827 thousand, consisting 75% of total interest income. Of the amount, domestic loan interest income was $35,463,240 thousand, consisting 89% of total interest income on discounts and loans, the major source of income of the Bank. Therefore, the correctness of recognized domestic loan interest income has a significant impact on the financial statements. In addition, since loan interest income depends highly on automated calculation of information systems, the information technology environment and the effectiveness of general information technology controls also have significant impact on the recognition of domestic loan interest income recognition. Therefore, recognition of interest income was identified as a key audit matter. For accounting policies, refer to Note 4 to the financial statements; for recognized loan interest income, refer to Note 31.

With respect to the correctness of recognized domestic loan interest income, the procedures we performed were as follows:

1. Understand and test the internal controls on the calculation of domestic loan interest income of the Bank.

2. Understand the information technology environment and general information technology controls of the Bank particularly on domestic loan interest income, and test the effectiveness of the controls, which include the automated controls of relevant application systems.

3. Select samples from the Bank’s domestic loan interest income summary table, and verify the correctness of major parameters set for calculation of loan interest income, including amount of loans, loan period and interest rate.

4. Select samples of domestic loan information in a certain period from the Bank’s information system, including amount of loans, loan period, interest rate and other major parameters. Understand and assess the reasonableness of the computing of the Bank’s loan interest in each category, and recalculate loan interest income and verify the correctness of recognized interest income.

Assessment on the Insurance Liabilities and the Liability Adequacy Test

The insurance liabilities of insurance contracts and financial instruments with discretionary participation features of the Company were recognized in compliance with Regulations Governing the Recognition of Reserves by Insurance Enterprises. The key assumptions includes discount rates, mortality rates, withdrawal rates and illness rates. All of the aforementioned insurance contracts should undergo liability adequacy test to assess whether the best current estimated amount of the future cash flows of the insurance contracts is higher than the carrying amounts of the insurance liabilities. A key assumption was that the discount rate of every year was based on the best estimated scenario as well as the rate of return on investments with current information. The assessment on the insurance liabilities and the liability adequacy test were complicated and related to the management's subjective judgment of the internal and external future events of the Company. Any changes in the assumptions will have significant impact on the assessment of insurance liabilities and the liability adequacy test. Therefore, the assessment of the insurance liabilities and the liability adequacy test were identified as a key audit matter. For accounting policies and critical accounting judgements and estimations, refer to Notes 4 and 5 to the consolidated financial statements. For provisions, refer to Note 27.

With respect to insurance liabilities and liability adequacy test, the procedures we performed were as follows:

1. Understand the process and related internal operations of insurance liabilities and liability adequacy test, and assess the compliance with related internal operations by performing the tests.

2. Obtain the actuarial information summary evaluated by the management of the Company, and sample and test whether the information of policyholders is consistent with the information of insurance liabilities and the liability adequacy test.

3. Appoint an external expert to perform the following procedures with respect to insurance liabilities:

    a. Sample the insurance products to test whether the actuarial memorandum was approved by the Insurance Bureau before introducing the insurance products to the market and whether the calculation of the reserves in the memorandum was in accordance with the regulations and was applicable to the insurance products.

    b. Sample the insurance policies and recalculate the insurance liabilities of the insurance policies to ensure that the calculation of the Company was in accordance with the Regulations Governing the Recognition of Reserves by Insurance Enterprises and was consistent with the formula and parameters submitted to the regulatory authority.

4. With respect to liability adequacy test, the procedures we performed were as follows:

    a. Evaluate the reasonableness of the classification of the insurance products issued for the year ended December 31, 2017.

    b. Sample the assumptions for audit prepared by the Company to test whether the assumptions were in accordance with the Actuarial Standards of Practice of IFRS 4 - "Classification of Contracts and Liability Adequacy Test" issued by the Actuarial Institute of the Republic of China, and were consistent with the assumptions made in the liability adequacy test.

    c. Sample the insurance policies, recalculate the cash flow of the insurance policies to assess the reasonableness of the calculation results of the Company.

    d. Perform the comparative analysis against the result of that of the prior year and consider the impact of the current business development to assess the reasonableness of the calculation of the liability adequacy test.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by 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, International Financial Reporting Standards, International Accounting Standards, Interpretation of IFRS and Interpretations of IAS endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries' ability to continue as a going concern, disclosing and using of the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit committee, are responsible for overseeing the financial reporting process of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiwan Cooperative Bank, Ltd. and its subsidiary's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditors' report. However, future events or conditions may cause Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and subsidiaries for the year ended December 31, 2017 and are therefore deemed to be the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Li-Chi Chen and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2018

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

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 64,849,640	2	$ 55,452,824	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 39 and 40)	269,695,830	8	295,423,266	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 39)	53,150,130	2	54,427,847	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 40)	203,319,458	6	178,645,924	5
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 10)	1,580,366	-	1,298,413	-
RECEIVABLES, NET (Notes 4, 11 and 39)	34,360,303	1	26,034,155	1
CURRENT TAX ASSETS (Notes 4 and 36)	1,350,922	-	1,292,964	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 39 and 40)	2,002,883,548	59	1,966,819,818	59
REINSURANCE ASSETS, NET (Note 4)	129,358	-	8,034	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 13 and 40)	516,191,151	15	512,635,209	15
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	124,346	-	121,381	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 29 and 40)	213,472,900	6	199,782,619	6
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	8,426,704	-	3,739,784	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	34,096,069	1	38,233,003	1
INTANGIBLE ASSETS (Notes 4 and 18)	3,588,490	-	3,616,843	-
DEFERRED TAX ASSETS (Notes 4 and 36)	1,601,639	-	1,114,522	-
OTHER ASSETS, NET (Notes 4, 19 and 28)	2,718,701	-	2,680,479	-
TOTAL	$ 3,411,539,555	100	$ 3,341,327,085	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 20 and 39)	$ 227,797,431	7	$ 234,035,185	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 25 and 39)	14,571,524	-	15,131,105	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10, 13, 21 and 39)	42,299,838	1	44,139,415	1
COMMERCIAL PAPER ISSUED, NET (Note 22)	25,657,429	1	16,515,191	1
PAYABLES (Notes 4, 23 and 39)	51,332,672	2	48,439,269	1
CURRENT TAX LIABILITIES (Notes 4 and 36)	1,298,351	-	248,785	-
DEPOSITS AND REMITTANCES (Notes 24 and 39)	2,623,540,576	77	2,562,587,776	77
BONDS PAYABLE (Note 25)	64,610,000	2	74,610,000	2
OTHER BORROWINGS (Notes 22 and 26)	800,027	-	1,328,384	-
PROVISIONS (Notes 4, 27 and 28)	50,464,495	1	50,334,071	2
OTHER FINANCIAL LIABILITIES (Notes 4 and 29)	99,045,141	3	90,127,625	3
DEFERRED TAX LIABILITIES (Notes 4, 17 and 36)	3,033,870	-	3,313,792	-
OTHER LIABILITIES (Note 30)	1,591,905	-	2,035,626	-
Total liabilities	3,206,043,259	94	3,142,846,224	94
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC				
Capital stock				
Common stock	122,027,036	3	118,472,850	3
Capital surplus	57,964,343	2	57,964,343	2
Retained earnings				
Legal reserve	5,019,668	-	3,643,188	-
Special reserve	996,026	-	996,026	-
Unappropriated earnings	14,377,752	1	14,225,747	1
Total retained earnings	20,393,446	1	18,864,961	1
Other equity	767,215	-	(624,156)	-
Total equity attributable to owners of TCFHC	201,152,040	6	194,677,998	6
NON-CONTROLLING INTERESTS	4,344,256	-	3,802,863	-
Total equity	205,496,296	6	198,480,861	6
TOTAL	$ 3,411,539,555	100	$ 3,341,327,085	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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 31 and 39)	$ 53,169,667	114	$ 52,349,758	123	2
INTEREST EXPENSE (Notes 4, 31 and 39)	(18,803,525)	(40)	(18,938,566)	(45)	(1)
NET INTEREST	34,366,142	74	33,411,192	78	3
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 32 and 39)	6,373,267	14	6,510,206	15	(2)
Premium income (losses), net (Notes 4, 29 and 33)	1,188,615	2	(1,187,162)	(3)	200
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 34 and 39)	(3,331)	-	289,576	1	(101)
Gains on disposal of investment properties (Note 4)	16,203	-	230,523	1	(93)
Realized gains on available-for-sale financial assets (Note 4)	1,311,991	3	1,632,313	4	(20)
Foreign exchange gains, net (Note 4)	3,185,054	7	729,164	2	337
Reversal of impairment losses on assets (Notes 4, 9, 13 and 15)	7,169	-	6,351	-	13
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	4,998	-	5,383	-	(7)
Gains on financial assets carried at cost, net (Note 4)	283,233	-	288,231	1	(2)
Gains on debt instruments with no active market, net (Note 4)	30,725	-	170,590	-	(82)
Other noninterest gains (losses), net (Note 39)	(135,666)	-	497,366	1	(127)
Total net revenues and gains other than interest	12,262,258	26	9,172,541	22	34
TOTAL NET REVENUES	46,628,400	100	42,583,733	100	9

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Notes 4 and 12)	$ (5,220,930)	(11)	$ (3,970,570)	(10)	31
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 27)	(340,273)	(1)	2,002,856	5	(117)
OPERATING EXPENSES (Notes 4, 16, 17, 18, 28 and 35)					
Employee benefits	(15,758,217)	(34)	(15,856,028)	(37)	(1)
Depreciation and amortization	(1,158,484)	(2)	(1,180,102)	(3)	(2)
General and administrative	(7,347,993)	(16)	(7,353,803)	(17)	-
Total operating expenses	(24,264,694)	(52)	(24,389,933)	(57)	(1)
INCOME BEFORE INCOME TAX	16,802,503	36	16,226,086	38	4
INCOME TAX EXPENSE (Notes 4 and 36)	(2,090,418)	(5)	(2,086,923)	(5)	-
NET INCOME	14,712,085	31	14,139,163	33	4
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)					
Remeasurement of defined benefit plans	(349,664)	(1)	(46,338)	-	655
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(32,084)	-	32,330	-	(199)
Items that will not be reclassified subsequently to profit or loss, net of income tax	(381,748)	(1)	(14,008)	-	2,625

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss (Notes 4, 14 and 36)					
Exchange differences on the translation of financial statements of foreign operations	$ (1,399,199)	(3)	$ (384,191)	(1)	264
Unrealized gains (losses) on available-for- sale financial assets	2,887,008	6	(2,310,865)	(5)	225
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	4,036	-	(299)	-	1,450
Income tax attributable to other comprehensive income	208,076	1	85,664	-	143
Items that may be reclassified subsequently to profit or loss, net of income tax	1,699,921	4	(2,609,691)	(6)	165
Other comprehensive income (losses), net of income tax	1,318,173	3	(2,623,699)	(6)	150
TOTAL COMPREHENSIVE INCOME	$ 16,030,258	34	$ 11,515,464	27	39
NET INCOME ATTRIBUTABLE TO:					
Owners of TCFHC	$ 14,317,798	31	$ 13,764,795	32	4
Non-controlling interests	394,287	-	374,368	1	5
	$ 14,712,085	31	$ 14,139,163	33	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of TCFHC	$ 15,359,505	33	$ 11,405,236	27	35
Non-controlling interests	670,753	1	110,228	-	509
	$ 16,030,258	34	$ 11,515,464	27	39

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (NEW TAIWAN Dollars; Note 37)					
Basic	$1.17		$1.13		
Diluted	$1.17		$1.13		

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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of TCFHC										
	Capital Stock (Note 38)			Retained Earnings (Notes 4 and 38)			Other Equity				
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 38)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Note 4)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss (Note 4)	Non-controlling Interests (Notes 4 and 38)	Total Equity
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 year ended December 31, 2016	-	-	-	-	-	13,764,795	-	-	-	374,368	14,139,163
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	(46,338)	(309,700)	(2,035,851)	32,330	(264,140)	(2,623,699)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	13,718,457	(309,700)	(2,035,851)	32,330	110,228	11,515,464
BALANCE, DECEMBER 31, 2016	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 year ended December 31, 2017	-	-	-	-	-	14,317,798	-	-	-	394,287	14,712,085
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(349,664)	(1,168,649)	2,592,104	(32,084)	276,466	1,318,173
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	13,968,134	(1,168,649)	2,592,104	(32,084)	670,753	16,030,258
BALANCE, DECEMBER 31, 2017	12,202,704	$ 122,027,036	$ 57,964,343	$ 5,019,668	$ 996,026	$ 14,377,752	$ (1,177,934)	$ 1,942,735	$ 2,414	$ 4,344,256	$ 205,496,296

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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 16,802,503	$ 16,226,086
Adjustments for:		
Depreciation expenses	973,980	981,214
Amortization expenses	184,504	198,888
Bad-debt expenses	5,209,778	3,994,024
Losses (gains) on financial assets and liabilities at fair value through profit or loss	3,331	(289,576)
Interest expense	18,803,525	18,938,566
Interest revenue	(53,169,667)	(52,349,758)
Dividend income	(608,269)	(575,448)
Net changes in reserves for insurance liabilities	(118,070)	(2,414,258)
Provision (reversal of provision) for losses on guarantees	11,152	(23,454)
Share of gains of associates and joint ventures accounted for using equity method	(4,998)	(5,383)
Losses on disposal of properties and equipment	1,823	1,359
Gains on disposal of investment properties	(16,203)	(230,523)
Gains on disposal of investments	(1,017,680)	(1,515,686)
Reversal of impairment losses on financial assets	(7,169)	(6,351)
Unrealized losses on foreign exchange	1,584,526	733,100
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	7,081,009	88,256,056
Decrease (increase) in financial assets at fair value through profit or loss	11,677,995	(2,639,748)
Increase in available-for-sale financial assets	(24,813,827)	(29,185,046)
Increase in receivables	(5,451,797)	(1,619,797)
Decrease (increase) in discounts and loans	(39,619,708)	11,270,202
Decrease (increase) in reinsurance assets	(117,449)	9,591
Increase in held-to-maturity financial assets	(4,265,952)	(467,882,798)
Decrease (increase) in other financial assets	(9,646,013)	1,165,377
Decrease (increase) in other assets	(45,279)	451,603
Increase (decrease) in due to the Central Bank and other banks	(6,237,754)	29,439,371
Decrease in financial liabilities at fair value through profit or loss	(9,949,162)	(14,264,944)
Decrease in securities sold under repurchase agreements	(1,839,577)	(7,001,816)
Increase in payables	144,089	8,688,473
Increase in deposits and remittances	60,952,800	59,812,686
Decrease in provision for employee benefits	(114,986)	(2,212,883)
Increase (decrease) in other financial liabilities	629,175	(4,621,279)
Increase (decrease) in other liabilities	(467,325)	494,076
Cash used in operations	(33,453,869)	(346,178,076)
Interest received	53,546,472	52,452,445
Dividends received	712,679	627,778

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Interest paid	$ (18,714,312)	$ (19,111,990)
Income tax paid	(1,639,607)	(3,175,689)
Net cash generated by (used in) operating activities	451,363	(315,385,532)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(1,739,472)	(374,135)
Proceeds of the disposal of properties and equipment	-	378
Increase in refundable deposits	(263,788)	(219,363)
Decrease in refundable deposits	375,443	612,122
Acquisition of intangible assets	(136,801)	(107,926)
Proceeds of the disposal of collaterals assumed	9,550	-
Acquisition of collaterals assumed	(1,190)	(455)
Acquisition of investment properties	(226)	(2,303)
Proceeds of the disposal of investment properties	180,917	672,689
Increase in other assets	(11,301)	(27,457)
Decrease in other assets	6,198	9,113
Net cash generated by (used in) investing activities	(1,580,670)	562,663
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	99,418,000	53,926,000
Decrease in commercial paper issued	(90,273,000)	(52,965,000)
Proceeds of the issuance of bank debentures	2,000,000	5,000,000
Repayments of bank debentures	(12,000,000)	-
Increase in other borrowings	24,654,750	25,215,178
Decrease in other borrowings	(25,178,568)	(24,705,099)
Increase in guarantee deposits received	1,141,227	141,962
Decrease in guarantee deposits received	(639,566)	(597,419)
Increase in other liabilities	12,488	-
Decrease in other liabilities	-	(37,093)
Dividends paid	(8,885,463)	(3,321,669)
Changes in non-controlling interests	(129,360)	(34,820)
Net cash generated by (used in) financing activities	(9,879,492)	2,622,040
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,041,141	778,541
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,967,658)	(311,422,288)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	119,263,205	430,685,493
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 110,295,547	$ 119,263,205

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Cash and cash equivalent reconciliations:

	December 31	
	2017	**2016**
Cash and cash equivalents in consolidated balance sheets	$ 64,849,640	$ 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"	43,865,541	62,511,968
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,580,366	1,298,413
Cash and cash equivalents, end of the year	$ 110,295,547	$ 119,263,205

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 YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 269 domestic branches, an offshore banking unit (OBU), 12 overseas branches and 2 representative office as of December 31, 2017.

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2017 and 2016, TCFHC and its subsidiaries (the Company) had 8,919 and 9,092 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 March 23, 2018.

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 did 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, Amended or Revised Standards and Interpretations (the "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
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

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

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment 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 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 Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be 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; and

c) 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 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 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 contractual cash flows and selling financial assets.

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

<u>Transition of classification, measurement and impairment of financial assets</u>

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9, but with the cumulative effect of the initial application will be recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Due from the Central Bank and call loans to other banks	$ 269,695,830	$ (4,100,000)	$ 265,595,830
Financial assets at fair value through profit or loss	53,150,130	10,457,747	63,607,877
Financial assets at fair value through other comprehensive income	-	295,193,469	295,193,469
Available-for-sale financial assets	203,319,458	(203,319,458)	-
Financial assets measured at amortized cost	-	517,888,163	517,888,163
Receivables - net	34,360,303	(24,260)	34,336,043
Discounts and loans - net	2,002,883,548	5,457	2,002,889,005
Held-to-maturity financial assets	516,191,151	(516,191,151)	-
Other financial assets - net	213,472,900	(97,082,210)	116,390,690
Deferred tax assets	1,601,639	1,670	1,603,309
Total effect on assets	$ 3,294,674,959	$ 2,809,427	$ 3,297,484,386
Provisions	$ 50,464,495	$ 160,586	$ 50,625,081
Deferred tax liabilities	3,033,870	35,499	3,069,369
Total effect on liabilities	$ 53,498,365	$ 196,085	$ 53,694,450
Retained earnings	$ 20,393,446	$ (374,852)	$ 20,018,594
Other equity	767,215	2,904,016	3,671,231
Non-controlling interests	4,344,256	84,178	4,428,434
Total effect on equity	$ 25,504,917	$ 2,613,342	$ 28,118,259

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

Classification 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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company has assessed that the possible impact that the application of other standards and interpretations will not have material impact on the Company's financial position and financial performance.

c. The Company has not yet applied the new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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:

<u>Level of aggregation</u>

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 IFRSs as endorsed and issued into effect by the FSC.

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 subsidiaries, Co-operative Assets Management Co., Ltd. (CAM) and its subsidiary, Taiwan Cooperative Bills Finance Co., Ltd. (TCBF), Taiwan Cooperative Securities Co., Ltd. (TCS), BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI), Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT) and Taiwan Cooperative Venture Capital Co., Ltd. (TCVC).

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Foreign-currency Transactions

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

   1) Financial assets at FVTPL

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

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

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

      - The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

      - The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

      Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 42.

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

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 42.

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

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

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

3) Held-to-maturity financial assets

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

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

4) Loans and receivables

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

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

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

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

- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 42.

2) Financial guarantee contracts

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

b. Derecognition of financial liabilities

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

Derivatives

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

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

Overdue Loans

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

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

Purchase on Margin and Short Sale

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

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

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

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Security Lending

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

Investment in Associates and Joint Ventures

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

Reinsurance Contracts

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

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

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

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

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

Properties and Equipment

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

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

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

Leasing

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

The Company as a lessor

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

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

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

The Company as a lessee

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

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets Other Than Goodwill

Separate acquisition

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

Acquisition as part of a business combination

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

Derecognition

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

Investment-linked Products

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

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

Foreclosed Collaterals

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

Provisions

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

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

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

<u>Life policy reserve</u>

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

<u>Unearned premium reserve</u>

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

<u>Claim reserve</u>

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

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

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

b. Injury insurance

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

Deficiency reserve

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

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

Reserve for liability adequacy

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

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

Insurance contract with financial instrument features

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

Reserve for foreign exchange valuation

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

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

a. Special reserve is reclassified to reserve for foreign exchange valuation for three years from the reclassification date. For the first year, the amount cannot be less than one third of the initial amount of net income. For the first two years, the cumulative amounts cannot less than two thirds of the initial amount of net income. In this reclassification, the recovered amount should be calculated in accordance with Regulations Governing the Reserves by Insurance Enterprises.

b. Provisions: Except for provisions calculated at the total amounts of foreign investments multiplied by the ratio of exposures and the ratio of 0.042 percent, if there is the profit on non-hedging foreign exchange assets, the Company should provide a reserve at 50 percent of the profit.

c. Write-off amounts: The loss on foreign exchange of the assets without hedge should be written off against the reserve at 50 percent of the loss. The balance of the reserve at the end of a month cannot be less than 20 percent of the amount of the end of the previous year’s cumulative balances. The cumulative balance in 2012 refers to the initial amount of the reserve.

d. The maximum cumulative reserve is 9.5 percent of the current year's total foreign investment.

e. If the Company has savings on hedging cost, it should appropriate from the current year's net profit an amount the same as that of these savings. However, if the net profit is not enough for this appropriation, the appropriation should be made in the year a profit is made. This reserve should be used for capital increase or for offsetting the deficit at least once in three years.

f. Ten percent of net profit should be provided as special reserve. However, exemption from this requirement may be obtained under the authorities' approval.

Recognition of Revenue

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

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

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

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

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

Premium Income and Policy Acquisition Cost

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

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

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

Government Grants

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

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

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

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

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

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

Preferential interest deposits for employees

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

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

Termination benefits

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

Share-based Payment

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

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

Business Combination

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

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

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

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

Classification of Insurance Contracts

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

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

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

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

a. An amount that is equal to a significant portion of the total contractual benefits;

b. Whose amount or timing is contractually at the discretion of the issuer; and

c. That is contractually based on:

   1) The performance of a specified pool of contracts or a specified type of contract;
   2) Realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
   3) The profit or loss of the Company, fund or other entity that issues the contract.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Impairment losses on loans

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

b. Fair values of financial instruments

   Fair values of financial instruments in an inactive market or with no quoted market prices are determined by valuation techniques. Under these circumstances, fair values are derived from observable market data of other similar financial assets. When there are no observable inputs in the market, the fair values of financial instruments are estimated by making appropriate assumptions. The

Company applies appropriate valuation models to determine the fair values of financial instruments subjective to valuation techniques. All models are fine-tuned to ensure the valuation results fairly reflect actual market information and prices. The Company's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

For the fair value determination of financial instruments, refer to Note 42 to the consolidated financial statements.

c. Income tax

The Company assesses income tax based on the calculation of taxable income earned from domestic and foreign sources. The assessment of tax on both domestic and foreign sourced income requires summarizing, analyzing and calculating of multiple transactions. When the final tax amount differs from the amount originally recognized, the difference affects the recognition of both current and deferred income tax. In addition, the realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Employment benefits

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

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

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

e. Impairment of goodwill

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

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

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

g. The valuation of provision for financial guarantee contracts

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

h. Insurance liability and liability adequacy test

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 22,460,001	$ 21,108,703
Notes and checks in clearing	23,198,709	21,179,639
Due from banks	19,190,930	13,164,482
	$ 64,849,640	$ 55,452,824

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2017 and 2016 are shown in the consolidated statements of cash flows.

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

	December 31	
	2017	**2016**
Reserves for deposits - account A	$ 36,817,723	$ 34,750,975
Reserves for deposits - account B	68,849,178	67,264,263
Reserves for deposits - community financial institutions	56,667,002	54,742,220
Reserves for deposits - foreign-currency deposits	370,594	354,002
Deposits in the Central Bank	39,200,000	39,200,000
Time deposits in the Central Bank	4,100,000	4,100,000
Negotiable certificates of deposit in the Central Bank	800,000	1,435,000
Due from the Central Bank - others	10,732,126	8,958,457
Due from the Central Bank - central government agencies' deposits	2,498,012	4,246,259
Call loans to banks	49,661,195	80,372,090
	$ 269,695,830	$ 295,423,266

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

	December 31	
	2017	2016
Held-for-trading financial assets		
Commercial paper	$ 34,724,323	$ 39,422,368
Corporate bonds	4,073,847	2,811,549
Negotiable certificates of deposit	3,946,887	499,666
Bank debentures	3,297,370	973,415
Stocks	1,748,869	1,265,263
Convertible bonds	1,108,603	570,826
Beneficial certificates	1,024,957	961,330
Government bonds	150,148	4,167,596
Commercial paper contracts with reference rate	2,699	2,135
Currency swap contracts	2,257,064	3,126,729
Futures exchange margins	222,072	193,117
Interest rate swap contracts	166,405	9,478
Forward contracts	116,003	256,258
Foreign-currency margin contracts	112,946	81,509
Cross-currency swap contracts	27,341	13,294
Currency option contracts - buy	18,306	73,155
Stock warrants	1,055	159
	52,998,895	54,427,847
Financial assets designated as at fair value through profit or loss		
Convertible bond asset swap contracts	151,235	-
Financial assets at fair value through profit or loss	$ 53,150,130	$ 54,427,847
Held-for-trading financial liabilities		
Payable - security borrowing	$ 114,043	$ 193,154
Currency swap contracts	2,654,764	1,923,092
Asset swap options	47,005	17,372
Interest rate swap contracts	18,677	240,021
Currency option contracts - sell	18,304	74,734
Cross-currency swap contracts	15,108	181,780
Forward contracts	10,907	160,751
Stock warrants issued liabilities, net	4,196	3,773
Foreign-currency margin contracts	229	-
TAIEX Future put options	-	393
	2,883,233	2,795,070
Financial liabilities designated as at fair value through profit or loss		
Bank debentures (Note 25)	11,688,291	12,336,035
Financial liabilities at fair value through profit or loss	$ 14,571,524	$ 15,131,105

As of December 31, 2017 and 2016, financial assets at fair value through profit or loss amounting to $28,100,388 thousand and $19,348,965 thousand, respectively, had been sold under repurchase agreements.

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

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

	December 31	
	2017	**2016**
Currency swap contracts	$ 385,254,620	$ 383,022,590
Interest rate swap contracts	16,987,717	14,928,007
Forward contracts	10,061,815	21,618,774
Currency option contracts - sell	4,936,507	6,939,285
Currency option contracts - buy	4,936,507	6,718,188
Cross-currency swap contracts	1,910,603	1,387,092
Foreign-currency margin contracts	1,555,713	1,162,522

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

		December 31, 2017			
		Open Position			
Items	**Products**	**Buy/Sell**	**Number of Contracts**	**Contract Amounts or Premium Paid (Charged)**	**Fair Values**
Futures contracts	TAIEX Futures 201801	Sell	10	$ 21,050	$ 21,266
	10-Year U.S. Treasury Note Futures 201803	Sell	30	110,808	110,270

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

		December 31, 2017			
		Open Position			
Items	**Products**	**Buy/Sell**	**Number of Contracts**	**Contract Amounts or Premium Paid (Charged)**	**Fair Values**
Future contracts	Shin Kong Financial Holding Co., Ltd. Stock Futures 201801	Buy	70	$ 1,470	$ 1,470
	SGX FTSE China A50 Index Futures 201801	Buy	327	129,242	128,870
	US Dollar Index Futures 201803	Buy	2	5,568	5,465
	Taiwan Semiconductor Manufacturing Co., Ltd. Stock Futures 201802	Sell	12	5,412	5,496

(Continued)

		December 31, 2017			
		Open Position			
Items	Products	Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
	W.I.S.E. Yuanta/P-shares CSI 300 ETF Futures 201801	Sell	4	$ 770	$ 765
	Fubon SSE180 ETF Futures 201801	Sell	132	42,600	42,438
	Fubon SSE180 ETF Futures 201802	Sell	1	326	322
	Yuanta/P-shares SSE50 ETF Futures 201801	Sell	1	330	324
	Cathay FTSE China A50 ETF Futures 201801	Sell	191	40,719	40,664
	Fubon SZSE 100 Index ETF Futures 201801	Sell	3	349	347
	Capital SZSE SME Price Index ETF Futures 201801	Sell	36	5,631	5,670
	Taiwan Stock Exchange Electronic Sector Index Futures 201801	Sell	12	20,989	21,178
	Taiwan Stock Exchange Finance Sector Index Futures 201801	Sell	18	21,177	21,377
	TAIEX Futures 201801	Sell	3	6,374	6,380
	Shin Kong Financial Holding Co., Ltd. Stock Futures 201801	Sell	100	2,125	2,100
	Euro STOXX 50 Index Futures 201803	Sell	12	15,213	14,910
	H-shares Index Futures 201801	Sell	11	24,519	24,561
	TOPIX Futures 201803	Sell	5	24,021	24,003
	SGX Nikkei 225 Index Futures 201803	Sell	16	48,066	48,095
	Crude Oil Futures 201802	Sell	4	7,088	7,192
	E-mini S&P 500 Index Futures 201803	Sell	1	3,999	3,982
	Gold Futures 201802	Sell	4	15,398	15,586
	E-mini NASDAQ-100 Futures 201803	Sell	3	11,354	11,443
	Soybean Futures 201803	Sell	1	1,457	1,431
	2-Year U.S. Treasury Note Futures 201803	Sell	5	31,920	31,859
	10-Year U.S. Treasury Note Futures 201803	Sell	30	111,249	110,749
	VX-Cboe Volatility Index Futures 201801	Sell	21	7,659	7,171

(Concluded)

		December 31, 2016			
		Open Position		Contract Amounts or Premium Paid (Charged)	
Items	**Products**	**Buy/Sell**	**Number of Contracts**		**Fair Values**
Future contracts	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201701	Buy	320	$ 50,740	$ 50,656
	Fubon SSE180 ETF 201701	Buy	22	5,925	5,927
	Fuh Hwa CSI300 A Shares ETF Futures 201701	Buy	19	3,795	3,800
	Cathay FTSE China A50 ETF Futures 201701	Buy	44	7,102	7,110
	H-shares Index Futures 201701	Buy	1	1,927	1,952
	Mini-Hang Seng Index Futures 201701	Buy	1	903	913
	NYMEX Crude Oil Futures 201702	Buy	14	24,286	24,255
	Cathay FTSE China A50 Index Futures 201701	Buy	8	2,570	2,570
	E-mini S&P 500 Index Futures 201703	Buy	3	10,860	10,818
	NYMEX Gold Futures 201702	Buy	4	14,899	14,857
	Nifty 50 Futures 201701	Buy	3	1,539	1,584
	Shin Kong Financial Holding Co., Ltd. Stock Futures 201701	Sell	12	190	190
	Flexium Interconnect Inc. Stock Futures 201701	Sell	5	846	845
	Yuanta/P-shares SSE50 ETF 201701	Sell	91	23,674	23,624
	Fubon SZSE 100 Index ETF Futures 201701	Sell	139	13,079	13,024
	TAIEX Futures 201701	Sell	5	9,245	9,262
	H-shares Index Futures 201701	Sell	6	11,559	11,711
	Mini H-shares Index Futures 201701	Sell	1	387	390
	NYMEX Crude Oil Futures 201712	Sell	36	64,219	66,247
	CBOE Volatility Index Futures 201701	Sell	41	19,368	19,999
	CBOE Volatility Index Futures 201702	Sell	27	14,142	14,433
	Cathay FTSE China A50 ETF Futures 201701	Sell	6	1,908	1,928
Option contracts	TAIEX Index Options 201701	Sell	60	408	393

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

	December 31	
	2017	**2016**
Asset swap contracts	$ 408,500	$ 170,500

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

	December 31	
	2017	**2016**
Interest rate swap contracts	$ 28,490,000	$ 2,090,000
Currency swap contracts	792,669	267,675

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:

	December 31	
	2017	**2016**
Stock warrants issued liabilities	$ 333,058	$ 627,433
Losses on changes in fair value of stock warrants issued liabilities	(34,404)	(272,367)
	298,654	355,066
Repurchase of stock warrants issued liabilities	313,427	590,352
Gains on changes in fair value of repurchased of stock warrants issued liabilities	(18,969)	(239,059)
	294,458	351,293
Stock warrants liabilities, net	$ 4,196	$ 3,773

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

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

	December 31	
	2017	**2016**
Currency swap contracts	$ 13,736,581	$ 12,520,950
Cross-currency swap contracts	593,600	2,094,300

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Government bonds	$ 112,677,620	$ 101,708,465
Corporate bonds	43,359,712	36,569,650
Bank debentures	37,111,531	30,234,436
Stocks	5,371,870	5,115,171
Beneficial certificates	4,798,725	5,018,202
	$ 203,319,458	$ 178,645,924

The Company evaluated its available-for-sale financial assets and recognized a reversal of impairment loss of $3,221 thousand because of the change in credit ratings of the bond issuers in 2016.

As of December 31, 2017 and 2016, available-for-sale financial assets amounting to $13,460,652 thousand and $22,196,686 thousand, respectively, had been sold under repurchase agreements.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $1,580,366 thousand and $1,298,413 thousand under resell agreements as of December 31, 2017 and 2016, respectively, will subsequently be sold for $1,582,469 thousand and $1,298,958 thousand, respectively.

As of December 31, 2017, securities purchased under resell agreements amounting to $917,098 thousand had been sold under repurchase agreements.

11. RECEIVABLES, NET

	December 31	
	2017	2016
Accrued interest	$ 8,285,700	$ 7,205,814
Margin loans receivable	5,698,466	3,485,942
Acceptances	4,119,715	3,289,300
Credit cards	3,214,061	2,932,579
Settlement consideration	2,603,792	1,361,874
Lease payment receivable	2,001,316	1,615,075
Settlement receivable	1,908,602	1,005,396
Accounts receivable factored without recourse	1,843,856	561,785
Acquired loans	1,361,411	2,153,693
Receivables on merchant accounts in the credit card business	1,031,825	693,721
Receivables on lending funds	968,704	611,988
Receivable on securities	739,905	631,566
Receivable - separated account	516,778	480,911
Credits receivable	463,578	468,946
Accounts receivable	463,241	543,573
Refundable deposits receivable in leasehold agreements	183,993	272,993
Others	528,340	449,551
	35,933,283	27,764,707
Less: Allowance for possible losses	1,433,695	1,618,858
Less: Unrealized interest revenue	139,285	111,694
	$ 34,360,303	$ 26,034,155

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 $21 thousand and $0 thousand, respectively) assessed for impairment as of December 31, 2017 and 2016 were as follows:

Items		December 31, 2017		December 31, 2016	
		Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	$ 1,417,185	$ 838,843	$ 2,114,567	$ 1,161,595
	Assessment of collective impairment	116,033	31,979	115,996	37,125
With no objective evidence of impairment	Assessment of collective impairment	34,400,044	562,873	25,534,144	420,138
Total		35,933,262	1,433,695	27,764,707	1,618,858

The changes in allowance for possible losses are summarized below:

	For the Year Ended December 31	
	2017	2016
Balance, January 1	$ 1,618,858	$ 1,319,773
Provision for possible losses	335,485	362,910
Write-offs	(563,160)	(76,087)
Recovery of written-off receivables	46,341	15,103
Effects of exchange rate changes	(3,829)	(2,841)
Balance, December 31	$ 1,433,695	$ 1,618,858

12. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Bills discounted	$ 1,446,384	$ 1,624,550
Overdraft		
Unsecured	136,988	144,492
Secured	63,885	89,017
Import and export negotiations	663,775	581,716
Short-term loans		
Unsecured	250,074,255	222,846,953
Accounts receivable financing	869,022	560,979
Secured	190,622,135	174,550,850
Medium-term loans		
Unsecured	304,022,529	298,972,980
Secured	299,685,728	309,946,717
Long-term loans		
Unsecured	27,915,371	29,959,231
Secured	946,289,312	944,395,557

(Continued)

	December 31	
	2017	2016
Overdue loans	$ 6,075,410	$ 6,768,785
Life insurance loan	611,957	377,800
Temporary insurance paid	25,987	15,456
	2,028,502,738	1,990,835,083
Less: Allowance for possible losses	25,196,604	23,554,791
Less: Adjustment of discount	422,586	460,474
	$ 2,002,883,548	$ 1,966,819,818

(Concluded)

As of December 31, 2017 and 2016, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was $138,512 thousand and $118,803 thousand in 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 December 31, 2017 and 2016 were as follows:

Items		December 31, 2017		December 31, 2016	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	$ 19,302,813	$ 3,832,312	$ 19,082,451	$ 4,833,355
	Assessment of collective impairment	11,295,185	1,910,062	10,715,491	1,817,649
With no objective evidence of impairment	Assessment of collective impairment	1,997,904,740	19,454,230	1,961,037,141	16,903,787
Total		2,028,502,738	25,196,604	1,990,835,083	23,554,791

The changes in allowance for possible losses are summarized below:

	For the Year Ended December 31	
	2017	2016
Balance, January 1	$ 23,554,791	$ 21,461,997
Provision for possible losses	4,055,440	3,382,247
Write-offs	(3,569,009)	(3,630,920)
Recovery of written-off credits	1,398,189	2,415,490
Effects of exchange rate changes and other changes	(242,807)	(74,023)
Balance, December 31	$ 25,196,604	$ 23,554,791

The bad-debt expenses and provision for losses on guarantees in 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Provision for possible losses on discounts and loans	$ 4,055,440	$ 3,382,247
Provision for possible losses on receivables	335,485	362,910
Provision for possible losses on overdue receivables	818,853	248,867
Provision (reversal of provision) for possible losses on guarantees	11,152	(23,454)
	$ 5,220,930	$ 3,970,570

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

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Negotiable certificates of deposit in the Central Bank	$ 402,675,000	$ 431,410,000
Government bonds	76,495,807	52,658,934
Corporate bonds	30,841,989	22,173,288
Bank debentures	5,902,331	5,594,463
Certificates of deposit	276,024	299,646
Treasury bills	-	498,878
	$ 516,191,151	$ 512,635,209

The Company evaluated its held-to-maturity financial assets and recognized a reversal of impairment loss of $7,895 thousand and an $3,130 thousand on some bonds because of the change in credit ratings of the bond issuers in 2017 and 2016, respectively.

As of December 31, 2017, held-to-maturity financial assets amounting to $2,198,860 thousand had been sold under repurchase agreements.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2017		2016	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investment in associate				
United Real Estate Management Co., Ltd.	$ 124,346	30.00	$ 121,381	30.00

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2017	2016
The Company's share of:		
Net income	$ 4,998	$ 5,383
Other comprehensive income	4,036	(299)
Total comprehensive income for the year	$ 9,034	$ 5,084

The Company received $6,069 thousand and $5,726 thousand dividends from United Real Estate Management Co., Ltd. for the years ended December 31, 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 years ended December 31, 2017 and 2016 were based on the associate's financial statements audited by the auditors for the same years.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Overdue receivables	$ 987,653	$ 603,505
Less: Allowance for possible losses	958,408	560,868
Overdue receivables, net	29,245	42,637
Debt instruments with no active market, net	92,388,831	89,326,692
Due from banks	21,313,136	18,429,346
Financial assets carried at cost	4,279,439	4,255,259
Security borrowing margin	214,778	260,094
Separate-account assets (Note 29)	95,247,471	87,468,591
	$ 213,472,900	$ 199,782,619

Debt instruments with no active market are summarized as follows:

	December 31	
	2017	2016
Corporate bonds	$ 75,664,544	$ 72,829,255
Bank debentures	16,724,287	16,497,437
	$ 92,388,831	$ 89,326,692

Financial assets carried at cost are summarized as follows:

	December 31			
	2017		2016	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Taiwan Asset Management Co., Ltd.	$ 2,370,934	17.03	$ 2,370,934	17.03
Taipei Financial Center Corp.	669,600	1.63	669,600	1.63
Taiwan Power Company	631,153	0.24	631,153	0.24
Financial Information Service Co., Ltd.	135,405	2.89	135,405	2.89
Taiwan Financial Asset Service Co., Ltd.	101,125	5.88	101,125	5.88
Others	371,222		347,042	
	$ 4,279,439		$ 4,255,259	

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

	December 31	
	2017	2016
Land	$ 6,532,839	$ 2,864,226
Buildings	1,893,865	875,558
	$ 8,426,704	$ 3,739,784

	Land	Buildings	Total
Cost			
Balance, January 1, 2017	$ 2,864,226	$ 1,360,753	$ 4,224,979
Additions	-	226	226
Disposals	(92,390)	(73,098)	(165,488)
Transferred from properties and equipment	3,761,003	1,322,795	5,083,798
Balance, December 31, 2017	$ 6,532,839	$ 2,610,676	$ 9,143,515
Balance, January 1, 2016	$ 2,679,194	$ 1,240,554	$ 3,919,748
Additions	-	2,303	2,303
Disposals	(307,935)	(157,007)	(464,942)
Transferred from properties and equipment	492,967	296,834	789,801
Transferred to properties and equipment	-	(21,931)	(21,931)
Balance, December 31, 2016	$ 2,864,226	$ 1,360,753	$ 4,224,979
Accumulated depreciation and impairment			
Balance, January 1, 2017	$ -	$ 485,195	$ 485,195
Disposals	-	(774)	(774)
Depreciation expenses	-	39,081	39,081
Transferred from properties and equipment	-	193,309	193,309
Balance, December 31, 2017	$ -	$ 716,811	$ 716,811
Balance, January 1, 2016	$ -	$ 349,581	$ 349,581
Disposals	-	(22,776)	(22,776)
Depreciation expenses	-	34,293	34,293
Transferred from properties and equipment	-	129,212	129,212
Transferred to properties and equipment	-	(5,115)	(5,115)
Balance, December 31, 2016	$ -	$ 485,195	$ 485,195

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, 2017 and 2016, the fair value of investment properties was $23,487,950 thousand and $8,531,932 thousand, respectively. The fair value was determined through calculations using the market value method and estimates based on market quotes.

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

	For the Year Ended December 31	
	2017	2016
Rental income from investment properties	$ 198,088	$ 181,070
Direct operating expenses for investment properties that generate rental income	(80,368)	(62,601)
	$ 117,720	$ 118,469

17. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2017	2016
Carrying amount		
Land	$ 21,107,531	$ 24,330,673
Buildings	11,896,115	7,864,023
Machinery and equipment	581,097	755,917
Transportation equipment	95,126	98,383
Other equipment	181,053	165,167
Leasehold improvements	111,016	144,048
Leased assets	11,604	-
Prepayments for equipment, land and buildings and construction in progress	112,527	4,874,792
	$ 34,096,069	$ 38,233,003

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments	Total
Cost									
Balance, January 1, 2017	$ 24,345,850	$ 14,414,368	$ 4,824,702	$ 636,297	$ 1,308,670	$ 919,115	$ -	$ 4,874,792	$ 51,323,794
Additions	98,254	145,607	122,891	29,325	73,826	37,223	13,352	1,218,994	1,739,472
Disposals	-	(8,672)	(395,536)	(16,225)	(73,348)	(39,923)	-	-	(533,704)
Reclassification	-	5,120,506	49,857	165	5,775	572	-	(5,193,604)	(16,729)
Transferred to investment properties	(3,321,179)	(996,091)	-	-	-	-	-	(766,528)	(5,083,798)
Transferred to intangible assets	-	-	-	-	-	-	-	(21,127)	(21,127)
Effects of exchange rate changes	(217)	(460)	(9,328)	(1,413)	(2,960)	(12,757)	-	-	(27,135)
Balance, December 31, 2017	$ 21,122,708	$ 18,675,258	$ 4,592,586	$ 648,149	$ 1,311,963	$ 904,230	$ 13,352	$ 112,527	$ 47,380,773
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	-	17,221	75,995	17,599	43,780	38,651	-	180,889	374,135
Disposals	-	(860)	(565,568)	(23,051)	(41,027)	(21,872)	-	-	(652,378)
Reclassification	-	19,973	49,009	1,470	1,654	3,320	-	(83,063)	(7,637)
Transferred to investment properties	(492,967)	(296,674)	-	-	-	-	-	(160)	(789,801)
Transferred from investment properties	-	21,931	-	-	-	-	-	-	21,931
Transferred to intangible assets	-	-	-	-	-	-	-	(26,229)	(26,229)
Effects of exchange rate changes	(57)	(119)	(2,745)	(517)	(1,110)	(2,547)	-	-	(7,095)
Balance, December 31, 2016	$ 24,345,850	$ 14,414,368	$ 4,824,702	$ 636,297	$ 1,308,670	$ 919,115	$ -	$ 4,874,792	$ 51,323,794

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total
Accumulated depreciation and impairment								
Balance, January 1, 2017	$ 15,177	$ 6,550,345	$ 4,068,785	$ 537,914	$ 1,143,503	$ 775,067	$ -	$ 13,090,791
Disposals	-	(8,435)	(394,196)	(16,207)	(73,120)	(39,923)	-	(531,881)
Depreciation expenses	-	430,863	346,323	33,499	61,251	61,215	1,748	934,899
Transferred to investment properties	-	(193,309)	-	-	-	-	-	(193,309)
Effects of exchange rate changes	-	(321)	(9,423)	(2,183)	(724)	(3,145)	-	(15,796)
Balance, December 31, 2017	$ 15,177	$ 6,779,143	$ 4,011,489	$ 553,023	$ 1,130,910	$ 793,214	$ 1,748	$ 13,284,704
Balance, January 1, 2016	$ 15,177	$ 6,303,683	$ 4,240,770	$ 525,126	$ 1,120,325	$ 719,807	$ -	$ 12,924,888
Disposals	-	-	(564,890)	(22,996)	(40,883)	(21,872)	-	(650,641)
Depreciation expenses	-	370,832	394,969	37,940	65,010	78,170	-	946,921
Transferred to investment properties	-	(129,212)	-	-	-	-	-	(129,212)
Transferred from investment properties	-	5,115	-	-	-	-	-	5,115
Effects of exchange rate changes	-	(73)	(2,064)	(2,156)	(949)	(1,038)	-	(6,280)
Balance, December 31, 2016	$ 15,177	$ 6,550,345	$ 4,068,785	$ 537,914	$ 1,143,503	$ 775,067	$ -	$ 13,090,791

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

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

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

As of December 31, 2016, the Company's prepayments for equipment, land and buildings and construction in progress pertained to the construction of the head office. Constructions of the head office have been completed and accepted in 2017, and the property under construction has been transferred to accounting items such as buildings.

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 for the properties and equipment. The discount rates for the CGUs' value in use were 9.34% and 8.84% as of December 31, 2017 and 2016, respectively.

18. INTANGIBLE ASSETS

	December 31	
	2017	2016
Goodwill	$ 3,170,005	$ 3,170,005
Computer software	418,485	446,838
	$ 3,588,490	$ 3,616,843

	Goodwill	Computer Software	Total
Balance, January 1, 2017	$ 3,170,005	$ 446,838	$ 3,616,843
Separate acquisition	-	136,801	136,801
Amortization expenses	-	(184,474)	(184,474)
Transferred from properties and equipment	-	21,127	21,127
Effect of exchange rate changes	-	(1,807)	(1,807)
Balance, December 31, 2017	$ 3,170,005	$ 418,485	$ 3,588,490
Balance, January 1, 2016	$ 3,170,005	$ 513,137	$ 3,683,142
Separate acquisition	-	107,926	107,926
Amortization expenses	-	(198,847)	(198,847)
Transferred from properties and equipment	-	26,229	26,229
Effect of exchange rate changes	-	(1,607)	(1,607)
Balance, December 31, 2016	$ 3,170,005	$ 446,838	$ 3,616,843

The computer software with limited useful life is amortized on a straight-line basis over the useful life of 3 to 10 years.

In testing assets for impairment, the Bank 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 for the goodwill impairment test. The discount rates for the CGUs' value in use were 9.34% and 8.84% as of December 31, 2017 and 2016, respectively.

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 December 31, 2017 and 2016.

19. OTHER ASSETS, NET

	December 31	
	2017	2016
Refundable deposits	$ 1,351,040	$ 1,377,805
Operating deposits and settlement funds	656,122	648,314
Prepaid expenses	290,452	286,562
Collaterals assumed, net	255,144	262,506
Others	165,943	105,292
	$ 2,718,701	$ 2,680,479

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2017	2016
Due to banks	$ 123,644,372	$ 127,052,418
Call loans from banks	94,450,481	91,385,406
Bank overdraft	5,355,483	9,482,741
Deposits from Chunghwa Post Co., Ltd.	3,920,100	5,815,108
Due to the Central Bank	426,995	299,512
	$ 227,797,431	$ 234,035,185

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $42,299,838 thousand and $44,139,415 thousand under repurchase agreements as of December 31, 2017 and 2016, respectively, would subsequently be purchased for $42,313,248 thousand and $44,156,109 thousand, respectively.

22. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were $25,670,000 thousand and $16,525,000 thousand and the annual discount rates were from 0.518% to 0.878% and from 0.650% to 0.888% as of December 31, 2017 and 2016, respectively, and the commercial paper will mature by March 5, 2018 and October 26, 2017, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of December 31, 2017, the Company had not used the amount of $40,913,965 thousand, the sum of the amount of the commercial paper issued and the credit.

23. PAYABLES

	December 31 2017	December 31 2016
Checks for clearing	$ 23,198,709	$ 21,179,639
Accrued expenses	4,907,434	4,810,225
Accrued interest	4,400,473	3,763,243
Collections payable	4,250,682	5,919,674
Acceptances	4,147,242	3,396,401
Settlement payable	2,225,066	1,225,453
Settlement consideration	2,161,587	1,143,804
Collections of notes and checks for various financial institutions in other cities	627,378	1,441,353
Tax payable	515,888	486,461
Payables for short-sale transactions	353,844	392,215
Deposits on short-sale transactions	326,490	362,651
Dividends payable	274,604	244,503
Payables on notes and checks collected for others	257,935	533,563
Payable on securities	143,746	856,710
Factored accounts payable	107,321	385,123
Insurance claims and benefits payable	83,934	265,515
Others	3,350,339	2,032,736
	$ 51,332,672	$ 48,439,269

24. DEPOSITS AND REMITTANCES

	December 31 2017	December 31 2016
Deposits		
Checking	$ 46,902,524	$ 46,824,959
Demand	525,366,293	479,896,040
Savings - demand	805,892,649	796,973,550
Time	490,573,073	476,827,373
Negotiable certificates of deposit	12,392,500	1,622,800
Savings - time	647,817,790	669,211,936
Treasury	93,750,404	90,797,579
Remittances	845,343	433,539
	$ 2,623,540,576	$ 2,562,587,776

25. BONDS PAYABLE

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

	December 31 2017	December 31 2016
First subordinated bonds in 2010: TCB's floating interest rate for 1-year time deposit plus 0.25%; maturity - June 21, 2017	$ -	$ 8,000,000

(Continued)

	December 31	
	2017	2016
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
Second subordinated bonds in 2010, Type B: Fixed rate of 1.45%; maturity - October 25, 2017	-	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
First subordinated bonds in 2011, Type B: Fixed rate of 1.65%; maturity - May 25, 2018	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
Second subordinated bonds in 2011, Type B: Fixed rate of 1.70%; maturity - July 28, 2018	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
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	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
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
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	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
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
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000
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	1,400,000	-
	$ 64,610,000	$ 74,610,000

(Concluded)

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

	December 31	
	2017	**2016**
Unsecured bank debentures bonds issued in 2015, Type A	$ 8,766,846	$ 9,253,296
Unsecured bank debentures bonds issued in 2015, Type B	2,921,445	3,082,739
	$ 11,688,291	$ 12,336,035

TCB has been approved by the FSC to issue unsecured subordinated bonds amounting to $6,000,000 thousand on May 18, 2017. As of December 31, 2017, the amount of unissued unsecured subordinated bonds of TCB was $4,000,000 thousand.

26. OTHER BORROWINGS

	December 31			
	2017		**2016**	
	Amount	**Rate (%)**	**Amount**	**Rate (%)**
Short-term borrowings (Note 22)	$ 800,027	0.870-5.438	$ 1,328,384	0.870-4.785

27. PROVISIONS

	December 31	
	2017	**2016**
Reserve for life insurance liabilities	$ 30,664,563	$ 30,554,508
Reserve for insurance contracts with financial instrument features	11,238,116	11,511,953
Provision for employee benefits	6,735,769	6,501,792
Provision for losses on guarantees	1,426,350	1,415,708
Others	399,697	350,110
	$ 50,464,495	$ 50,334,071

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

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 11,016,350	$ 7,255,847	$ 18,272,197
Health insurance	373,446	-	373,446
Annuity insurance	-	11,956,092	11,956,092
Investment insurance	62,828	-	62,828
	11,452,624	19,211,939	30,664,563
Less: Ceded life insurance liability reserve	-	-	-
	$ 11,452,624	$ 19,211,939	$ 30,664,563

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

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

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	$ 9,533,081	$ 21,021,427	$ 30,554,508
Provision	2,155,758	1,361,400	3,517,158
Recovery	(236,215)	(3,170,888)	(3,407,103)
Ending balance	11,452,624	19,211,939	30,664,563
Less: Ceded life insurance liability reserve	-	-	-
Balance, December 31	$ 11,452,624	$ 19,211,939	$ 30,664,563

	For the Year Ended December 31, 2016		
	Insurance Contract	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	$ 7,505,991	$ 25,237,863	$ 32,743,854
Provision	2,244,980	1,920,042	4,165,022
Recovery	(217,890)	(6,136,478)	(6,354,368)
Ending balance	9,533,081	21,021,427	30,554,508
Less: Ceded life insurance liability reserve	-	-	-
Balance, December 31	$ 9,533,081	$ 21,021,427	$ 30,554,508

b. Details of liability adequacy reserves are as follows:

	Insurance Contract and Financial Instruments with Discretionary Participation Features	
	December 31	
	2017	2016
Life insurance liability reserve	$ 30,664,563	$ 30,554,508
Unearned premium reserve	182,508	143,392
Premium deficiency reserve	24,456	45,576
Claims reserve	43,213	15,155
Book value of insurance reserve	$ 30,914,740	$ 30,758,631
Present value of discounted cash flows	$ 27,550,841	$ 27,664,036
Balance of liability adequacy reserve	$ -	$ -

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

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

	December 31, 2017 and 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:

	December 31	
	2017	2016
Life insurance	$ 11,238,116	$ 11,511,953

	For the Year Ended December 31	
	2017	2016
Balance, January 1	$ 11,511,953	$ 11,735,236
Premiums received for the year	-	-
Insurance claim payments for the year	(458,343)	(411,402)
Reserve for insurance contract with financial instrument features	184,506	188,119
Balance, December 31	$ 11,238,116	$ 11,511,953

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 Year Ended December 31	
	2017	2016
Balance, January 1	$ 145,987	$ 171,211
Provisions		
Compulsory provisions	8,263	9,165
Additional provisions	67,552	63,571
	75,815	72,736
Recovery	(72,282)	(97,960)
Balance, December 31	$ 149,520	$ 145,987

3) Impact of the reserve of foreign exchange variation

For the year ended December 31, 2017

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 14,715,017	$ 14,712,085	$ (2,932)
Earnings per share (NT$)	1.17	1.17	-
Reserve of foreign exchange variation	-	149,520	149,520
Equity	205,645,215	205,496,296	(148,919)

For the year ended December 31, 2016

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 14,113,939	$ 14,139,163	$ 25,224
Earnings per share (NT$)	1.13	1.13	-
Reserve of foreign exchange variation	-	145,987	145,987
Equity	198,626,848	198,480,861	(145,987)

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

	For the Year Ended December 31	
	2017	2016
Reserve for life insurance liabilities, net	$ 110,055	$ (2,189,346)
Reserve for insurance contract with financial instrument features, net	184,506	188,119
Others, net	45,712	(1,629)
	$ 340,273	$ (2,002,856)

f. Provisions for employee benefits are summarized below:

	December 31	
	2017	2016
Net defined benefit liabilities	$ 2,727,448	$ 2,531,665
Present value of retired employees' preferential interest deposit obligation	4,008,321	3,970,127
	$ 6,735,769	$ 6,501,792

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

	For the Year Ended December 31	
	2017	2016
Balance, January 1	$ 1,415,708	$ 1,439,421
Provision (reversal of provision) for losses on guarantees	11,152	(23,454)
Effects of exchange rate changes	(510)	(259)
Balance, December 31	$ 1,426,350	$ 1,415,708

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 $167,672 thousand and $161,094 thousand in the consolidated statement of comprehensive income in 2017 and 2016, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

Pension contributions are deposited in the Company of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidation balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 12,736,738	$ 12,376,091
Fair value of plan assets	(10,014,951)	(9,850,773)
Deficit	2,721,787	2,525,318
Net defined benefit asset (part of other assets)	5,661	6,347
Net defined benefit liability (part of provisions)	$ 2,727,448	$ 2,531,665

The changes in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2016	$ 11,813,451	$ (7,161,392)	$ 4,652,059
Service cost			
Current service cost	851,378	-	851,378
Net interest expense (income)	158,008	(114,591)	43,417
Recognized in profit or loss	1,009,386	(114,591)	894,795
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	50,629	50,629
Actuarial loss - changes in financial assumptions	64,627	-	64,627
Actuarial gain - experience adjustments	(68,918)	-	(68,918)
Recognized in other comprehensive income	(4,291)	50,629	46,338
Contributions from the employer	-	(3,067,874)	(3,067,874)
Benefits paid	(442,455)	442,455	-
Balance at December 31, 2016	12,376,091	(9,850,773)	2,525,318
Service cost			
Current service cost	820,345	-	820,345
Net interest expense (income)	148,279	(120,844)	27,435
Recognized in profit or loss	968,624	(120,844)	847,780
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	26,718	26,718
Actuarial loss - changes in financial assumptions	256,438	-	256,438
Actuarial loss - experience adjustments	66,508	-	66,508
Recognized in other comprehensive income	322,946	26,718	349,664
Contributions from the employer	-	(1,000,975)	(1,000,975)
Benefits paid	(930,923)	930,923	-
Balance at December 31, 2017	$ 12,736,738	$ (10,014,951)	$ 2,721,787

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.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate(s)	1.10%	1.30%
Expected rate(s) of salary increase	2.00%	2.00%
Expected rate(s) of return on plan asset	1.10%	1.30%

Assuming a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remaining constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (319,331)	$ (317,456)
0.25% decrease	$ 331,855	$ 330,197
Expected rate(s) of salary increase		
0.25% increase	$ 314,425	$ 313,859
0.25% decrease	$ (304,358)	$ (303,521)

The sensitivity analysis presented above shows the effect on the present value of the defined benefit obligations of a change in single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of the defined benefit obligation as it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

As of December 31, 2017 and 2016, the expected contributions to the plan for the next year were $987,973 thousand and $927,134 thousand, respectively. As of December 31, 2017 and 2016, the average duration of defined benefit obligation were 10.29 to 11.25 years and 10.53 to 11.23 years, respectively.

c. Employees' preferential deposit plan

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

The amounts included in the balance sheet arising from the TCB's obligation in the employees' preferential interest deposits plan were as follows:

	December 31	
	2017	2016
Present value of retired employees' preferential interest deposits obligation (part of provisions)	$ 4,008,321	$ 3,970,127

The changes in present value of retired employees' preferential interest deposits obligation were as follows:

	For the Year Ended December 31	
	2017	2016
Present value of retired employees' preferential interest deposits obligation, January 1	$ 3,970,127	$ 4,009,952
Interest expense	154,647	152,392
Actuarial losses	707,934	624,670
Benefits paid	(824,387)	(816,887)
Present value of retired employees' preferential interest deposits obligation, December 31	$ 4,008,321	$ 3,970,127

Amounts recognized in profit or loss in employee preferential deposit plans for retired employees in the consolidated statement of comprehensive income were as follows:

	For the Year Ended December 31	
	2017	2016
Interest expense	$ 154,647	$ 152,392
Actuarial losses	707,934	624,670
Excessive interest of retired employees' preferential interest deposits	$ 862,581	$ 777,062

Under Order No. 10110000850 issued by the Financial Supervisory Commission, effective March 15, 2012, the actuarial assumptions for calculating the expense for the retired employees' preferential interest deposit benefit are as follows:

	December 31	
	2017	2016
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Account balance diminishing rate per year	1.00%	1.00%
Rate of probability of change in the preferential deposit system	50.00%	50.00%

Assuming a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remaining constant, the present value of the retired employees' preferential interest deposit benefit obligation would have increased (decreased) as follows:

	December 31	
	2017	2016
Discount rate(s)		
1% increase	$ (284,568)	$ (285,210)
1% decrease	$ 327,672	$ 328,890
Return on deposit		
1% increase	$ (837,761)	$ (765,126)
1% decrease	$ 837,761	$ 765,126
Account balance diminishing rate per year		
1% increase	$ (300,762)	$ (301,428)
1% decrease	$ 341,798	$ 343,079
Rate of probability of change in the preferential deposit system		
20% increase	$ (1,603,328)	$ (1,558,051)
20% decrease	$ 1,603,328	$ 1,558,051

The sensitivity analysis presented above shows the effect on the present value of the retired employees' preferential interest deposit benefit obligation of a change in single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of the retired employees' preferential interest deposit benefit obligation because it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

29. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Structured products - host contracts	$ 2,133,279	$ 1,208,004
Guarantee deposits received	1,605,813	1,096,352
Appropriation for loans	46,770	354,678
Separate-account liabilities	95,247,471	87,468,591
Lease payables	11,808	-
	$ 99,045,141	$ 90,127,625

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

	December 31	
	2017	2016
Fund assets for investment-linked products (part of other financial assets)		
Cash	$ 394,362	$ 663,440
Beneficiary certificates	94,096,991	86,381,356
Other receivables	756,118	423,795
	$ 95,247,471	$ 87,468,591

(Continued)

	December 31	
	2017	2016
Fund liabilities for investment-linked products (part of other financial liabilities)		
Reserve for investment-linked products	$ 94,730,693	$ 86,987,680
Other payables	516,778	480,911
	$ 95,247,471	$ 87,468,591

(Concluded)

	For the Year Ended December 31	
	2017	2016
Income on investment-linked products		
Premium income	$ 17,391,960	$ 16,618,871
Gains on foreign exchange	1,185,934	2,822,130
Others	466,908	327,583
	$ 19,044,802	$ 19,768,584
Expense for investment-linked products		
Net investment-linked product provision of insurance reserves	$ 9,116,011	$ 10,876,511
Insurance claims and surrender	6,003,428	5,379,652
Losses on disposal and investment	982,216	2,590,206
Insurance fees	452,590	393,068
Losses on foreign exchange	2,299,626	337,162
Service charge and maintenance fees	190,931	191,985
	$ 19,044,802	$ 19,768,584

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

30. OTHER LIABILITIES

	December 31	
	2017	2016
Advance receipts	$ 1,501,857	$ 1,962,888
Others	90,048	72,738
	$ 1,591,905	$ 2,035,626

31. NET INTEREST

	For the Year Ended December 31	
	2017	2016
Interest revenue		
From discounts and loans	$ 39,683,343	$ 39,742,615
From investments	9,486,195	7,366,190
From due from banks and call loans to other banks	2,301,295	3,604,642
Others	1,698,834	1,636,311
	53,169,667	52,349,758
Interest expense		
From deposits	(15,765,927)	(16,455,852)
From funds borrowing from the Central Bank and other banks	(1,360,635)	(759,317)
From subordinated bank debentures	(940,562)	(967,582)
From due to the Central Bank and other banks	(426,043)	(519,820)
From securities sold under repurchase agreements	(198,902)	(152,595)
From structure products	(41,303)	(26,965)
Others	(70,153)	(56,435)
	(18,803,525)	(18,938,566)
	$ 34,366,142	$ 33,411,192

32. SERVICE FEE AND COMMISSION INCOME, NET

	For the Year Ended December 31	
	2017	2016
Service fee and commission revenues		
From trust business	$ 1,450,706	$ 1,093,896
From insurance service	1,114,428	1,901,546
From loans	768,770	652,926
From guarantee	750,124	654,644
From credit cards	547,394	549,112
From investment-linked products	545,221	486,921
From brokerage service	365,578	233,534
From remittance	311,440	317,548
From cross-bank transactions	267,929	252,459
From trust affiliated business	221,703	175,621
From management fees	197,368	195,815
From management fees of investment-linked products	197,310	198,912
From underwriting	138,785	137,294
From import/export service	107,998	115,844
Others	570,671	540,449
	7,555,425	7,506,521
Service charge and commission expenses		
From cross-bank transactions	(306,334)	(278,749)
From insurance business	(284,504)	(175,459)
From credit cards	(205,054)	(194,469)
From credit cards acquiring	(132,709)	(120,298)
Others	(253,557)	(227,340)
	(1,182,158)	(996,315)
	$ 6,373,267	$ 6,510,206

33. PREMIUM INCOME (LOSSES), NET

	For the Year Ended December 31	
	2017	2016
Income on investment-linked products (Note 29)	$ 19,044,802	$ 19,768,584
Premium income	5,031,328	5,512,892
	24,076,130	25,281,476
Expense for investment-linked products (Note 29)	(19,044,802)	(19,768,584)
Insurance claims and benefits	(3,655,622)	(6,515,842)
Reinsurance premium ceded	(129,567)	(125,921)
Others	(57,524)	(58,291)
	(22,887,515)	(26,468,638)
	$ 1,188,615	$ (1,187,162)

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

	For the Year Ended December 31, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 417,279	$ 10,744,799	$ (684,824)	$ 98,408	$ 10,575,662
Financial assets designated as at fair value through profit or loss	70	-	1,235	-	1,305
Held-for-trading financial liabilities	-	(9,541,435)	(156,826)	-	(9,698,261)
Financial liabilities designated as at fair value through profit or loss	(545,865)	-	(336,172)	-	(882,037)
	$ (128,516)	$ 1,203,364	$ (1,176,587)	$ 98,408	$ (3,331)

	For the Year Ended December 31, 2016				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 330,598	$ 15,005,376	$ (865,868)	$ 46,604	$ 14,516,710
Financial assets designated as at fair value through profit or loss	282	-	(95)	-	187
Held-for-trading financial liabilities	-	(14,150,232)	410,367	-	(13,739,865)
Financial liabilities designated as at fair value through profit or loss	(558,154)	-	70,698	-	(487,456)
	$ (227,274)	$ 855,144	$ (384,898)	$ 46,604	$ 289,576

35. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Year Ended December 31	
	2017	2016
Salaries	$ 8,250,823	$ 8,305,249
Incentives	2,869,465	3,006,386
Excessive interest from preferential interest deposits	1,283,477	1,205,494
Post-employment benefits, termination benefits and compensation	1,171,675	1,086,927
Overtime	407,131	403,527
Others	1,775,646	1,848,445

TCFHC amended its Articles of Incorporation on June 24, 2016 based on the Company Act amended in May 2015. Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the years ended December 31, 2017 and 2016, employees' compensation were estimated at $2,183 thousand and $2,031 thousand and the remuneration of directors were estimated at $78,996 thousand and $76,005 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 approved amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employee's compensation and remuneration of directors for 2017 and 2016 approved by the board of directors on March 23, 2018 and March 27, 2017, respectively, were as follows:

	For the Year Ended December 31	
	2017	2016
Employees' compensation - cash	$ 2,183	$ 2,031
Remuneration of directors - cash	78,996	76,005

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 on the 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).

b. Depreciation and amortization expenses

	For the Year Ended December 31	
	2017	2016
Depreciation expenses	$ 973,980	981,214
Amortization expenses	184,504	198,888

36. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
Current year	$ 2,652,033	$ 1,998,160
Additional 10% income tax on unappropriated earnings	1	26,287
Prior year's adjustments	(2,249)	(19,867)
Land revaluation increment tax	60	-
	2,649,845	2,004,580
Deferred tax		
Current year	(559,427)	82,343
Income tax expense recognized in profit or loss	$ 2,090,418	$ 2,086,923

A reconciliation of accounting profit and current income tax expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Income before income tax	$ 16,802,503	$ 16,226,086
Income tax expense at the 17% statutory rate	$ 2,856,426	$ 2,758,435
Nondeductible expenses in determining taxable income	16,013	23,359
Tax-exempt income	(873,069)	(851,088)
Additional income tax under the Alternative Minimum Tax Act	-	20,378
Additional 10% income tax on unappropriated earnings	1	26,287
Land revaluation increment tax	60	-
Unrecognized deductible temporary differences	(159,229)	(147,945)
Effect of different tax rate of overseas branches operating in other jurisdictions	252,465	277,364
Adjustments for prior year's tax	(2,249)	(19,867)
Income tax expense recognized in profit or loss	$ 2,090,418	$ 2,086,923

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $196,384 thousand in 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	$ (239,362)	$ (63,433)
Unrealized gains (losses) on available-for-sale financial assets	31,286	(22,231)
Total income tax benefit recognized in other comprehensive income	$ (208,076)	$ (85,664)

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 1,020,116	$ 1,111,980
Others	330,806	180,984
	$ 1,350,922	$ 1,292,964
Current tax liabilities		
Tax payable	$ 1,099,624	$ 128,762
Others	198,727	120,023
	$ 1,298,351	$ 248,785

d. Deferred tax assets and liabilities

The changes in deferred tax assets and liabilities are as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Available-for-sale financial assets	$ 15,215	$ -	$ (12,258)	$ -	$ 2,957
Properties and equipment	9,447	(528)	-	2	8,921
Payable for annual leave	73,043	(2,298)	-	(4)	70,741
Defined benefit obligation	26,069	(26,040)	-	-	29
Employee's preferential interest deposit obligation	674,922	6,493	-	-	681,415
Other liabilities	5,220	(265)	-	-	4,955
Exchange differences on foreign operations	9,382	-	220,018	-	229,400
Allowance for possible losses	75,485	2,953	-	(462)	77,976
Collaterals assumed	316	-	-	-	316

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Financial instruments at fair value through profit or loss	$ 3,968	$ 36,937	$ -	$ -	$ 40,905
Pension liabilities	898	(410)	-	-	488
Employee benefit	2,040	(1,020)	-	-	1,020
Unrealized interest expense	163,696	224,082	-	-	387,778
Revenue from disposal of acquired loans	54,821	39,917	-	-	94,738
	$ 1,114,522	$ 279,821	$ 207,760	$ (464)	$ 1,601,639
Deferred tax liabilities					
Temporary differences					
Financial instruments at fair value through profit or loss	$ 267,748	$ (266,519)	$ -	$ -	$ 1,229
Available-for-sale financial assets	65	-	19,028	-	19,093
Intangible assets	364,322	-	-	-	364,322
The reserve for land revaluation increment tax	2,596,230	-	-	-	2,596,230
Exchange differences on foreign operations	19,344	-	(19,344)	-	-
Investments accounted for using equity method	6,930	25,954	-	-	32,884
Collaterals assumed	397	-	-	-	397
Lease incentive	4,908	620	-	-	5,528
Properties and equipment	89	(89)	-	-	-
Unrealized foreign exchange gains	43,416	(43,416)	-	-	-
Others	10,343	3,844	-	-	14,187
	$ 3,313,792	$ (279,606)	$ (316)	$ -	$ 3,033,870

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Available-for-sale financial assets	$ 5,520	$ -	$ 9,695	$ -	$ 15,215
Investments accounted for using equity method	14,194	(14,194)	-	-	-
Properties and equipment	9,994	(547)	-	-	9,447
Payable for annual leave	68,789	4,289	-	(37)	73,041
Defined benefit obligation	374,255	(348,186)	-	-	26,069
Employee’s preferential interest deposit obligation	681,692	(6,770)	-	-	674,922
Other liabilities	6,355	(1,135)	-	-	5,220
Exchange differences on foreign operations	-	-	9,383	-	9,383
Allowance for possible losses	77,156	199	-	(1,869)	75,486
Collaterals assumed	316	-	-	-	316
Financial instruments at fair value through profit or loss	597	3,371	-	-	3,968
Pension liabilities	1,002	(104)	-	-	898
Employee benefit	3,060	(1,020)	-	-	2,040
Unrealized interest expense	68,810	94,886	-	-	163,696
Revenue from disposal of acquired loans	17,240	37,581	-	-	54,821
	$ 1,328,980	$ (231,630)	$ 19,078	$ (1,906)	$ 1,114,522

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Financial instruments at fair value through profit or loss	$ 415,781	$ (148,033)	$ -	$ -	$ 267,748
Available-for-sale financial assets	12,601	-	(12,536)	-	65
Intangible assets	364,322	-	-	-	364,322
The reserve for land revaluation increment tax	2,596,230	-	-	-	2,596,230
Exchange differences on foreign operations	73,394	-	(54,050)	-	19,344
Investments accounted for using equity method	4,897	2,033	-	-	6,930
Collaterals assumed	397	-	-	-	397
Lease incentive	4,570	338	-	-	4,908
Properties and equipment	218	(118)	-	(11)	89
Unrealized foreign exchange gains	51,761	(8,345)	-	-	43,416
Others	5,505	4,838	-	-	10,343
	$ 3,529,676	$ (149,287)	$ (66,586)	$ (11)	$ 3,313,792

(Concluded)

e. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2017	December 31 2016
Deductible temporary differences	$ 1,484,306	$ 1,385,408
Loss carryforwards	$ 881,482	$ 1,670,063

f. Imputed tax credits are summarized as follows:

	TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT	TCVC
Balances of stockholders' imputed tax credit								
December 31, 2017	$ 1,490,810	$ 27,369	$ -	$ 2,756	$ 9,920	$ 59,782	$ -	$ 5,431
December 31, 2016	1,644,782	30,914	116	7,137	3,729	120,883	-	2,946
Estimated creditable tax ratio for distributing the 2017 earnings	Note	Note	Note	Note	Note	Note	Note	Note
Actual creditable tax ratio for distributing the 2016 earnings	12.39%	0.34%	0.03%	0.84%	2.06%	13.33%	-	20.48%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. 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 December 31, 2017 and 2016. Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC), 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.

h. 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$)
For the year ended December 31, 2017			
Basic earnings per share (EPS)	$ 14,317,798	12,202,704	$ 1.17
Effect of dilutive common stock:			
Employees' compensation	-	164	
Diluted EPS	$ 14,317,798	12,202,868	$ 1.17
For the year ended December 31, 2016			
Basic earnings per share (EPS)	$ 13,764,795	12,202,704	$ 1.13
Effect of dilutive common stock:			
Employees' compensation	-	177	
Diluted EPS	$ 13,764,795	12,202,881	$ 1.13

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

	For the Year Ended December 31, 2016	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic EPS (NT$)	$ 1.16	$ 1.13
Diluted EPS (NT$)	$ 1.16	$ 1.13

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 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

	December 31	
	2017	2016
Number of shares authorized (in thousands)	15,000,000	12,000,000
Authorized capital	$ 150,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	12,202,704	11,874,285
Common stocks issued	$ 122,027,036	$ 118,472,850

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 Ministry of Economic Affairs (MOEA).

On June 16, 2017, the board of directors 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 FSC and MOEA.

b. Capital surplus

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

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

The capital surplus as of December 31, 2017 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

Sources	
From subsidiaries	
Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	$ 27,783,766
Legal reserve	15,799,245
Special reserve	195,968
Unappropriated earnings	10,410,804
	54,189,783
Additional paid-in capital from TCFHC's share issuance in excess of par value	3,861,434
Cash dividends from TCFHC received by subsidiary	148,857
Additional paid-in capital from TCFHC's share issuance in excess of par value	12,642,000
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	618,750
	71,460,824
Uses	
Issuance of TCFHC's stock and cash dividends in 2012	(6,360,660)
Issuance of TCFHC's stock dividends in 2013	(1,625,333)
Subsidiary disposal of the shares of TCFHC regarded as reissue of treasury stock	(148,857)
Issuance of TCFHC's stock dividends in 2014	(4,307,133)
Issuance of TCFHC's stock dividends in 2015	(1,054,498)
	$ 57,964,343

c. Special reserve

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

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, TCFHC appropriated to the special reserve an amount of $1,086,876 thousand on January 1, 2013, 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 Year Ended December 31	
	2017	**2016**
Balance on January 1	$ 996,026	$ 996,026
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	-	-
Balance on December 31	$ 996,026	$ 996,026

d. Appropriation of earnings

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

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

After TCFHC amended its 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 employee's compensation, refer to Note 35.

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. The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts. 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.

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

The appropriations of earnings for 2017 had been proposed by TCFHC's board of directors on March 23, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 1,431,780	
Cash dividends	9,152,028	$0.75
Stock dividends	3,660,811	$0.30

Information on the appropriation of earnings is available at 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 before December 31, 2017. 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 Year Ended December 31	
	2017	**2016**
Balance on January 1	$ 3,802,863	$ 3,727,455
Attributable to non-controlling interests		
Net income	394,287	374,368
Exchange differences on the translation of financial statements of foreign operations	8,812	(11,058)
Unrealized gains (losses) on available for sale financial assets	267,654	(253,082)
Cash dividends distributed by subsidiary	(129,360)	(34,820)
Balance on December 31	$ 4,344,256	$ 3,802,863

39. RELATED-PARTY TRANSACTIONS

Taiwan Cooperative Financial Holding Co., Ltd. is an ultimate parent company, and the Ministry of Finance is its 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 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.
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 year ended December 31, 2017				
Others	$ 7,500,000	$ 3,454,900	$ 16,373	0.270-4.150
For the year ended December 31, 2016				
Others	$ 3,500,000	$ 3,500,000	$ 9,436	0.280-0.560

2) Due to banks

	For the Year Ended December 31			
	2017		2016	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	$ 240,738	$ 1,237	$ 212,703	$ 1,242
Others				
Tamshui First Credit Bank	25,245,826	251,236	24,909,609	262,353
Others	5,417	-	-	106
	$ 25,491,981	$ 252,473	$ 25,122,312	$ 263,701

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2017				
Others	$ 4,484,000	$ -	$ 864	0.170-1.240

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Main management	$ 170,998	$ 125,007	$ 1,469	1.245-2.428
Others	81,033	55,375	836	1.137-2.465
	$ 252,031	$ 180,382	$ 2,305	
For the year ended December 31, 2016				
Main management	$ 155,972	$ 132,988	$ 1,975	1.260-2.428
Others	118,063	66,814	985	1.260-2.360
	$ 274,035	$ 199,802	$ 2,960	

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 year ended December 31, 2017			
Others	$ 49,910	$ 374	0.315-0.400
For the year ended December 31, 2016			
Others	$ -	$ 1,025	0.290-0.410

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2017			
Associates	$ 232,996	$ 452	0-0.775
Main management	525,325	9,900	0-13.000
Others	9,508,635	25,482	0-13.000
	$ 10,266,956	$ 35,834	
For the year ended December 31, 2016			
Associates	$ 173,263	$ 519	0-1.130
Main management	438,049	9,877	0-13.000
Others	10,868,943	50,662	0-13.000
	$ 11,480,255	$ 61,058	

	December 31	
	2017	2016
7) Accrued income (part of receivables)		
Others	$ 14,224	$ 15,940
8) Accrued interest (part of receivables)		
Others	$ 7,154	$ 549
9) Accrued interest (part of payables)		
Others	$ 3	$ -
10) Payable on securities (part of payables)		
Others	$ 1,475	$ -

	For the Year Ended December 31	
	2017	2016
11) Service fee income (part of service fee and commission income, net)		
Associates	$ 55	$ 45
Main management	223	173
Others	197,546	195,524
	$ 197,824	$ 195,742

	For the Year Ended December 31	
	2017	2016
12) Service charge (part of service fee and commission income, net)		
Main management	$ 34	$ 26
Others	4	7,893
	$ 38	$ 7,919
13) Rental income (part of other noninterest gain, net)		
Others	$ -	$ 12,228
14) Other income (part of other noninterest gain, net)		
Others	$ 3,919	$ 5,092
15) Donation (part of other noninterest gain, net)		
Main management	$ 3,700	$ 2,900

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

16) Purchases and sales of securities

	For the Year Ended December 31, 2017			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Others	$ -	$ -	$ 3,418,066	$ -

	For the Year Ended December 31, 2016			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Others	$ -	$ -	$ 7,942,182	$ -

17) Derivatives

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet: Account	Amounts on the Consolidated Balance Sheet: Amounts
For the Year Ended December 31, 2017						
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.12.13-2018.03.13	US$ 7,000	$ (2,116)	Financial liabilities at fair value through profit or loss	$ (2,116)
	Currency swap	2017.12.13-2018.03.13	US$ 1,000	(302)	Financial liabilities at fair value through profit or loss	(302)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.12.13-2018.03.13	US$ 4,000	(1,209)	Financial liabilities at fair value through profit or loss	(1,209)
	Currency swap	2017.12.13-2018.03.13	US$ 3,000	(907)	Financial liabilities at fair value through profit or loss	(907)
	Currency swap	2017.12.13-2018.03.13	US$ 9,500	(2,871)	Financial liabilities at fair value through profit or loss	(2,871)
	Currency swap	2017.12.04-2018.01.10	US$ 5,550	(1,587)	Financial liabilities at fair value through profit or loss	(1,587)
	Currency swap	2017.12.06-2018.03.06	US$15,250	(5,011)	Financial liabilities at fair value through profit or loss	(5,011)
	Currency swap	2017.12.06-2018.01.08	US$ 2,500	(833)	Financial liabilities at fair value through profit or loss	(833)
	Currency swap	2017.12.06-2018.01.08	US$ 4,000	(1,332)	Financial liabilities at fair value through profit or loss	(1,332)
	Currency swap	2017.12.18-2018.03.19	US$ 4,100	(1,197)	Financial liabilities at fair value through profit or loss	(1,197)

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet: Account	Amounts on the Consolidated Balance Sheet: Amounts
For the Year Ended December 31, 2016						
Other - TCB Global High Yield Bond Fund	Currency swap	2016.12.28-2017.02.10	US$ 7,000	$ 790	Financial assets at fair value through profit or loss	$ 790
	Currency swap	2016.12.19-2017.01.19	US$ 2,020	520	Financial assets at fair value through profit or loss	520
	Currency swap	2016.12.28-2017.02.10	US$ 1,000	113	Financial assets at fair value through profit or loss	113
	Currency swap	2016.12.30-2017.02.10	US$ 4,000	(161)	Financial liabilities at fair value through profit or loss	(161)

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

	For the Year Ended December 31: 2017	For the Year Ended December 31: 2016
Financial assets and liabilities at fair value through profit or loss		
Others	$ (30,115)	$ (3,127)

18) Loans

December 31, 2017

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2017 (Note)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	40	$ 70,662	$ 49,598	$ 49,598	$ -	Land and buildings	None
Self-used housing mortgage loans	44	181,369	130,784	130,784	-	Land and buildings	None

December 31, 2016

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2016 (Note)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	44	$ 108,562	$ 66,599	$ 66,599	$ -	Land and buildings	None
Self-used housing mortgage loans	34	165,474	133,203	133,203	-	Land and buildings	None

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

c. Subsidiaries' related-party transactions and balances that each amounted to more than $100,000 thousand as of and for the years ended December 31, 2017 and 2016

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	December 31 2017	December 31 2016
Subsidiaries	$ 573,480	$ 560,413

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Subsidiaries	$ 10,937,782	$ 6,645,722	$ 37,631	0.001-2.700
Sister companies	3,500,000	2,100,000	3,223	0.330-0.560
Others	7,500,000	3,454,900	16,373	0.270-4.150
	$ 10,937,782	$ 12,200,622	$ 57,227	
For the year ended December 31, 2016				
Subsidiaries	$ 8,319,902	$ 7,194,172	$ 22,689	0.001-2.800
Sister companies	4,900,000	3,500,000	12,831	0.280-0.560
Others	3,500,000	3,500,000	9,436	0.280-0.560
	$ 16,719,902	$ 14,194,172	$ 44,956	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Sister company				
TCS	$ 300,000	$ 296,800	$ 3,533	1.100-2.300

d) Due to banks

	For the Year Ended December 31			
	2017		2016	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiaries	$ 3,618	$ -	$ 2,552	$ -
Main management	240,738	1,237	212,703	1,242
Others				
Tamshui First Credit Bank	25,245,826	251,236	24,909,609	262,353
Others	5,417	-	-	106
	$ 25,495,599	$ 252,473	$ 25,124,864	$ 263,701

e) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2017				
Others	$ 4,484,000	$ -	$ 864	0.170-1.240

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Sister companies	$ 280,333	$ -	$ 43	2.265
Main management	170,998	125,007	1,469	1.245-2.428
Others	81,033	55,375	836	1.137-2.465
	$ 532,364	$ 180,382	$ 2,348	

(Continued)

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2016				
Sister companies	$ 84,120	$ -	$ 24	2.265-2.405
Main management	155,972	132,988	1,975	1.260-2.428
Others	118,063	66,814	985	1.260-2.360
	$ 358,155	$ 199,802	$ 2,984	

(Concluded)

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

g) Securities purchased under resell agreements

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2017			
Sister company			
TCBF	$ 199,521	$ 1,145	0.350-0.450
Others	-	2	0-0.300
	$ 199,521	$ 1,147	
For the year ended December 31, 2016			
Sister company			
TCBF	$ -	$ 6,139	0.300-0.460

h) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2017			
Parent company	$ 59,315	$ 95	0-0.080
Sister companies	1,533,971	7,564	0-2.900
Associates	232,996	452	0-0.775
Main management	525,325	9,900	0-13.000
Others	9,508,635	25,482	0-13.000
	$ 11,860,242	$ 43,493	

(Continued)

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2016			
Parent company	$ 33,612	$ 97	0-0.110
Sister companies	2,328,509	21,631	0-1.360
Associates	173,263	519	0-1.130
Main management	438,049	9,877	0-13.000
Others	10,868,943	50,662	0-13.000
	$ 13,842,376	$ 82,786	

(Concluded)

i) Receivable on securities (part of receivables)

	December 31	
	2017	2016
Sister company		
TCS	$ 153,075	$ 93,507

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

	December 31	
	2017	2016
Parent company	$ 1,071,039	$ 951,196

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

	December 31	
	2017	2016
Parent company	$ 560,958	$ 129,356

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

	For the Year Ended December 31	
	2017	2016
Sister companies		
BPCTLI	$ 751,688	$ 906,735
Others	23,680	27,177
Associates	55	45
Main management	223	173
Others	1,242	340
	$ 776,888	$ 934,470

m) Purchases and sales of securities

	For the Year Ended December 31, 2017			
Related Party	**Purchases**	**Sales**	**Sales Under Repurchase Agreements**	**Purchases Under Resell Agreements**
Sister companies	$ 49,755	$ 249,968	$ -	$ 3,997,582

	For the Year Ended December 31, 2016			
Related Party	**Purchases**	**Sales**	**Sales Under Repurchase Agreements**	**Purchases Under Resell Agreements**
Sister companies	$ 1,498,666	$ -	$ -	$ 34,070,318

n) Derivatives

	For the Year Ended December 31, 2017					
					Amounts on the Balance Sheet	
Related Party	**Type of Derivatives**	**Contract Period**	**Nominal Amounts**	**Valuation Gain (Loss)**	**Account**	**Amounts**
Sister company - BPCTLI	Currency swap	2017.12.22-2018.01.22	US$ 4,935	$ (1,559)	Financial liabilities at fair value through profit or loss	$ (1,559)
	Currency swap	2017.12.22-2018.01.22	US$10,033	(3,169)	Financial liabilities at fair value through profit or loss	(3,169)
	Currency swap	2017.12.22-2018.01.22	US$13,000	(4,107)	Financial liabilities at fair value through profit or loss	(4,107)
	Currency swap	2017.12.08-2018.01.08	US$ 3,187	(1,030)	Financial liabilities at fair value through profit or loss	(1,030)
	Currency swap	2017.09.19-2018.03.19	US$ 1,699	(559)	Financial liabilities at fair value through profit or loss	(559)
	Currency swap	2017.09.19-2018.03.19	US$ 3,129	(1,029)	Financial liabilities at fair value through profit or loss	(1,029)
	Currency swap	2017.09.19-2018.03.19	US$ 3,129	(1,029)	Financial liabilities at fair value through profit or loss	(1,029)
	Currency swap	2017.09.19-2018.03.19	US$ 4,850	(1,595)	Financial liabilities at fair value through profit or loss	(1,595)
	Currency swap	2017.09.19-2018.03.19	US$10,488	(3,450)	Financial liabilities at fair value through profit or loss	(3,450)
	Currency swap	2017.10.16-2018.01.16	US$ 5,030	(2,230)	Financial liabilities at fair value through profit or loss	(2,230)
	Currency swap	2017.10.16-2018.01.16	US$ 5,001	(2,218)	Financial liabilities at fair value through profit or loss	(2,218)
	Currency swap	2017.10.16-2018.01.16	US$10,012	(4,439)	Financial liabilities at fair value through profit or loss	(4,439)
	Currency swap	2017.10.16-2018.01.16	US$ 9,989	(4,429)	Financial liabilities at fair value through profit or loss	(4,429)
	Currency swap	2017.10.16-2018.01.16	US$ 5,006	(2,220)	Financial liabilities at fair value through profit or loss	(2,220)
	Currency swap	2017.10.16-2018.01.16	US$10,483	(4,648)	Financial liabilities at fair value through profit or loss	(4,648)

(Continued)

	For the Year Ended December 31, 2017					
	Type of	Contract	Nominal	Valuation	Amounts on the Balance Sheet	
Related Party	Derivatives	Period	Amounts	Gain (Loss)	Account	Amounts
	Currency swap	2017.10.16-2018.01.16	US$ 1.920	$ (851)	Financial liabilities at fair value through profit or loss	$ (851)
	Currency swap	2017.10.13-2018.01.16	US$ 3,299	(1,582)	Financial liabilities at fair value through profit or loss	(1,582)
	Currency swap	2017.12.08-2018.01.08	US$ 2,002	(647)	Financial liabilities at fair value through profit or loss	(647)
	Currency swap	2017.12.08-2018.01.08	US$ 9,977	(3,224)	Financial liabilities at fair value through profit or loss	(3,224)
	Currency swap	2017.09.19-2018.03.19	US$ 5,165	(1,699)	Financial liabilities at fair value through profit or loss	(1,699)
	Currency swap	2017.09.19-2018.03.19	US$ 4,814	(1,584)	Financial liabilities at fair value through profit or loss	(1,584)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.12.13-2018.03.13	US$ 7,000	(2,116)	Financial liabilities at fair value through profit or loss	(2,116)
	Currency swap	2017.12.13-2018.03.13	US$ 1,000	(302)	Financial liabilities at fair value through profit or loss	(302)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.12.13-2018.03.13	US$ 4,000	(1,209)	Financial liabilities at fair value through profit or loss	(1,209)
	Currency swap	2017.12.13-2018.03.13	US$ 3,000	(907)	Financial liabilities at fair value through profit or loss	(907)
	Currency swap	2017.12.13-2018.03.13	US$ 9,500	(2,871)	Financial liabilities at fair value through profit or loss	(2,871)
	Currency swap	2017.12.04-2018.01.10	US$ 5,550	(1,587)	Financial liabilities at fair value through profit or loss	(1,587)
	Currency swap	2017.12.06-2018.03.06	US$15,250	(5,011)	Financial liabilities at fair value through profit or loss	(5,011)
	Currency swap	2017.12.06-2018.01.08	US$ 2,500	(833)	Financial liabilities at fair value through profit or loss	(833)
	Currency swap	2017.12.06-2018.01.08	US$ 4,000	(1,332)	Financial liabilities at fair value through profit or loss	(1,332)
	Currency swap	2017.12.18-2018.03.19	US$ 4,100	(1,197)	Financial liabilities at fair value through profit or loss	(1,197)

(Concluded)

	For the Year Ended December 31, 2016					
	Type of	Contract	Nominal	Valuation	Amounts on the Balance Sheet	
Related Party	Derivatives	Period	Amounts	Gain (Loss)	Account	Amounts
Sister company - BPCTLI	Currency swap	2016.12.22-2017.02.22	US$ 4,936	$ 1,317	Financial assets at fair value through profit or loss	$ 1,317
	Currency swap	2016.12.22-2017.02.22	US$10,033	2,677	Financial assets at fair value through profit or loss	2,677
	Currency swap	2016.12.22-2017.02.22	US$13,000	3,469	Financial assets at fair value through profit or loss	3,469
	Currency swap	2016.07.06-2017.01.06	US$ 3,187	242	Financial assets at fair value through profit or loss	242

(Continued)

Related Party	For the Year Ended December 31, 2016					
	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
	Currency swap	2016.11.14-2017.01.17	US$ 6,981	$ 5,077	Financial assets at fair value through profit or loss	$ 5,077
	Currency swap	2016.04.11-2017.04.11	US$ 3,499	(360)	Financial liabilities at fair value through profit or loss	(360)
	Currency swap	2016.11.14-2017.01.17	US$ 1,699	1,236	Financial assets at fair value through profit or loss	1,236
	Currency swap	2016.07.15-2017.01.17	US$ 3,129	336	Financial assets at fair value through profit or loss	336
	Currency swap	2016.07.15-2017.01.17	US$ 4,850	521	Financial assets at fair value through profit or loss	521
	Currency swap	2016.07.15-2017.01.17	US$ 3,129	336	Financial assets at fair value through profit or loss	336
	Currency swap	2016.03.15-2017.03.15	US$10,488	(5,367)	Financial liabilities at fair value through profit or loss	(5,367)
	Currency swap	2016.12.14-2017.03.14	US$ 5,030	1,597	Financial assets at fair value through profit or loss	1,597
	Currency swap	2016.12.14-2017.03.14	US$ 5,001	1,588	Financial assets at fair value through profit or loss	1,588
	Currency swap	2016.12.14-2017.03.14	US$10,012	3,179	Financial assets at fair value through profit or loss	3,179
	Currency swap	2016.12.14-2017.03.14	US$ 9,989	3,172	Financial assets at fair value through profit or loss	3,172
	Currency swap	2016.12.14-2017.03.14	US$ 5,006	1,590	Financial assets at fair value through profit or loss	1,590
	Currency swap	2016.12.14-2017.03.14	US$10,483	3,329	Financial assets at fair value through profit or loss	3,329
	Currency swap	2016.12.14-2017.03.14	US$ 1,920	610	Financial assets at fair value through profit or loss	610
Other - TCB Global High Yield Bond Fund	Currency swap	2016.12.28-2017.02.10	US$ 7,000	790	Financial assets at fair value through profit or loss	790
	Currency swap	2016.12.19-2017.01.19	US$ 2,020	520	Financial assets at fair value through profit or loss	520
	Currency swap	2016.12.28-2017.02.10	US$ 1,000	113	Financial assets at fair value through profit or loss	113
	Currency swap	2016.12.30-2017.02.10	US$ 4,000	(161)	Financial liabilities at fair value through profit or loss	(161)

(Concluded)

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

	For the Year Ended December 31	
	2017	**2016**
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	$ (200,452)	$ 60,439
Others	(30,115)	(3,127)
	$ (230,567)	$ 57,312

o) Loans

December 31, 2017

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2017 (Note)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	44	$ 70,662	$ 49,598	$ 49,598	$ -	Land and buildings	None
Self-used housing mortgage loans	40	181,369	130,784	130,784	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	280,333	-	-	-	Bonds	None

December 31, 2016

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2016 (Note)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	44	$ 108,562	$ 66,599	$ 66,599	$ -	Land and buildings	None
Self-used housing mortgage loans	34	165,474	133,203	133,203	-	Land and buildings	None
Other	Taiwan Cooperative Securities Co., Ltd.	84,120	-	-	-	Bonds	None

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

2) Taiwan Cooperative Securities Co., Ltd.

a) Settlement payable (part of payables)

	For the Year Ended December 31	
	2017	**2016**
Financial assets and liabilities at fair value through profit or loss		
Sister companies	$ 127,818	$ 81,499
Others	1,475	-
	$ 129,293	$ 81,499

b) Purchases and sales of securities

Related Party	For the Year Ended December 31, 2017 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ 249,968	$ 49,755	$ 202,963	$ -

c) Call loans

To settle security transactions, TCS applied to TCB for a guarantee of $1,500,000 thousand for short-term loan and overdraft. As of December 31, 2017 and 2016, TCS had no borrowing and overdraft.

The overdraft for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 280,333	$ -	$ 43	2.265

	For the Year Ended December 31, 2016			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 84,120	$ -	$ 24	2.265-2.405

d) TCS applied to TCB for call loans. The balance for the year ended December 31, 2017 was as follows:

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2017				
Sister company TCB	$ 300,120	$ 297,600	$ 3,514	1.100-2.300

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

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

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Rate (%)	Interest Revenue
December 31, 2017				
Sister companies	$ 291,658	$ 64,328	0.010-1.065	$ 19
December 31, 2016				
Sister companies	303,214	75,479	0.010-1.345	18

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
December 31, 2017				
Sister companies	$ 3,500,000	$ 2,100,000	0.330-0.560	$ 3,223
December 31, 2016				
Sister companies	4,900,000	3,500,000	0.280-0.560	12,831

c) Securities sold under repurchase agreement

	Accumulated Amount	Interest Rate (%)	Interest Expense
December 31, 2017			
Sister companies	$ 262,476	0.310-0.560	$ 2,992
Others	49,910	0.315-0.400	374
December 31, 2016			
Sister companies	868,003	0.270-0.560	7,145
Others	-	0.290-0.410	1,025

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

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

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

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Sister company				
TCB	$ 1,355,653	57	$ 2,016,984	46

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

	For the Year Ended December 31, 2017		
		Securities Purchased Under Resell Agreements	
	Ending Balance	Accumulated Amount (Note)	Rate (%)
Sister company			
TCBF	$ 62,955	$ 7,851,289	0.310-0.560

	For the Year Ended December 31, 2016		
		Securities Purchased Under Resell Agreements	
	Ending Balance	Accumulated Amount (Note)	Rate (%)
Sister company			
TCBF	$ 868,003	$ 11,104,506	0.270-0.560

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the year ended December 31, 2017

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister companies - TCB	2017.09.15-2018.03.19	US$127,148	$ 47,298	Financial assets at fair value through profit or loss	$ 47,298
	Associates - Banque Nationale De Paris, Taipei Branch	2017.10.05-2018.03.21	US$174,518	33,397	Financial assets at fair value through profit or loss	33,397

For the year ended December 31, 2016

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts on the Balance Sheet Amounts
Currency swap	Sister companies -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)
	Associates - Banque Nationale De Paris, Taipei Branch	2016.01.06-2018.06.28	US$58,197	26,810	Financial assets at fair value through profit or loss	26,810
		2016.07.07-2018.04.13	US$165,142	(68,109)	Financial liabilities at fair value through profit or loss	(68,109)

In 2017 and 2016, the realized losses on cross-currency swaps and currency swaps with sister companies were $200,452 thousand gains and $60,439 thousand losses, respectively. Besides, the realized losses on cross-currency swaps and currency swaps with affiliates were $360,945 thousand gains and $50,255 thousand losses, respectively.

d) Operating expenses

	For the Year Ended December 31 2017	2016
Insurance contract expenses		
Sister company		
TCB	$ 789,559	$ 910,384

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.

e) Consulting and advisory contract

	For the Year Ended December 31 2017	2016
Associates		
Paris Management Consultant Co., Ltd (Note)	$ 144,278	$ 158,759

BPCTLI entered into a three-year consulting contract with associates in April 2013. Associates agreed to provide administrative, actuarial, marketing, and information technology services to BPCTLI, the contract had been renewal in March 2016.

Note: Paris Management Consultant Co., Ltd is an associate of BPCTLI, but not a related party to the Company.

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

	For the Year Ended December 31 2017	2016
Other payables		
Parent company	$ 111,657	$ 26,927

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

	For the Year Ended December 31	
	2017	**2016**
Management fee income		
Sister company	$ 1,002	$ 425
Others	195,818	194,118
	$ 196,820	$ 194,543

d. Salaries, bonuses and remunerations to main management

	For the Year Ended December 31	
	2017	**2016**
Salaries and other short-term employment benefits	$ 147,411	$ 144,308
Post-employment benefits	6,377	6,334
Interest arising from the employees' preferential rate in excess of normal rates	1,532	1,845
	$ 155,320	$ 152,487

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:

	December 31	
	2017	**2016**
Collaterals for call loans of foreign currency	$ 40,000,000	$ 40,000,000
Collaterals for domestic overdraft	31,510,000	31,510,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	1,455,680	2,312,000
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,440,700	1,180,700
Guarantee deposits for the insurance operation	960,000	900,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000
Overseas branches' capital adequate reserve	362,859	360,864
Guarantee deposits for securities operation	355,000	355,000
Guarantee deposits for the bills finance business	227,400	227,400
Guarantee deposits for the trust business compensation reserve	220,000	200,000
Collaterals for overseas branch U.S. dollar settlement	31,786	43,497
Overseas branches' guarantee deposits for operation	5,936	6,444
Others	90,200	91,400
	$ 88,159,561	$ 88,687,305

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of $30,000,000 thousand as collateral for day-term overdraft as of December 31, 2017 and 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, Los Angeles Branch, and New York Branch obtained access privileges at the Discount Window Account of the Federal Reserve Bank. For this access, the three branches pledged the following assets:

(In Thousands of U.S. Dollars)

	Outstanding Balance			Collateral
Date	**Loan**	**Bond**	**Total**	**Value**
December 31, 2017	$ 308,429	$ -	$ 308,429	$ 230,474
December 31, 2016	$ 304,786	$ 5,000	$ 309,786	$ 234,525

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.

As of December 31, 2017, TCFHC's outstanding major construction and procurement contracts amounted to $139,910 thousand, of which $121,037 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd

1) Lease agreements on premises occupied by TCB's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2017, refundable deposits on these leases totaled $126,451 thousand. Minimum future annual rentals are as follows:

	December 31	
	2017	**2016**
Within one year	$ 588,831	$ 631,700
One to five years	1,192,276	1,312,200
Over five years	127,766	112,219
	$ 1,908,873	$ 2,056,119

The lease payments recognized as expenses are as follows:

	For the Year Ended December 31	
	2017	**2016**
Minimum lease payments	$ 658,626	$ 658,976
Contingent rentals	1,274	1,103
	$ 659,900	$ 660,079

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 December 31, 2017, guarantee deposits on these leases totaled $34,141 thousand. Minimum future annual rentals are as follows:

	December 31	
	2017	**2016**
Within one year	$ 186,858	$ 118,213
One to five years	497,804	224,664
Over five years	12,195	18,372
	$ 696,857	$ 361,249

3) As of December 31, 2017, TCB's outstanding major construction and procurement contracts amounted to $5,764,141 thousand, of which $667,121 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:

	December 31	
	2017	**2016**
Within one year	$ 2,688	$ 2,501
One to five years	11,987	11,317
Over five years	10,773	13,755
	$ 25,448	$ 27,573

d. Taiwan Cooperative Bills Finance Corporation Ltd.

As of December 31, 2017, the commitments or contingencies were as follows:

	December 31, 2017
Guarantees of commercial paper	$ 24,487,100
Purchase of reference-rate commercial paper	$ 4,800,000

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

1) As of December 31, 2017, TCS's agreements on the acquisition equipment and procurement contracts amounted to $14,807 thousand, of which $8,550 thousand was still unpaid.

2) In May 2012, TCS laid off a certain Mr. 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 to Ms. Chen from April 25, 2014 until her reinstatement. The rest of the appeal of the plaintiff had been dismissed by the Court. Four fifth of the litigation fee is to be paid by TCS and the rest of the litigation fee is to be paid by the plaintiff. TCS filed an appeal on April 13, 2016. TCS appointed lawyers to handle the litigation and the case is still in process. TCS has already recognized $1,530 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 December 31, 2017, guarantee deposits on these leases to totaled $10,137 thousand. Minimum future annual rentals are as follows:

	December 31	
	2017	**2016**
Within one year	$ 40,535	$ 53,504
One to five years	156,689	166,521
Over five years	556,706	598,677
	$ 753,930	$ 818,702

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.

	December 31			
	2017		**2016**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Held-to-maturity financial assets	$ 516,191,151	$ 517,935,433	$ 512,635,209	$ 512,107,900
Debt instruments with no active market	92,388,831	94,399,621	89,326,692	90,664,298
Financial liabilities				
Bonds payable	64,610,000	65,621,526	74,610,000	75,636,377

Fair value hierarchy as at December 31, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 517,935,433	$ 7,371,150	$ 510,564,283	$ -
Debt instruments with no active market	94,399,621	422,113	93,977,508	-
Financial liabilities				
Bonds payable	65,621,526	-	65,621,526	-

Fair value hierarchy as at December 31, 2016

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

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 estimates and assumptions the Company uses for determining fair values are identical with other market participants. 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 GreTai Securities Market (GTSM, an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.7211% and 1.1545%, between 0.7325% and 1.3754% as of December 31, 2017 and 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 December 31, 2017 and 2016 were as follows:

Financial Instruments Measured at Fair Value	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 1,748,869	$ 1,742,357	$ 6,512	$ -
Debt instruments	8,629,968	3,784,449	4,845,519	-
Others	39,698,866	1,024,957	38,673,909	-
Financial assets designated as at FVTPL	151,235	-	151,235	-
Available-for-sale financial assets				
Stocks	5,371,870	5,371,870	-	-
Debt instruments	193,148,863	29,691,335	163,457,528	-
Others	4,798,725	4,798,725	-	-
Liabilities				
Financial liabilities at FVTPL	(11,802,334)	(114,043)	(11,688,291)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	2,921,192	223,127	2,698,065	-
Liabilities				
Financial liabilities at FVTPL	(2,769,190)	(4,196)	(2,764,994)	-

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

(Continued)

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

(Concluded)

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

	December 31	
	2017	**2016**
Difference between carrying amount and contractual amount at maturity		
Fair value	$ 11,688,291	$ 12,336,035
Amount payable at maturity	11,872,000	12,888,000
	$ (183,709)	$ (551,965)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the year	
2017	$ (32,084)
2016	$ 32,330
Accumulated amount of change	
As of December 31, 2017	$ 2,414
As of December 31, 2016	$ 34,498

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 is as follows:

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

2) Credit risk

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

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

3) Market risk

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

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

4) Liquidity risk

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

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

Taiwan Cooperative Bank Ltd. and subsidiaries

1) Risk management

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

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

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

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

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

2) Credit risk

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

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

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

a) Loans business (including loan commitment and guarantees)

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and 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’s apply to its credit business the so-called “5Ps of credit analysis” as the basis for lending approval and evaluation of its counterparties. These 5Ps are: People (know customers’ background and their credit status well); purpose (what will the fund be used for); payment (the borrower’s ability to repay an obligation when it falls due); protection (TCB and its subsidiary’s recourse on repayment defaults); and perspective (how the credit is seen in light of rewards and risks). After a loan is granted, the transaction is reviewed and monitored to ensure TCB and its subsidiary’s creditor’s rights.

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

	December 31	
	2017	**2016**
Irrevocable loan commitments issued	$ 94,377,275	$ 101,561,712
Irrevocable credit card commitments	45,082,276	41,895,556
Letters of credit issued yet unused	18,727,577	21,152,739
Other guarantees	79,802,266	78,348,294

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	December 31 2017 Amount	%	2016 Amount	%
Natural person	$ 819,375,254	41	$ 809,134,142	39
Manufacturing	383,995,457	19	327,044,724	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

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D) With Objective Evidence of Impairment	Provision for Impairment Losses (D) With No Objective Evidence of Impairment	Net (A)+(B)+(C)-(D)
Receivables							
Credit cards	$ 3,114,017	$ 43,409	$ 56,635	$ 3,214,061	$ 19,868	$ 17,208	$ 3,176,985
Others	15,194,094	34,901	914,027	16,143,022	607,932	86,235	15,448,855
Discounts and loans	1,984,728,997	12,537,799	30,597,998	2,027,864,794	5,742,374	19,454,230	2,002,668,190

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) With Objective Evidence of Impairment	Provision for Impairment Losses (D) With No Objective Evidence of Impairment	Net (A)+(B)+(C)-(D)
Receivables							
Credit cards	$ 2,832,619	$ 38,059	$ 61,942	$ 2,932,620	$ 25,376	$ 17,420	$ 2,889,824
Others	11,567,798	24,406	1,017,271	12,609,475	599,917	60,974	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

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

Items	December 31, 2017	December 31, 2016
Loans		
Secured	$ 1,409,682,987	$ 1,407,436,657
Unsecured	575,046,010	545,657,947
Total	1,984,728,997	1,953,094,604

c) Credit quality analysis of securities

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	$ 149,993,993	$ -	$ -	$ 149,993,993	$ -	$ 149,993,993
Equities	4,316,380	-	-	4,316,380	-	4,316,380
Others	131,123	-	-	131,123	-	131,123
Held-to-maturity financial assets						
Debt instruments	110,841,605	-	-	110,841,605	3,304	110,838,301
Others	402,951,024	-	-	402,951,024	-	402,951,024
Other financial assets						
Debt instruments	83,942,127	-	-	83,942,127	-	83,942,127
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	20,145,645	-	-	20,145,645	-	20,145,645

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

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:

Item	December 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 34,314	$ 9,095	$ 43,409
Others	18,318	16,583	34,901
Loans			
Secured	8,416,499	2,867,567	11,284,066
Unsecured	1,132,174	121,559	1,253,733
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

Item	December 31, 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	-	-	-

3) Market risks

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

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

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

TCB and its subsidiary's market risk management procedures include risk identification, evaluation, 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	December 31, 2017	December 31, 2016
Interest rate risk	Interest rate curve increased 100 basis points	$ (39,258)	$ (338,493)
	Interest rate curve fell 100 basis points	39,988	363,546
Exchange rate risk	USD/NT$, EUR/NT$ increased 3%	(195,579)	(132,789)
	USD/NT$, EUR/NT$ fell 3%	195,579	132,789
	Others (RMB, AUD etc.)/NT$ increased 5%	9,514	220,149
	Others (RMB, AUD etc.)/NT$ fell 5%	9,514	(220,149)
Equity security price risk	Equity security price increased by 15%	165,096	120,054
	Equity security price fell by 15%	(162,501)	(120,054)

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 Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks and other financial assets - due from banks	$ 30,526,712	2.23	$ 26,939,023	1.82
Due from the Central Bank	163,470,160	0.36	363,032,312	0.54
Call loans to banks and other financial assets - call loans to securities firms	70,515,192	1.48	120,352,203	0.96
Held-for-trading financial assets	12,765,648	0.63	19,652,234	0.50
Financial assets designated as at fair value through profit or loss	-	-	-	-
Securities purchased under resell agreements	610,384	0.32	1,945,294	0.34
Discounts and loans	1,970,325,763	2.01	1,964,562,393	2.01
Available-for-sale financial assets	136,654,032	1.92	101,153,901	2.07
Held-to-maturity financial assets	514,022,532	0.73	478,884,429	0.48
Debt instruments with no active market	81,465,943	2.31	81,841,417	2.07

(Continued)

	For the Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Due to the Central Bank and other banks	$ 224,358,551	0.73	$ 212,433,189	0.55
Financial liabilities designated as at fair value through profit or loss	12,120,592	4.50	12,887,847	4.33
Securities sold under repurchase agreements	10,337,481	0.23	12,526,955	0.27
Demand deposits	489,195,961	0.12	487,840,156	0.12
Savings - demand deposits	811,456,768	0.27	766,805,420	0.32
Time deposits	468,497,554	1.15	491,914,674	1.04
Time savings deposits	658,949,831	1.06	677,825,139	1.15
Treasury deposits	84,055,258	0.65	82,155,852	0.70
Negotiable certificates of deposits	5,392,127	0.35	4,834,141	0.31
Structured products	2,720,350	1.46	4,347,486	0.62
Bank debentures	70,144,247	1.34	70,935,137	1.36

(Concluded)

b) United Taiwan Bank S.A.

	For the Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks	$ 89,259	0.22	$ 56,981	0.11
Due from the Central Bank	247,716	-	150,594	0.01
Call loans to banks	-	-	-	-
Discounts and loans	7,979,886	2.15	8,778,097	2.14
Debt instruments with no active market	1,546,605	0.78	1,725,446	0.89
Interest-bearing liabilities				
Due to the Central Bank and other banks	7,548,337	0.73	8,291,258	0.41
Demand deposits	51,967	-	43,651	-
Time deposits	85,909	1.29	85,414	0.87

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

(In Thousands)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 11,041,180	29.6800	$ 327,702,215
RMB	12,538,702	4.5490	57,038,555
AUD	945,755	23.1350	21,880,035
EUR	367,904	35.4500	13,042,210
JPY	41,602,226	0.2633	10,953,866
HKD	1,714,624	3.7960	6,508,711
ZAR	1,831,692	2.3900	4,377,743

(Continued)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
GBP	$ 60,118	39.9300	$ 2,400,518
CAD	29,282	23.6300	691,945
NZD	20,386	21.0700	429,537
CHF	11,219	30.3350	340,330
SGD	2,144	22.2000	47,601
THB	10,337	0.9129	9,437
SEK	2,327	3.6000	8,378
KHR	782,844	0.0073	5,715
PHP	3,855	0.5938	2,289
Financial liabilities			
USD	11,836,282	29.6800	351,300,848
RMB	11,437,152	4.5490	52,027,606
AUD	775,048	23.1350	17,930,745
JPY	54,569,470	0.2633	14,368,141
ZAR	2,875,459	2.3900	6,872,348
EUR	172,903	35.4500	6,129,407
NZD	210,686	21.0700	4,439,155
HKD	1,006,936	3.7960	3,822,329
CAD	58,801	23.6300	1,389,460
GBP	31,502	39.9300	1,257,861
CHF	17,122	30.3350	519,385
SGD	9,853	22.2000	218,734
SEK	16,506	3.6000	59,423
THB	12,133	0.9129	11,076
PHP	1,999	0.5938	1,187
KHR	2,889	0.0073	21
MYR	-	7.3020	2

(Concluded)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
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

(Continued)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
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
Financial liabilities			
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

(Concluded)

4) Liquidity risk

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

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

The liquidity risk management procedures involve identification, measurement, monitoring and report of risk. Each business unit should identify the existing liquidity risk in business activities and 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 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 24.49% in December 2017 and 25.51% in December 2016.

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

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 160,961,831	$ 43,055,551	$ 9,077,372	$ 281,277	$ -	$ 213,376,031
Financial liabilities at fair value through profit or loss	-	-	-	-	11,872,000	11,872,000
Securities sold under repurchase agreements	5,864,963	2,724,763	1,787,416	-	-	10,377,142
Payables	35,894,979	1,245,656	3,836,740	2,055,960	1,670,382	44,703,717
Deposits and remittances	269,370,789	372,256,022	358,183,916	617,296,617	1,007,631,653	2,624,738,997
Bank debentures	-	-	10,000,000	4,610,000	50,000,000	64,610,000
Other items of cash outflow on maturity	3,682,515	28,407	1,367	2,736	34,520	3,749,545

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

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 December 31, 2017 and 2016 must be repaid soon, the capital expenditure will be increased by $1,382,433,220 thousand and $1,332,990,997 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ 621	$ 483	$ 418	$ 138	$ -	$ 1,660
Interest	(3,677)	(401)	(2,430)	(9,393)	(1,657)	(17,558)

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)

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 99,247,171	$ 65,867,834	$ 54,369,486	$ 36,184,259	$ -	$ 255,668,750
Cash inflow	57,779,732	66,617,923	55,079,076	36,673,161	-	216,149,892
Interest derivatives						
Cash outflow	586,432	302,851	5,283	183,819	598,882	1,677,267
Cash inflow	478,036	408,408	-	178,024	604,980	1,669,448
Total cash outflow	99,833,603	66,170,685	54,374,769	36,368,078	598,882	257,346,017
Total cash inflow	58,257,768	67,026,331	55,079,076	36,851,185	604,980	217,819,340
Net cash flow	(41,575,835)	855,646	704,307	483,107	6,098	(39,526,677)

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

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.

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 794,925	$ 830,041	$ 11,337,789	$ 39,720,416	$ 41,694,104	$ 94,377,275
Irrevocable credit card commitments	2,348,868	80,095	792,986	1,183,528	40,676,799	45,082,276
Letters of credit issued yet unused	4,460,709	9,501,553	1,866,932	732,598	2,165,785	18,727,577
Other guarantees	3,247,217	3,405,653	5,747,747	7,742,939	59,658,710	79,802,266

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

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 management of BPCTLI effectively monitors and controls several risks. Control strategies implemented by BPCTLI are as follows:

1) Market risk

a) Market risk source and market risk factors

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

b) Market risk strategy and procedures

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

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

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

c) Market risk management framework

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

d) Market risk measurement

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were $451,595 thousand and $445,220 thousand as of December 31, 2017 and 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 December 31, 2017 and 2016 the fair values of financial assets would have decreased by $21,328 thousand and $20,690 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on December 31, 2017 and 2016, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by $18,542 thousand and $18,966 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 years ended December 31, 2017 and 2016, the income before income tax would have decreased $188,684 thousand and $186,802 thousand, respectively.

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

December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 9,446	29.66	$ 280,112
AUD	1,650	23.10	38,109
EUR	468	35.41	16,580
Receivables			
USD	11,692	29.66	346,717
RMB	3,425	4.51	15,554
Available-for-sale financial assets			
USD	374,408	29.66	11,103,061
RMB	110,568	4.51	502,089
Debt investments with no active market			
USD	240,719	29.66	7,138,534
RMB	203,069	4.51	922,137
Financial liabilities			
Guarantee deposits			
USD	-	29.66	-

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 7,099	32.19	$ 228,515
AUD	4,112	23.28	95,728
EUR	477	33.88	16,162
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
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

iii. Stress testing

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

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

Assuming the Lehman crisis in 2008 reoccurred as of December 31, 2017 and 2016, the losses on financial assets would have been $1,817,508 thousand and $1,958,955 thousand, respectively. Also assuming the Japan earthquake on March 11, 2011 reoccurred as of December 31, 2017 and 2016, the loss on financial assets would have been $142,091 thousand and $180,906 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

	December 31, 2017		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 21,127,247	$ 21,127,247	50
Domestic investment - corporate bonds (twAAA - twAA)	1,428,999	1,437,198	4
Overseas investment - government bonds	23,298	23,298	-
Overseas investment - corporate bonds (Aa2 - A2)	12,282,136	12,389,432	29
Overseas investment - corporate bonds (A3)	5,053,653	5,139,950	12
Overseas investment - corporate bonds (Baa2 - Ba1)	2,077,898	2,081,877	5
	$ 41,993,231	$ 42,199,002	100

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

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

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

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

ii. Maturity analysis of derivatives

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

	December 31, 2017			
	Within One Year	**1 Year to 3 Years**	**3 Years to 5 Years**	**Over Five Years**
Net settled				
Cross-currency swap contracts	$ (5,067)	$ -	$ -	$ -
Currency swap contracts	(208,275)	-	-	-
	$ (213,342)	$ -	$ -	$ -

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

f. Insurance contracts

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

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

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

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

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

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

2) Concentration of insurance risk and the development of claims

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

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

a) Development of direct business loss

	Development Ages								Claim
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Reserve**
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	-
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	-
2013	19,586	27,531	27,762	28,666	28,555	28,557	28,557	28,557	2
2014	25,862	28,357	28,976	31,011	31,018	31,020	31,020	31,020	9
2015	35,899	42,080	42,346	44,517	44,525	44,529	44,529	44,528	2,182
2016	26,485	31,219	31,831	32,341	32,348	32,351	32,351	32,351	1,132
2017	51,930	65,649	67,259	70,050	70,063	70,068	70,068	70,068	18,138
							Incurred but not reported		21,463
							Reported but not paid		21,750
							Balance of claim reserve		$ 43,213

b) Development of retained business

	Development Ages								Claim
	1	2	3	4	5	6	7	8	Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	-
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	-
2013	19,497	26,841	27,071	27,975	27,864	27,866	27,866	27,866	2
2014	25,174	27,659	28,278	30,313	30,319	30,322	30,322	30,322	9
2015	31,538	37,711	37,977	39,273	39,281	39,284	39,284	39,284	1,307
2016	25,930	30,590	31,186	31,671	31,679	31,682	31,682	31,682	1,092
2017	49,801	62,312	63,726	65,781	65,794	65,799	65,799	65,799	15,998
							Incurred but not reported		18,408
							Reported but not paid		19,719
							Balance of claim reserve		$ 38,127

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.

	December 31, 2017		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 70,646	$ 58,636
Discount rate	(0.25%)	(70,803)	(58,767)
Mortality rate	10.00%	(18,311)	(15,198)
Mortality rate	(10.00%)	18,310	15,198
Withdrawal rate	30.00%	8,994	7,465
Withdrawal rate	(30.00%)	(9,388)	(7,792)
Illness rate/loss rate	15.00%	(12,255)	(10,171)
Expense rate	10.00%	(65,257)	(54,163)

	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	10.00%	(15,025)	(12,471)
Mortality rate	(10.00%)	15,025	12,471
Withdrawal rate	30.00%	2,472	2,052
Withdrawal rate	(30.00%)	(3,909)	(3,245)
Illness rate/loss rate	15.00%	(12,234)	(10,154)
Expense rate	10.00%	(65,622)	(54,466)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

Under related laws and regulations, the individual face values of BPCTLI’s insurance policies are all greater than their surrender value. Thus, the liquidity risks on agreement cancellations would not be significant. In addition, under the materiality principle, if a policyholder cancels its coverage, BPCTLI will not disclose the cash flow maturity analysis in its financial statements if the coverage amount is not significant.

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:

December 31, 2017					
Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL - securities sold under repurchase agreements	$ 28,100,388	$ 27,656,540	$ 28,100,388	$ 27,656,540	$ 443,848
Available-for-sale financial assets - securities sold under repurchase agreements	13,460,652	13,724,116	13,460,652	13,724,116	(263,464)
Held-to-maturity financial assets - securities sold under repurchase agreements	917,098	919,182	917,098	919,182	(2,084)

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

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.

December 31, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	$ 1,580,366	$ -	$ 1,580,366	$ (1,580,366)	$ -	$ -

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	$ 42,299,838	$ -	$ 42,299,838	$ (41,793,436)	$ -	$ 506,402

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

43. CAPITAL MANAGEMENT

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

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

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

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%. The CARs of TCBF were 15.46% and 16.31% as of December 31, 2017 and 2016, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 150% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 150%, the authority may impose certain restrictions on a firm's operations. The CAR of TCS was 328% and 421% as of December 31, 2017 and 2016, respectively.

The Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%. The CARs of BPCTLI were 1,152.31% and 1,015.54% as of December 31, 2017 and 2016, respectively.

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

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 3 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCB's Equity**
1	Group A Railway transportation	$ 41,951,293	20.95
2	Group B Petroleum and coal products manufacturing	18,052,998	9.01
3	Group C Harbor services	17,960,733	8.97
4	Group D Computers and computing peripheral equipment manufacturing	11,823,061	5.90
5	Group E Cotton and textile	11,454,110	5.72
6	Group F Cotton and textile	11,368,738	5.68
7	Group G Shipping agency	10,182,036	5.08
8	Group H Real estate development	9,809,249	4.90
9	Group I Iron and steel smelting	9,389,840	4.69
10	Group J Real estate development	8,049,397	4.02

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2016		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCB's Equity**
1	Group A Railway transportation	$ 47,985,202	25.22
2	Group B Petroleum and coal products manufacturing	24,452,532	12.85
3	Group C Harbor services	20,117,499	10.57
4	Group D Computers and computing peripheral equipment manufacturing	12,475,052	6.56
5	Group G Shipping agency	10,468,922	5.50
6	Group F Cotton and textile	9,800,372	5.15
7	Group I Iron and steel smelting	8,507,430	4.47
8	Group K Liquid crystal panel and component manufacturing	8,473,972	4.45
9	Group L Other electronic parts and components manufacturing not classified elsewhere	8,156,172	4.29
10	Group E Cotton and textile	7,990,876	4.20

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCBF's Equity**
1	Group A Other financial intermediation not elsewhere classified	$ 960,000	18.69
2	Group B Real estate development	743,000	14.46
3	Group C Other financial intermediation not elsewhere classified	705,000	13.73
4	Group D Shipping agency	700,000	13.63
5	Group E Real estate development	653,000	12.71
6	Group F Manmade fiber manufacturing	630,000	12.26
7	Group G Real estate development	629,800	12.26
8	Group H Wholesale of motor vehicles and motorcycles parts and accessories	600,000	11.68
9	Group I Manmade fiber manufacturing	577,000	11.23
10	Group J Real estate development	555,000	10.80

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2016		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCBF's Equity**
1	Group A Other financial intermediation not elsewhere classified	$ 900,000	18.13
2	Group K Pulp manufacturing	650,000	13.09
3	Group C Other financial intermediation not elsewhere classified	640,000	12.89
4	Group L Renting and leasing of motor vehicles	630,000	12.69
5	Group F Manmade fiber manufacturing	600,000	12.08
6	Group H Wholesale of motor vehicles and motorcycles parts and accessories	600,000	12.08
7	Group M Private financing industry	550,000	11.08
8	Group J Real estate development	515,000	10.37
9	Group D Shipping agency	500,000	10.07
10	Group N Catering industry	480,000	9.67

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
December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,214,760,305	$ 84,152,971	$ 27,194,085	$ 242,089,018	$ 2,568,196,379
Interest rate-sensitive liabilities	900,687,788	1,294,547,469	108,676,697	47,908,620	2,351,820,574
Interest rate sensitivity gap	1,315,072,517	(1,210,394,498)	(81,482,612)	194,180,398	216,375,805
Net worth					183,339,996
Ratio of interest rate-sensitive assets to liabilities					109.20
Ratio of interest rate sensitivity gap to net worth					118.02

Interest Rate Sensitivity
December 31, 2016

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,226,291,870	$ 78,409,769	$ 20,003,190	$ 212,280,065	$ 2,536,984,894
Interest rate-sensitive liabilities	875,078,103	1,270,111,617	123,230,949	56,522,353	2,324,943,022
Interest rate sensitivity gap	1,351,213,767	(1,191,701,848)	(103,227,759)	155,757,712	212,041,872
Net worth					179,884,108
Ratio of interest rate-sensitive assets to liabilities					109.12
Ratio of interest rate sensitivity gap to net worth					117.88

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
December 31, 2017

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,611,033	$ 1,091,395	$ 197,117	$ 1,337,051	$ 15,236,596
Interest rate-sensitive liabilities	14,917,306	836,189	777,151	-	16,530,646
Interest rate sensitivity gap	(2,306,273)	255,206	(580,034)	1,337,051	(1,294,050)
Net worth					570,103
Ratio of interest rate-sensitive assets to liabilities					92.17
Ratio of interest rate sensitivity gap to net worth					(226.99)

Interest Rate Sensitivity
December 31, 2016

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 11,048,057	$ 880,553	$ 339,015	$ 889,296	$ 13,156,921
Interest rate-sensitive liabilities	13,248,760	613,323	660,986	10,000	14,533,069
Interest rate sensitivity gap	(2,200,703)	267,230	(321,971)	879,296	(1,376,148)
Net worth					321,380
Ratio of interest rate-sensitive assets to liabilities					90.53
Ratio of interest rate sensitivity gap to net worth					(428.20)

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
December 31, 2017

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 251,549	$ 113,202	$ -	$ -	$ 364,751
Interest rate-sensitive liabilities	189,008	96,423	778	-	286,209
Interest rate sensitivity gap	62,541	16,779	(778)	-	78,542
Net worth					73,260
Ratio of interest rate-sensitive assets to liabilities					127.44
Ratio of interest rate sensitivity gap to net worth					107.21

Interest Rate Sensitivity
December 31, 2016

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 270,858	$ 71,519	$ -	$ -	$ 342,377
Interest rate-sensitive liabilities	175,459	90,769	9,042	-	275,270
Interest rate sensitivity gap	95,399	(19,250)	(9,042)	-	67,107
Net worth					60,677
Ratio of interest rate-sensitive assets to liabilities					124.38
Ratio of interest rate sensitivity gap to net worth					110.60

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		**December 31, 2017**	**December 31, 2016**
Return on total assets	Before income tax	0.50	0.49
	After income tax	0.44	0.43
Return on equity	Before income tax	8.32	8.35
	After income tax	7.28	7.27
Net income ratio		31.55	33.20

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		**December 31, 2017**	**December 31, 2016**
Return on total assets	Before income tax	6.63	6.67
	After income tax	6.65	6.68
Return on equity	Before income tax	7.22	7.21
	After income tax	7.23	7.22
Net income ratio		98.79	98.85

3) Taiwan Cooperative Bank, Ltd. (TCB)

(%)

Items		**December 31, 2017**	**December 31, 2016**
Return on total assets	Before income tax	0.47	0.47
	After income tax	0.41	0.40
Return on equity	Before income tax	7.62	7.80
	After income tax	6.61	6.72
Net income ratio		30.45	30.67

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		**December 31, 2017**	**December 31, 2016**
Return on total assets	Before income tax	1.32	1.27
	After income tax	1.30	1.25
Return on equity	Before income tax	11.05	10.74
	After income tax	10.93	10.57
Net income ratio		117.17	90.46

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	1.51	1.20
	After income tax	1.34	1.08
Return on equity	Before income tax	6.77	3.81
	After income tax	6.01	3.46
Net income ratio		29.76	22.97

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

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.55	0.57
	After income tax	0.55	0.55
Return on equity	Before income tax	10.02	10.59
	After income tax	9.88	10.17
Net income ratio		52.58	50.46

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.

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
December 31, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 2,957,557,972	$ 448,397,991	$ 275,917,514	$ 165,743,918	$ 229,432,907	$ 322,971,713	$ 1,515,093,929
Main capital outflow on maturity	3,456,487,942	223,064,245	169,642,349	426,890,518	418,577,272	680,715,349	1,537,598,209
Gap	(498,929,970)	225,333,746	106,275,165	(261,146,600)	(189,144,365)	(357,743,636)	(22,504,280)

Maturity Analysis of Assets and Liabilities
December 31, 2016

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 2,912,579,303	$ 445,925,958	$ 325,498,497	$ 154,386,789	$ 168,278,402	$ 326,999,582	$ 1,491,490,075
Main capital outflow on maturity	3,411,972,205	220,472,557	179,964,509	430,399,837	414,230,546	658,707,019	1,508,197,737
Gap	(499,392,902)	225,453,401	145,533,988	(276,013,048)	(245,952,144)	(331,707,437)	(16,707,662)

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

Maturity Analysis of Assets and Liabilities
December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 23,562,373	$ 8,293,946	$ 4,288,492	$ 2,800,333	$ 1,801,262	$ 6,378,340
Main capital outflow on maturity	26,730,431	13,132,116	5,222,834	2,654,535	3,498,091	2,222,855
Gap	(3,168,058)	(4,838,170)	(934,342)	145,798	(1,696,829)	4,155,485

Maturity Analysis of Assets and Liabilities
December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 21,063,564	$ 8,535,847	$ 3,495,230	$ 2,346,722	$ 1,023,083	$ 5,662,682
Main capital outflow on maturity	24,305,052	12,029,919	4,509,979	2,179,696	3,191,626	2,393,832
Gap	(3,241,488)	(3,494,072)	(1,014,749)	167,026	(2,168,543)	3,268,850

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
December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 361,510	$ 23,339	$ -	$ 13,000	$ 27,726	$ 297,445
Main capital outflow on maturity	291,490	65,359	123,649	96,423	778	5,281
Gap	70,020	(42,020)	(123,649)	(83,423)	26,948	292,164

Maturity Analysis of Assets and Liabilities
December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 342,377	$ 45,694	$ 1,500	$ 16,632	$ 14,830	$ 263,721
Main capital outflow on maturity	281,700	78,076	97,383	90,818	9,042	6,381
Gap	60,677	(32,382)	(95,883)	(74,186)	5,788	257,340

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.

December 31, 2017

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	$ 12,861,481	$ 12,602,328	$ 3,375,517	$ 1,155,289	$ -
	Bonds	600,000	300,000	-	100,000	7,389,614
	Cash in bank	4,737,438	-	200	70,000	-
	Total	18,198,919	12,902,328	3,375,717	1,325,289	7,389,614
Source of funds	Borrowings	16,223,000	-	-	-	-
	Securities sold under repurchase agreements	20,506,675	1,329,556	60,116	-	-
	Total	36,729,675	1,329,556	60,116	-	-
Net flows		(18,530,756)	11,572,772	3,315,601	1,325,289	7,389,614
Accumulated capital net flows		(18,530,756)	(6,957,984)	(3,642,383)	(2,317,094)	5,072,520

December 31, 2016

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	$ 11,001,228	$ 8,978,219	$ 646,349	$ -	$ -
	Bonds	-	-	46,180	838,540	13,691,647
	Cash in bank	4,699,499	120,000	200	-	-
	Total	15,700,727	9,098,219	692,729	838,540	13,691,647
Source of funds	Borrowings	10,900,000	-	-	-	-
	Securities sold under repurchase agreements	19,918,074	4,098,843	-	-	-
	Total	30,818,074	4,098,843	-	-	-
Net flows		(15,117,347)	4,999,376	692,729	838,540	13,691,647
Accumulated capital net flows		(15,117,347)	(10,117,971)	(9,425,242)	(8,586,702)	5,104,945

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
December 31, 2017 and 2016

Trust Assets	2017	2016
Cash in banks	$ 3,319,755	$ 2,403,263
Short-term investments		
Mutual funds	161,531,937	153,234,175
Stocks	1,294,138	1,735,287
Debt instruments	2,698,757	1,364,377
Structured products	243,571	300,778
	165,768,403	156,634,617
Securities lending	304,154	833,745
Receivables	6,337	8,844
Real estate		
Land	49,423,289	46,493,613
Buildings	8,523	12,192
Construction in process	11,784,267	9,255,459
	61,216,079	55,761,264
Securities under custody	112,915,054	75,487,067
Total	$ 343,529,782	$ 291,128,800

Trust Liabilities	2017	2016
Payables		
Accrued expense	$ 2,785	$ 4,250
Others	2,290	2,477
Mutual funds	-	200
	5,075	6,927
Accounts payable on securities under custody	112,915,054	75,487,067
Trust capital		
Cash	166,811,638	157,272,789
Real estate	62,103,419	55,568,875
Securities	1,443,645	2,432,186
Others	110,521	275,144
	230,469,223	215,548,994
Reserves and retained earnings		
Net income	158,119	140,587
Appropriation	(200,645)	(161,502)
Retained earnings	182,956	106,727
	140,430	85,812
Total	$ 343,529,782	$ 291,128,800

Trust Property List
December 31, 2017 and 2016

Investment Items	2017	2016
Cash in banks	$ 3,319,755	$ 2,403,263
Short-term investments		
Mutual funds	161,531,937	153,234,175
Stocks	1,294,138	1,735,287
Debt instruments	2,698,757	1,364,377
Structured products	243,571	300,778
Securities lending	304,154	833,745
Receivables		
Accrued interest	4,972	3,353
Receivable on the sale of securities	-	200
Others	1,365	5,291
Real estate		
Land	49,423,289	46,493,613
Buildings	8,523	12,192
Construction in process	11,784,267	9,255,459
Securities under custody	112,915,054	75,487,067
Total	$ 343,529,782	$ 291,128,800

Statements of Income on Trust Accounts
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Interest revenue	$ 6,221	$ 5,117
Cash dividends	54,478	69,127
Realized gain on investment - stocks	12,205	18,077
Unrealized gain on investment - stocks	188,628	237,500
Realized gain on investment - mutual funds	299	59
Unrealized gain on investment - mutual funds	-	1,606
Rentals	15,198	27,840
Others	120	5
Total revenues	277,149	359,331
Expenses		
Management fees	6,434	8,848
Taxes	-	52
Service charge	483	751
Postage	26	28
Unrealized loss on investment - stocks	110,305	202,939
Realized loss on investment - mutual funds	669	18
Unrealized loss on investment - mutual funds	-	4,395
Others	1,113	1,713
Total expenses	119,030	218,744
Income before income tax	158,119	140,587
Income tax expense	-	-
Net income	$ 158,119	$ 140,587

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 December 31, 2017 and 2016, TCB's accrued receivables were $3,144 thousand and $2,245 thousand, respectively. TCB's revenues from cross-selling transactions were $8,394 thousand and $7,044 thousand, in 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 December 31, 2017 and 2016, TCB's accrued receivables were $2,499 thousand and $2,419 thousand, respectively. TCB's revenues from cross-selling transactions were $36,295 thousand and $32,090 thousand in 2017 and 2016, respectively.

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

Table 4 (attached).

48. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 5 (attached).

49. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Table 6 (attached).

50. NON-CASH FINANCING ACTIVITIES

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

51. 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.

52. 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 7 (attached).

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

3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company - Table 8 (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 9 (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 10 (attached).

9) Sale of nonperforming loans by subsidiaries: Table 11 (attached).

10) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Table 12 (attached).

11) Percentage share in investees and related information: Table 13 (attached).

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 14 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 15 (attached).

53. OPERATING SEGMENTS

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

a. TCB business, including deposit and loan, capital, trust and other business;

b. Other noncore business.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenue, expenses and related information of the Company's reportable segments are as follows:

	For the Year Ended December 31, 2017				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 32,298,697	$ 2,067,445	$ 34,366,142	$ -	$ 34,366,142
Net revenues and gains other than interest	10,063,006	17,080,928	27,143,934	(14,881,676)	12,262,258
Net revenues	42,361,703	19,148,373	61,510,076	(14,881,676)	46,628,400
Bad-debt expenses and provision for losses on guarantees	(5,302,494)	81,564	(5,220,930)	-	(5,220,930)
Net change in reserves for insurance liabilities	-	(340,273)	(340,273)	-	(340,273)
Operating expenses	(22,173,615)	(2,264,357)	(24,437,972)	173,278	(24,264,694)
Income before income tax	$ 14,885,594	$ 16,625,307	$ 31,510,901	$(14,708,398)	$ 16,802,503

	For the Year Ended December 31, 2016				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 31,402,402	$ 2,008,790	$ 33,411,192	$ -	$ 33,411,192
Net revenues and gains other than interest	9,432,572	13,995,453	23,428,025	(14,255,484)	9,172,541
Net revenues	40,834,974	16,004,243	56,839,217	(14,255,484)	42,583,733
Bad-debt expenses and provision for losses on guarantees	(3,802,662)	(167,908)	(3,970,570)	-	(3,970,570)
Net change in reserves for insurance liabilities	-	2,002,856	2,002,856	-	2,002,856
Operating expenses	(22,486,079)	(2,084,762)	(24,570,841)	180,908	(24,389,933)
Income before income tax	$ 14,546,233	$ 15,754,429	$ 30,300,662	$(14,074,576)	$ 16,226,086

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2017 AND 2016

Subsidiaries included in the consolidated financial statements

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

Subsidiaries not included in the consolidated financial statements

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

TABLE 2

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO
DECEMBER 31, 2017 AND 2016

1. Taiwan Cooperative Financial Holding Co., Ltd.'s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

Items / Company	December 31, 2017			December 31, 2016		
	Proportionate Share	**Group's Net Eligible Capital**	**Group's Statutory Capital Requirement**	**Proportionate Share**	**Group's Net Eligible Capital**	**Group's Statutory Capital Requirement**
Taiwan Cooperative Financial Holding Co., Ltd.		$ 201,151,570	$ 219,337,462		$ 194,675,669	$ 208,353,187
Taiwan Cooperative Bank, Ltd.	100	241,274,243	166,112,432	100	237,632,243	158,731,816
Taiwan Cooperative Bills Finance Co., Ltd.	100	5,200,175	2,690,843	100	5,187,936	2,545,028
Taiwan Cooperative Securities Co., Ltd.	100	4,952,985	2,266,812	100	4,702,452	1,674,345
Co-operative Assets Management Co., Ltd.	100	3,396,391	2,892,641	100	3,387,679	2,623,819
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51	4,074,968	707,267	51	3,795,321	747,450
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100	377,473	206,340	100	355,016	194,043
Taiwan Cooperative Venture Capital Co., Ltd.	100	966,797	486,012	100	1,007,757	505,700
Deduction		(236,542,905)	(219,327,236)		(229,265,319)	(208,347,429)
Total		224,851,698	175,372,573		221,478,754	167,027,959
Group capital adequacy ratio		128.21%			132.60%	

Note 1: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

Note 2: Group capital adequacy ratio = Group's net eligible capital ÷ Group's statutory capital requirement.

(Continued)

2. Taiwan Cooperative Financial Holding Co., Ltd.'s eligible capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2017
Common stock	$ 122,027,036
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	5,019,668
Special reserve	996,026
Cumulative earnings	14,377,752
Equity adjustments	767,215
Less: Capital deduction	470
Total eligible capital	201,151,570

Items	December 31, 2016
Common stock	$ 118,472,850
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	3,643,188
Special reserve	996,026
Cumulative earnings	14,225,747
Equity adjustments	(624,156)
Less: Capital deduction	2,329
Total eligible capital	194,675,669

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

(Continued)

3. Taiwan Cooperative Bank, Ltd.'s capital adequacy ratio

(Unit: In Thousands of New Taiwan Dollars, %)

Items			December 31, 2017 Standalone	December 31, 2017 Consolidated
Eligible capital	Common equity		$ 185,317,810	$ 186,356,482
	Other Tier 1 capital		-	-
	Tier 2 capital		55,956,433	56,994,138
	Eligible capital		241,274,243	243,350,620
Risk-weighted assets	Credit risk	Standardized approach	1,699,983,398	1,703,971,927
		Internal ratings based approach	-	-
		Securitization	4,869,832	4,869,832
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	70,096,582	71,479,305
		Advanced measurement approach	-	-
	Market risk	Standardized approach	20,860,263	20,860,338
		Internal model approach	-	-
	Risk-weighted assets		1,795,810,075	1,801,181,402
Capital adequacy ratio			13.44	13.51
Ratio of the common equity to risk-weighted assets			10.32	10.35
Ratio of Tier 1 capital to risk-weighted assets			10.32	10.35
Ratio of leverage			5.51	5.53

(Unit: In Thousands of New Taiwan Dollars, %)

Items			December 31, 2016 Standalone	December 31, 2016 Consolidated
Eligible capital	Common equity		$ 176,691,923	$ 177,630,492
	Other Tier 1 capital		-	-
	Tier 2 capital		60,940,320	62,002,796
	Eligible capital		237,632,243	239,633,288
Risk-weighted assets	Credit risk	Standardized approach	1,749,949,669	1,751,849,566
		Internal ratings based approach	-	-
		Securitization	2,525,003	2,525,003
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	67,055,930	68,376,295
		Advanced measurement approach	-	-
	Market risk	Standardized approach	20,838,284	20,846,475
		Internal model approach	-	-
	Risk-weighted assets		1,840,368,886	1,843,597,339
Capital adequacy ratio			12.91	13.00
Ratio of the common equity to risk-weighted assets			9.60	9.63
Ratio of Tier 1 capital to risk-weighted assets			9.60	9.63
Ratio of leverage			5.33	5.35

(Continued)

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital

2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Ratio of leverage = Tier 1 capital ÷ Exposure measurement.

(Concluded)

TAIWAN COOPERATIVE BANK, LTD.

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

Period			December 31, 2017					December 31, 2016				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 3,080,261	$ 680,301,703	0.45	$ 7,827,645	254.12	$ 2,967,322	$ 678,321,953	0.44	$ 6,272,474	211.39
	Unsecured		1,543,799	554,801,261	0.28	6,864,342	444.64	2,668,904	525,514,607	0.51	7,160,343	268.29
Consumer banking	Housing mortgage (Note 4)		1,196,452	499,209,397	0.24	7,574,524	633.08	979,710	502,456,117	0.19	7,609,102	776.67
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		42,159	12,905,632	0.33	106,622	252.90	11,904	12,499,705	0.10	148,551	1,247.91
	Other (Note 6)	Secured	940,017	263,507,882	0.36	2,557,468	272.07	613,546	254,588,889	0.24	2,015,897	328.56
		Unsecured	31,656	8,550,570	0.37	109,908	347.19	25,980	8,926,735	0.29	141,177	543.41
Loan			6,834,344	2,019,276,445	0.34	25,040,509	366.39	7,267,366	1,982,308,006	0.37	23,347,544	321.27
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			8,482	3,224,127	0.26	53,334	628.79	5,566	2,937,838	0.19	56,009	1,006.27
Accounts receivable factored without recourse (Note 7)			-	1,843,856	-	20,556	-	-	561,785	-	6,351	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			1,426					2,363				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			9,276					12,487				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			15,968					19,918				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			46,319					53,335				

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).

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES DECEMBER 31, 2017 AND 2016

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	**2017**	**2016**	**Liabilities and Equity**	**2017**	**2016**
Cash and cash equivalents	$ 59,315	$ 33,611	Liabilities		
Receivables	150	161			
Current tax assets	1,680,272	1,049,081	Commercial paper issued, net	$ 18,019,041	$ 13,520,863
Investments accounted for using equity method	219,327,236	208,347,429	Payables	198,827	165,623
			Current tax liabilities	1,700,153	1,066,367
Properties and equipment, net	2,291	1,864	Other financial liabilities	353	196
Intangible assets	237	2,138	Other liabilities	7,105	7,161
Deferred tax assets	233	191	Total liabilities	19,925,479	14,760,210
Other assets	7,785	3,733			
			Equity		
			Capital stock	122,027,036	118,472,850
			Capital surplus	57,964,343	57,964,343
			Retained earnings	20,393,446	18,864,961
			Other equity	767,215	(624,156)
			Total equity	201,152,040	194,677,998
Total	$ 221,077,519	$ 209,438,208	Total	$ 221,077,519	$ 209,438,208

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	2017	2016
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	$ 14,555,732	$ 13,979,121
Other revenues and gains	2,715	2,177
Total revenues and gains	14,558,447	13,981,298
Expenses and losses		
Operating expenses	211,525	183,665
Other expenses and losses	65,160	56,594
Total expenses and losses	276,685	240,259
Income before income tax	14,281,762	13,741,039
Income tax benefit	36,036	23,756
Net income	14,317,798	13,764,795
Other comprehensive income (losses)	1,041,707	(2,359,559)
Total comprehensive income	$ 15,359,505	$ 11,405,236
Earnings per share (New Taiwan dollars)		
Basic	$1.17	$1.13
Diluted	$1.17	$1.13

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	Capital Stock			Retained Earnings			Other Equity			
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Total Equity
BALANCE, JANUARY 1, 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 year ended December 31, 2016	-	-	-	-	-	13,764,795	-	-	-	13,764,795
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	(46,338)	(309,700)	(2,035,851)	32,330	(2,359,559)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	13,718,457	(309,700)	(2,035,851)	32,330	11,405,236
BALANCE, DECEMBER 31, 2016	11,847,285	118,472,850	57,964,343	3,643,188	996,026	14,225,747	(9,285)	(649,369)	34,498	194,677,998
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 year ended December 31, 2017	-	-	-	-	-	14,317,798	-	-	-	14,317,798
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(349,664)	(1,168,649)	2,592,104	(32,084)	1,041,707
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	13,968,134	(1,168,649)	2,592,104	(32,084)	15,359,505
BALANCE, DECEMBER 31, 2017	12,202,704	$ 122,027,036	$ 57,964,343	$ 5,019,668	$ 996,026	$ 14,377,752	$ (1,177,934)	$ 1,942,735	$ 2,414	$ 201,152,040

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities		
Income before income tax	$ 14,281,762	$ 13,741,039
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(14,555,732)	(13,979,121)
Depreciation and amortization expenses	3,339	9,737
Interest expense	65,160	56,594
Interest revenue	(95)	(97)
Net changes in operating assets and liabilities		
Decrease in receivables	11	14
Decrease in other assets	187	22
Increase in payables	33,204	10,306
Increase (decrease) in other liabilities	(56)	1,706
Cash used in operations	(172,220)	(159,800)
Interest received	95	97
Dividend received	9,617,680	9,040,903
Interest paid	(66,982)	(59,416)
Income tax refund	38,589	51,048
Net cash generated by operating activities	9,417,162	8,872,832
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(5,000,048)	(5,300,505)
Acquisition of properties and equipment	(1,774)	(22)
Acquisition of intangible assets	(91)	-
Increase in refundable deposits	(4,239)	(253)
Net cash used in investing activities	(5,006,152)	(5,300,780)
Cash flows from financing activities		
Increase in commercial paper issued	4,500,000	-
Decrease in commercial paper issued	-	(250,000)
Increase in other borrowings	1,000,000	870,000
Decrease in other borrowings	(1,000,000)	(870,000)
Increase in other financial liabilities	994	119
Decrease in other financial liabilities	(837)	(208)
Dividends paid	(8,885,463)	(3,321,669)
Net cash used in financing activities	(4,385,306)	(3,571,758)
Net increase in cash and cash equivalents	25,704	294
Cash and cash equivalents, beginning of the year	33,611	33,317
Cash and cash equivalents, end of the year	$ 59,315	$ 33,611

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Cash and cash equivalents	$ 63,562,455	$ 54,064,826	Liabilities		
Due from the Central Bank and call loans to other banks	274,341,552	302,017,438	Due to the Central Bank and other banks	$ 212,300,065	$ 225,668,911
Financial assets at fair value through profit or loss	12,862,843	27,866,137	Financial liabilities at fair value through profit or loss	14,450,851	14,631,011
Securities purchased under resell agreements	249,463	-	Securities sold under repurchase agreements	10,377,142	12,000,831
Receivables, net	18,593,582	14,808,694	Payables	45,179,629	44,120,225
Current tax assets	1,402,132	1,187,408	Current tax liabilities	1,185,896	328,375
Discounts and loans, net	1,993,819,434	1,958,508,412	Deposits and remittances	2,624,598,335	2,564,157,192
Available-for-sale financial assets, net	154,441,496	123,640,946	Bank debentures	64,610,000	74,610,000
Held-to-maturity financial assets	513,789,325	510,048,964	Other financial liabilities	3,749,545	2,614,125
Investments accounted for using equity method	2,073,809	1,882,267	Provisions	7,624,197	7,171,678
			Deferred tax liabilities	2,996,390	3,261,164
Other financial assets, net	107,002,789	99,887,733	Other liabilities	1,119,382	1,170,965
Properties and equipment, net	33,926,763	37,962,847	Total liabilities	2,988,191,432	2,949,734,477
Investment properties, net	6,984,409	2,886,363			
Intangible assets	3,513,492	3,545,312	Equity		
Deferred tax assets	1,282,022	954,971			
Other assets, net	606,519	711,131	Capital stock	88,081,300	85,863,000
			Capital surplus	58,767,245	55,985,497
			Retained earnings	52,986,510	49,140,179
			Other equity	425,598	(749,704)
			Total equity	200,260,653	190,238,972
Total	$ 3,188,452,085	$ 3,139,973,449	Total	$ 3,188,452,085	$ 3,139,973,449

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Cash and cash equivalents	$ 4,167,558	$ 4,179,619	Liabilities		
Financial assets at fair value through profit or loss	30,168,918	20,606,902	Call loans from banks	$ 16,223,000	$ 10,900,000
Available-for-sale financial assets, net	6,075,585	12,217,608	Securities sold under repurchase agreements	21,891,617	24,009,038
Receivables, net	134,318	168,636	Payables	80,888	68,356
Current tax assets	83,285	79,755	Provisions	537,922	745,822
Held-to-maturity financial assets, net	2,401,826	2,586,245	Other liabilities	44,050	31,385
			Total liabilities	38,777,477	35,754,601
Other financial assets, net	649,477	649,477			
Properties and equipment, net	12,186	12,849	Equity		
Intangible assets, net	6,995	7,761	Capital stock	3,547,270	3,547,270
Other assets, net	213,934	211,363	Capital surplus	3,240	3,240
			Retained earnings	1,577,666	1,391,660
			Other equity	8,429	23,444
			Total equity	5,136,605	4,965,614
Total	$ 43,914,082	$ 40,720,215	Total	$ 43,914,082	$ 40,720,215

(Continued)

Taiwan Cooperative Securities Co., Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Current assets	$27,362,506	$ 19,509,596	Liabilities		
Available-for-sale financial assets - non-current	31,734	31,809	Current liabilities	$ 22,472,153	$ 14,865,117
Financial assets carried at cost - non-current	16,845	99	Deferred tax liabilities	1,229	1,506
Properties and equipment, net	54,159	74,728	Other liabilities	4,018	7,137
Intangible assets	54,982	48,577	Total liabilities	22,477,400	14,873,760
Deferred tax assets	11,329	10,055			
Other non-current assets	418,849	416,716	Equity		
			Capital stock	4,724,200	4,724,200
			Capital surplus	294,440	294,440
			Retained earnings	453,386	227,794
			Other equity	978	(28,614)
			Total equity	5,473,004	5,217,820
Total	$ 27,950,404	$ 20,091,580	Total	$ 27,950,404	$ 20,091,580

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Current assets	$ 44,372	$ 41,122	Liabilities		
Accounts receivable - acquired loans, net	1,910,908	2,309,329	Current liabilities	$ 2,336,557	$ 1,825,267
Investments accounted for using the equity method	908,023	878,249	Deferred tax liabilities	17,157	9,122
			Other liabilities	35,175	25,570
Properties and equipment, net	4,723	4,598	Total liabilities	2,388,889	1,859,959
Investment properties, net	2,022,719	1,520,427	Equity		
Intangible assets	3,052	2,431			
Deferred tax assets	156,397	111,598	Capital stock	2,825,280	2,825,280
Long-term lease payment receivable	477,580	115,015	Capital surplus	2,553	2,553
			Retained earnings	625,855	605,655
Other assets	257,506	264,869	Other equity	(57,297)	(45,809)
			Total equity	3,396,391	3,387,679
Total	$ 5,785,280	$ 5,247,638	Total	$ 5,785,280	$ 5,247,638

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	**2017**	**2016**	**Liabilities and Equity**	**2017**	**2016**
Cash and cash equivalents	$ 1,991,418	$ 3,751,573	Liabilities		
Receivables	1,261,088	1,029,934			
Current tax assets	34,231	165,145	Payables	$ 441,354	$ 607,847
Investments	47,081,185	45,579,644	Deferred tax liabilities	118,146	-
Reinsurance assets	129,358	8,034	Financial liabilities at fair value		
Equipment, net	85,412	75,490	through profit or loss	-	314,356
Deferred tax assets	122,985	8,845	Insurance liabilities	30,914,740	30,758,631
Other assets	1,048,128	974,948	Reserve for insurance contracts		
Separate-account assets	95,247,471	87,468,591	with financial instruments		
			features	11,238,116	11,511,953
			Reserve of foreign exchange		
			variation	149,520	145,987
			Deferred tax liabilities	19,093	41,910
			Other liabilities	447,863	850,195
			Separate-account liabilities	95,247,471	87,468,591
			Total liabilities	138,576,303	131,699,470
			Equity		
			Capital stock	6,399,532	6,000,000
			Capital surplus	9,310	9,310
			Retained earnings	1,136,911	1,020,438
			Other equity	879,220	332,986
			Total equity	8,424,973	7,362,734
Total	$ 147,001,276	$ 139,062,204	Total	$ 147,001,276	$ 139,062,204

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	**2017**	**2016**	**Liabilities and Equity**	**2017**	**2016**
Current assets	$ 379,965	$ 355,498	Liabilities		
Financial assets carried at					
cost - non-current	2,274	3,000	Current liabilities	$ 32,631	$ 29,278
Properties and equipment,			Other liabilities	2,576	3,835
net	1,374	348	Total liabilities	35,207	33,113
Intangible assets	2,804	3,020			
Prepayments for equipment	-	-	Equity		
Other assets	26,263	26,263			
			Capital stock	303,000	303,000
			Capital surplus	72,860	72,860
			Retained earnings		
			(accumulated deficit)	1,613	(20,844)
			Total equity	377,473	355,016
Total	$ 412,680	$ 388,129	Total	$ 412,680	$ 388,129

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Current assets	$ 811,625	$ 858,705	Liabilities		
Financial assets carried at cost - non-current	158,660	150,500	Current liabilities	$ 4,727	$ 3,381
Properties and equipment, net	1,428	2,044	Other liabilities	499	439
			Total liabilities	5,226	3,820
Intangible assets	67	85			
Other assets	243	243	Equity		
			Capital stock	1,000,000	1,000,000
			Retained earnings (accumulated deficit)	25,693	1,053
			Other equity	(58,896)	6,704
			Total equity	966,797	1,007,757
Total	$ 972,023	$ 1,011,577	Total	$ 972,023	$ 1,011,577

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

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

	2017	2016
Interest revenues	$ 50,739,405	$ 50,110,097
Less: Interest expenses	(18,440,708)	(18,707,695)
Net interest	32,298,697	31,402,402
Net revenues and gains other than interest	10,063,006	9,432,572
Total net revenues	42,361,703	40,834,974
Bad-debt expenses and provision for losses on guarantees	(5,302,494)	(3,802,662)
Operating expenses	(22,173,615)	(22,486,079)
Income before income tax	14,885,594	14,546,233
Income tax expense	(1,986,400)	(2,022,632)
Net income	12,899,194	12,523,601
Other comprehensive income (loss)	826,339	(1,854,505)
Total comprehensive income	$ 13,725,533	$ 10,669,096
Earnings per share (NT$)		
Basic	$1.48	$1.48

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

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

	2017	2016
Net interest	$ 268,543	$ 305,405
Net revenues and gains other than interest	202,471	270,929
Total net revenues	471,014	576,334
Reversal of allowance for credit losses and provision	221,819	81,847
Operating expenses	(134,879)	(128,233)
Income before income tax	557,954	529,948
Income tax expense	(6,048)	(8,595)
Net income	551,906	521,353
Other comprehensive loss	(15,716)	(137,808)
Total comprehensive income	$ 536,190	$ 383,545
Earnings per share (NT$)		
Basic	$1.56	$1.47

Taiwan Cooperative Securities Co., Ltd.

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

	2017	2016
Revenues	$ 1,178,641	$ 838,300
Service charge	(37,799)	(22,876)
Other operating costs	(134,573)	(47,643)
Employee benefits	(408,271)	(355,650)
Other operating expenses	(309,776)	(230,259)
Other gains	73,438	51,522
Income before income tax	361,660	198,550
Income tax expense	(40,355)	(18,363)
Net income	321,305	180,187
Other comprehensive loss	(29,592)	(52,208)
Total comprehensive income	$ 350,897	$ 127,979
Earnings per share (NT$)		
Basic	$0.68	$0.38

(Continued)

Co-operative Assets Management Co., Ltd.

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

	2017	2016
Operating revenues	$ 784,131	$ 799,718
Operating expenses	(400,544)	(392,343)
Operating benefits	383,587	407,375
Non-operating losses	25,252	(22,463)
Income before income tax	408,839	384,912
Income tax expense	(71,359)	(32,440)
Net income	337,480	352,472
Other comprehensive loss	(11,488)	(58,332)
Total comprehensive income	$ 325,992	$ 294,140
Earnings per share (NT$)		
Basic	$1.19	$1.25

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

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

	2017	2016
Operating revenues	$ 25,660,033	$ 26,942,178
Operating costs	(24,176,579)	(25,473,629)
Operating expenses	(692,734)	(697,259)
Income before income tax	790,720	771,290
Income tax expenses	(10,715)	(30,297)
Net income	780,005	740,993
Other comprehensive income (loss)	546,234	(516,492)
Total comprehensive income	$ 1,326,239	$ 224,501
Earnings per share (NT$)		
Basic	$1.22	$1.16

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

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

	2017	2016
Operating revenues	$ 198,370	$ 196,241
Operating expenses	(177,692)	(178,622)
Operating gain	20,678	17,619
Non-operating gains and losses	1,779	2,791
Income before income tax	22,457	20,410
Income tax expenses	-	-
Net income	22,457	20,410
Other comprehensive income	-	-
Total comprehensive income	$ 22,457	$ 20,410
Earnings per share (NT$)		
Basic	$0.74	$0.67

Taiwan Cooperative Venture Capital Co., Ltd.

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

	2017	2016
Operating revenues	$ 45,076	$ 15,665
Operating expenses	(20,943)	(15,689)
Operating gain (loss)	24,133	(24)
Non-operating gains and losses	1,744	3,477
Income before income tax	25,877	3,453
Income tax expenses	(289)	(261)
Net income	25,588	3,192
Other comprehensive income (loss)	(65,600)	6,704
Total comprehensive income (loss)	$ (40,012)	$ 9,896
Earnings per share (NT$)		
Basic	$0.26	$0.03

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

Items \ Business Segment	For the Year Ended December 31, 2017				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	$ 32,425,620	$ 50,650	$ 1,019,391	$ 870,481	$ 34,366,142
Net revenues and gains other than interest	9,293,457	426,911	1,290,308	1,251,582	12,262,258
Total net revenues	41,719,077	477,561	2,309,699	2,122,063	46,628,400
Bad-debt expenses and provision for losses on guarantees	(5,262,117)	221,819	-	(180,632)	(5,220,930)
Net change in reserves for insurance liabilities	-	-	(340,273)	-	(340,273)
Operating expenses	(22,223,929)	(126,296)	(643,071)	(1,271,398)	(24,264,694)
Income before income tax	14,233,031	573,084	1,326,355	670,033	16,802,503
Income tax expenses	(1,986,400)	(6,048)	(10,715)	(87,255)	(2,090,418)
Net income	12,246,631	567,036	1,315,640	582,778	14,712,085

Items \ Business Segment	For the Year Ended December 31, 2016				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	$ 31,575,828	$ 130,263	$ 990,087	$ 715,014	$ 33,411,192
Net revenues and gains (losses) other than interest	8,325,542	465,952	(711,911)	1,092,958	9,172,541
Total net revenues	39,901,370	596,215	278,176	1,807,972	42,583,733
Bad-debt expenses and provision for losses on guarantees	(3,807,805)	81,847	-	(244,612)	(3,970,570)
Net change in reserves for insurance liabilities	-	-	2,002,856	-	2,002,856
Operating expenses	(22,540,814)	(119,646)	(652,897)	(1,076,576)	(24,389,933)
Income before income tax	13,552,751	558,416	1,628,135	486,784	16,226,086
Income tax expenses	(2,022,632)	(8,595)	(30,297)	(25,399)	(2,086,923)
Net income	11,530,119	549,821	1,597,838	461,385	14,139,163

TABLE 6

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)

December 31, 2017

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	$ 403,475,000	200.58
National Treasury Administration, ROC	176,094,686	87.54
Tai Power Co., Ltd.	79,545,217	39.54
Kaohsiung Financial Bureau	66,808,918	33.21
Taiwan High Speed Rail Corp.	43,043,422	21.40
CPC Corporation, Taiwan	25,566,404	12.71
Kaohsiung Rapid Transit Corp.	18,615,852	9.25
New Taipei City Government	16,000,000	7.95
Highwealth Construction Co., Ltd.	10,563,001	5.25
Taiwan Railways Administration	9,660,000	4.80
Clevo Corp.	9,286,233	4.62
Federal Home Loan Mortgage Corp.	8,831,351	4.39
Government National Mortgage Association	8,634,354	4.29
Chiayi County Government	6,665,000	3.31
AUO Co., Ltd.	6,379,569	3.17
Far Eastern New Century Corporation	6,033,494	3.00
Taiwan Semiconductor Manufacturing Co., Ltd.	5,864,945	2.92
Eva Airways Corp.	5,840,949	2.90
Yilan County Government	5,821,942	2.89
Evergreen Marine Corp. (Taiwan) Ltd.	5,766,632	2.87
Micro Technology, Inc.	5,600,000	2.78
Aerospace Industrial Development Corp.	5,149,800	2.56
Da-Li Development Co, Ltd.	5,128,244	2.55
Yang Ming Marine Transport Corp.	5,093,019	2.53
Federal National Mortagage Association	5,028,601	2.50
China Steel Corp.	5,020,021	2.50
Nantou County Government	4,820,025	2.40
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.39
Taiwan Land Development Corp.	3,824,980	1.90
Radium Life Tech Co., Ltd.	3,773,712	1.88
Evergreen Marine (Singapore) Pte. Ltd.	3,730,401	1.85
Formosa Ha Tinh (Cayman) Limited	3,710,000	1.84

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Formosa Group (Cayman) Ltd.	$ 3,561,600	1.77
Chungwha Construction Corp.	3,557,346	1.77
Client A	3,531,106	1.76
Fubon Financial Holding Co, Ltd.	3,426,670	1.70
China Airlines Ltd.	3,396,897	1.69
Nan Ya Plastics Corporation	3,266,714	1.62
Bank Of Communications Co., Ltd.	3,266,129	1.62
Tatung Co., Ltd.	3,164,399	1.57
Yien United Steel Corp.	3,115,165	1.55
Formosa Chemical & Fibre Corp.	3,095,941	1.54
Us Treasury	3,079,904	1.53
Innolux Corp.	3,066,666	1.52
Tainan City Government	3,000,000	1.49
2. Same related parties		
Client B	11,876,960	5.90
Client C	9,394,133	4.67
Client D	5,132,726	2.55
Client E	4,127,749	2.05
Client F	4,081,217	2.03
Client G	3,953,480	1.97
Client H	3,860,765	1.92
Client I	3,855,720	1.92
Client J	3,855,720	1.92
Client K	3,855,720	1.92
Client L	3,682,797	1.83
3. Same affiliate		
Far Eastern International Leasing Corp.	16,961,124	8.43
Evergreen Marine Corp. (Taiwan) Ltd.	16,044,506	7.98
Far Eastern New Century Corp.	15,343,542	7.63
U-Ming Marine Transport Corp.	15,302,192	7.61
Formosa Ha Tinh (Cayman) Limited	14,874,360	7.39
Clevo (Cayman Islands) Holding Company	14,660,044	7.29
Eva Airways Corp.	14,476,412	7.20
Eva Cosmonautic Flight Precision Corp.	14,476,412	7.20
Clevo Corp.	14,311,304	7.11
Far EasTone Telecommunications Co., Ltd.	13,917,021	6.92
Hui Hong Investment Management Co., Ltd.	13,373,596	6.65
Reunited Industries Ltd.	13,373,596	6.65
Yi Tai Fund Corp.	13,373,596	6.65
Gogoro Energy Network (Cayman), Taiwan Branch	12,961,596	6.44
Evergreen Marine (UK) Ltd.	12,466,837	6.20
Highwealth Construction Co., Ltd.	12,118,897	6.02

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
QiYu Construction Co., Ltd.	$ 11,918,931	5.93
Nan Shan Life Insurance Company, Ltd.	11,720,383	5.83
Ren Ying Enterprise Co., Ltd.	11,591,518	5.76
Shantou Buynow Mall Co., Ltd.	11,418,280	5.68
Buynow (Anshan) Corp.	11,093,307	5.51
Buynow (Zhengzhou) Corp.	10,954,785	5.45
Jin Jun Construction Co., Ltd.	10,762,967	5.35
Buynow (Wuhan) Corp.	10,433,322	5.19
Far Eastern Big City Department Stores Ltd.	10,160,760	5.05
Great Emperor Hotel Co., Ltd.	9,933,931	4.94
EDA Hua Yue Hotel Corp.	9,564,061	4.75
Yieh Phui (Hong Kong) Holdings Ltd.	9,311,496	4.63
Ruentex Development Co., Ltd.	9,184,423	4.57
Ruen Chen Investment Holding Co., Ltd.	9,034,324	4.49
Chung Hung Steel Corp.	8,947,368	4.45
China Steel Corp.	8,947,368	4.45
Kaohsiung Rapid Transit Corp.	8,747,368	4.35
China Steel Express Corporation	8,747,368	4.35
Dragon Steel Corp.	7,781,392	3.87
Yien United Steel Corp.	7,729,139	3.84
Yi Hsiang Construction Co., Ltd.	7,659,367	3.81
Yieh Hsing Enterprise Co., Ltd.	7,225,890	3.59
AUO Co., Ltd.	7,159,046	3.56
UNI Airways Corp.	7,092,333	3.53
BenQ Materials Corp.	7,070,593	3.52
Yang Ming Marine Transport Corp.	7,039,763	3.50
Li Sheng Corporation	6,924,152	3.44
AUO (Kunshan) Co., Ltd.	6,854,449	3.41
Yang Ming Marine Transport (Liberia) Corp.	6,723,205	3.34
Oriental Petrochemical (Taiwan) Corp.	6,721,112	3.34
Hon Hai Precision Co., Ltd.	6,444,701	3.20
Lextar Electronics Corporation.	6,379,569	3.17
Nan Chung Petrochemical Corp.	6,254,409	3.11
Oriental Union Chemical (Yangzhou) Corp.	6,184,078	3.07
Taiwan Semiconductor Manufacturing Co., Ltd.	6,007,585	2.99
All Oceans Transportation Inc.	5,707,949	2.84
Micro Technology, Inc.	5,600,000	2.78
Kao Ming Container Terminal Corp.	5,588,724	2.78
Kuang Ming Shipping Corp.	5,509,577	2.74
Kuang Ming (Liberia) Corp.	5,509,577	2.74
Da-Li Development Co, Ltd.	5,450,154	2.71
Asia Cement Corp.	5,399,857	2.68
China Steel Structure Co., Ltd.	5,336,820	2.65
Da-Li Development LLC	5,335,886	2.65
Hung Li Steel Corp.	5,318,021	2.64

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Da-Li International LLC	$ 5,242,512	2.61
Chaico Investment Corporation	5,213,625	2.59
China Steel Machinery Corp.	5,187,485	2.58
Feng Sheng Enterprise Co., Ltd.	5,183,904	2.58
Aerospace Industrial Development Corp.	5,149,800	2.56
China Steel Chemical Corp.	5,140,103	2.56
Yes Logistics Corp.	5,123,019	2.55
China Ecotek Corp.	5,120,021	2.55
Kuan-Ho Refractories Corp.	5,114,373	2.54
CSRC China (Maanshan) Corporation P.R.C	5,114,373	2.54
Chailease Consumer Finance Co., Ltd.	5,013,625	2.49
Farglory Dome Co., Ltd.	4,967,391	2.47
Taiwan Mobile Corp.	4,934,347	2.45
Pou Chen Industry Corp.	4,853,530	2.41
Chailease Holding Company Ltd.	4,657,715	2.32
Chailease Energy Corp.	4,577,974	2.28
Chailease Rental Corp.	4,573,392	2.27
Radium Life Tech. Co., Ltd.	4,544,662	2.26
Jhong-An Investment Co., Ltd.	4,520,320	2.25
China Man-Made Fiber Corp.	4,492,283	2.23
WPG Holdings Ltd.	4,464,887	2.22
Chailease Finance Co., Ltd.	4,436,424	2.21
Yieh Phui Enterprise Co., Ltd.	4,348,112	2.16
United Microelectronics Corp.	4,313,469	2.14
Fina Finance & Trading Co., Ltd.	4,296,315	2.14
Wan Da Tong Co., Ltd.	4,185,192	2.08
Everwiner Enterprise Co., Ltd.	4,168,087	2.07
Pacific Sogo Department Stores Co., Ltd.	4,127,266	2.05
Far Eastern Department Stores Ltd.	4,117,266	2.05
Kraton Formosa Polymers Corporation	4,060,566	2.02
Frontek Technology Corporation	4,056,087	2.02
Formosa Plastics Corp.	4,054,384	2.02
Jing-Jan Retail Business Co., Ltd.	4,013,182	2.00
Unimicron Technology Corp.	4,009,941	1.99
Shih Wei Navigation Co., Ltd.	3,944,601	1.96
EDA Hospital Corp.	3,942,405	1.96
Capital Machinery Corp.	3,940,888	1.96
Tatung Co., Ltd.	3,939,305	1.96
Chungwha Construction Corp.	3,933,772	1.96
Fubon Financial Holding Co, Ltd.	3,917,102	1.95
Chung Hang Co., Ltd.	3,912,263	1.94
Titan Development And Construction Co., Ltd	3,893,712	1.94
Pan Asia Chemical Co.	3,892,772	1.94
Advance Material Co., Ltd.	3,877,317	1.93

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Taiwan Land Development Corp.	$ 3,874,980	1.93
Taiwan Innovation Development Corp.	3,874,980	1.93
Taiwan Commercial Development Corp.	3,874,980	1.93
Zhong Tai Hotel Co., Ltd.	3,829,563	1.90
Mandarin Oriental, Taipei	3,829,563	1.90
Fortuna Development Corporation	3,826,303	1.90
Fubon Asset Management Co., Ltd.	3,796,567	1.89
Chunghwa Picture Tubes, Ltd.	3,766,732	1.87
Evergreen Marine (Singapore) Pte. Ltd.	3,730,401	1.85
Farglory Land Development Co., Ltd.	3,712,541	1.85
Taipei Fubon Commercial Bank Co., Ltd.	3,589,163	1.78
Formosa Synthetic Rubber (Ningbo) Industrial Co., Ltd.	3,581,687	1.78
Genuine Crop.	3,564,194	1.77
Spinnaker Pescadores S.A. Panama	3,547,543	1.76
Formosa Chemical & Fibre Corp.	3,531,892	1.76
Mai-Liao Power Corporation	3,531,892	1.76
Tcc International Holdings Ltd.	3,501,995	1.74
Tcc International Ltd.	3,501,995	1.74
China Airlines Ltd.	3,400,897	1.69
Tayu-Taiwanglass Corp.	3,396,839	1.69
Tjg-Taiwanglass Corp.	3,396,839	1.69
Dong Lien Maritime Sa Panama	3,391,372	1.69
Nan Ya Plastic Co., Ltd.	3,385,459	1.68
Runtex Materials Co., Ltd.	3,377,423	1.68
China Petrochemical Development Corporation	3,333,753	1.66
Coreasia Co., Ltd.	3,321,733	1.65
Chung Kung Guard Corp.	3,306,733	1.64
G-Tech Optoelectronics Corporation	3,297,759	1.64
Taiwan Acetic Acid Chemical Co., Ltd.	3,279,115	1.63
Pfg Fiber Glass Corporation	3,276,714	1.63
Nan Ya Technology Corp.	3,272,383	1.63
Formosa Biomedical Technology Corp.	3,197,941	1.59
Central Investment Corp.	3,194,490	1.59
Shan Chih Asset Development Co., Ltd.	3,187,399	1.58
Bes Engineering Corporation	3,154,979	1.57
Taiwan Cement Co., Ltd.	3,145,326	1.56
Chung Kung Management Consulting Corp.	3,144,979	1.56
Foemosa Chemicals Industries (Ningbo) Co., Ltd.	3,095,941	1.54
Innolux Corp.	3,066,666	1.52
Wan Hai Lines Ltd.	3,037,748	1.51
Wan Hai Line (Singapore) Pte Ltd.	3,037,748	1.51

(Concluded)

December 31, 2016

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	$ 432,845,000	222.34
National Treasury Administration, ROC	147,829,606	75.94
Tai Power Co., Ltd.	83,531,219	42.91
Kaohsiung Financial Bureau	62,968,985	32.35
Taiwan High Speed Rail Corp.	48,605,978	24.97
CPC Corporation, Taiwan	26,767,907	13.75
Kaohsiung Rapid Transit Corp.	21,468,706	11.03
Clevo Corp.	10,598,616	5.44
Eva Airways Corp.	8,766,256	4.50
AUO Co., Ltd.	7,682,018	3.95
Highwealth Construction Co., Ltd.	7,641,430	3.93
Taiwan Semiconductor Manufacturing Co., Ltd.	7,138,394	3.67
Chiayi County Government	6,910,000	3.55
Innolux Corp.	6,479,890	3.33
Yilan County Government	5,821,942	2.99
Formosa Petrochemical Corp.	5,811,904	2.99
China Steel Corp.	5,659,458	2.91
Micro Technology, Inc.	5,600,000	2.88
Government National Mortgage Association	5,094,631	2.62
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.47
Federal Home Loan Mortgage Corp.	4,798,398	2.46
Dragon Steel Corp.	4,729,821	2.43
Evergreen Marine Corp. (Taiwan) Ltd.	4,626,512	2.38
Yang Ming Marine Transport Corp.	4,532,300	2.33
China Airlines Ltd.	4,470,752	2.30
Evergreen Marine (Singapore) Pte. Ltd.	4,438,576	2.28
Aerospace Industrial Development Corp.	4,271,891	2.19
Taiwan Land Development Corp.	4,073,589	2.09
Formosa Group (Cayman) Ltd.	3,866,400	1.99
Da-Li Development Co, Ltd.	3,660,795	1.88
Client A	3,497,073	1.80
Bank of America N.A.	3,348,459	1.72
Formosa Chemical & Fibre Corp.	3,348,196	1.72
Bank of Communications, Taipei Branch	3,269,392	1.68
Farglory Land Development Co., Ltd.	3,189,150	1.64
Kaohsiung Transportation Bureau	3,179,856	1.63
Fubon Financial Holding Co, Ltd.	3,121,150	1.60
US Treasury	3,077,527	1.58
Kaohsiung City Government	3,007,000	1.54
Yunlin County Government	3,003,000	1.54

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
2. Same related parties		
Client B	$ 10,761,716	5.53
Client C	8,554,035	4.39
Client D	4,228,089	2.17
Client E	4,101,759	2.11
Client F	4,098,660	2.11
Client G	3,858,384	1.98
Client H	3,853,023	1.98
Client I	3,853,023	1.98
Client J	3,853,023	1.98
Client K	3,665,559	1.88
Client L	3,657,528	1.88
3. Same affiliate		
Evergreen Marine Corp. (Taiwan) Ltd.	17,620,038	9.05
Formosa Ha Tinh (Cayman) Ltd.	16,712,124	8.58
Eva Airways Corp.	16,601,886	8.53
Eva Cosmonautic Flight Precision Corp.	16,601,886	8.53
Clevo (Cayman Island) Holding Company	16,310,019	8.38
Evergreen Marine (UK) Ltd.	16,230,662	8.34
Clevo Corp.	15,862,967	8.15
Evergreen Aviation Technologies Corp.	13,399,435	6.88
China Steel Corp.	13,325,674	6.84
C.S. Aluminium Corp.	13,145,719	6.75
China Steel Corporation India Private Ltd.	13,145,719	6.75
CSE Transport Corp.	13,145,719	6.75
Chung Hung Steel Corp.	13,140,719	6.75
Kaohsiung Rapid Transit Corp.	12,879,902	6.62
Buynow (Zhengzhou) Corp.	12,684,440	6.52
Hui Hong Investment Management Co., Ltd.	12,480,487	6.41
Global Mobile Corp.	12,480,487	6.41
Reunited Industries Ltd.	12,480,487	6.41
Far Eastern International Leasing Corp.	12,390,056	6.36
Yi Tai Fund Corp.	12,238,925	6.29
Formosa Synthetic Rubber (Ningbo) Industrial Co., Ltd.	12,023,634	6.18
Nan Shan Life Insurance Company, Ltd.	11,971,041	6.15
Gogoro Energy Network (Cayman), Taiwan Branch	11,887,589	6.11
Buynow (Anshan) Corp.	11,779,493	6.05
Buynow (Wuhan) Corp.	11,520,646	5.92
Far Eastern New Century Corp.	10,703,309	5.50
Ren Ying Enterprise Co., Ltd.	10,633,026	5.46
Ruentex Development Co., Ltd.	10,538,589	5.41
Ruen Chen Investment Holding Co., Ltd.	10,401,041	5.34

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Far Eastern Construction Corp.	$ 10,394,064	5.34
Dragon Steel Corp.	10,389,279	5.34
UNI Airways Corp.	10,082,696	5.18
Hon Hai Precision Co., Ltd.	9,245,600	4.75
Highwealth Construction Co., Ltd.	8,847,353	4.54
QiYu Construction Co., Ltd.	8,747,360	4.49
Great Emperor Hotel Co., Ltd.	8,701,061	4.47
Forhouse Corp.	8,550,471	4.39
EDA Hua Yue Hotel Corp.	8,393,481	4.31
BenQ Materials Corp.	8,371,471	4.30
Visco Vision Inc.	8,371,471	4.30
AUO (Kunshan) Co., Ltd.	8,197,538	4.21
AUO Co., Ltd.	8,147,268	4.18
Yieh Phui (Hong Kong) Holdings Ltd.	8,043,803	4.13
Jin Jun Construction Co., Ltd.	7,741,423	3.98
Yuan Ding Investment Corp.	7,582,129	3.89
Far EasTone Telecommunications Co., Ltd.	7,582,129	3.89
Taiwan Semiconductor Manufacturing Co., Ltd.	7,335,856	3.77
He Yao Construction Co., Ltd.	6,926,268	3.56
Yi Hsiang Construction Co., Ltd.	6,916,268	3.55
Yien United Steel Corp.	6,857,692	3.52
Yang Ming Marine Transport Corp.	6,777,463	3.48
Far Eastern Big City Department Stores Ltd.	6,777,370	3.48
Innolux Corp.	6,479,890	3.33
Hung Li Steel Corp.	6,374,922	3.27
Yang Ming Marine Transport (Liberia) Corp.	6,261,989	3.22
China Steel Machinery Corp.	6,198,728	3.18
Yieh Hsing Enterprise Co., Ltd.	6,120,202	3.14
China Steel Structure Co., Ltd.	6,105,054	3.14
China Ecotek Corp.	6,069,861	3.12
Asia Cement Corp.	6,045,396	3.11
Taiwan Mobile Corp.	6,043,776	3.10
China Aviation Development Foundation	5,975,052	3.07
China Airlines Ltd.	5,975,052	3.07
China Steel Chemical Corp.	5,925,275	3.04
Formosa Petrochemical Corp.	5,811,904	2.99
Pao Industrial Co., Ltd.	5,664,458	2.91
Li Sheng Corporation	5,644,664	2.90
Micro Technology Inc.,	5,600,000	2.88
Kuan-Ho Refractories Corp.	5,543,090	2.85
Feng Sheng Enterprise Co., Ltd.	5,536,837	2.84
Taiwan Cement Co., Ltd.	5,421,997	2.79
Farglory Dome Co., Ltd.	5,322,683	2.73
Nan Ya Plastic Co., Ltd.	5,239,040	2.69
All Oceans Transportation Inc.	5,199,856	2.67

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Nan Chung Petrochemical Corp.	$ 5,151,268	2.65
Kuang Ming Shipping Corp.	5,147,775	2.64
Kuang Ming (Liberia) Corp.	5,147,775	2.64
Kao Ming Container Terminal Corp.	5,070,545	2.60
Pou Chen Industry Corp.	5,054,079	2.60
China Petrochemical Development Corporation	5,046,775	2.59
Coreasia Co., Ltd.	5,038,755	2.59
Chung Kung Guard Corp.	5,028,920	2.58
Nan Ya Technology Corp.	5,015,947	2.58
Pacific Sogo Department Stores Co., Ltd.	4,703,671	2.42
Far Eastern Department Stores Ltd.	4,653,671	2.39
WPG Holdings Ltd.	4,602,991	2.36
United Microelectronics Corp.	4,561,946	2.34
Yes Logistics Corp.	4,533,300	2.33
Wan Hai Lines Ltd.	4,521,269	2.32
Wan Hai Lines (Singapore) Pte. Ltd.	4,521,269	2.32
Evergreen Marine (Singapore) Pte. Ltd.	4,438,576	2.28
Farglory Land Development Co., Ltd.	4,432,636	2.28
Fubon Financial Holding Co., Ltd.	4,349,592	2.23
Everwiner Enterprise Co., Ltd.	4,280,791	2.20
Kuo Chang Industry Co., Ltd.	4,252,777	2.18
Chung Kung Building Management Corp.	4,218,541	2.17
Fubon China Bank Corp.	4,192,926	2.15
Yosun Industrial Corp.	4,188,291	2.15
Taiwan Land Development Corp.	4,148,589	2.13
Taiwan Innovation Development Corp.	4,148,589	2.13
Taiwan Commercial Development Corp.	4,148,589	2.13
Advance Material Co., Ltd.	4,058,384	2.08
Da-Li Development Corp.	4,016,748	2.06
Yieh Phui Enterprise Co., Ltd.	4,000,172	2.05
China Man-Made Fiber Corp.	3,946,280	2.03
Genuine Crop.	3,911,338	2.01
Tatung Co., Ltd.	3,900,246	2.00
Da-Li Development LLC	3,892,701	2.00
Formosa Chemical & Fiber Corp.	3,890,212	2.00
Shih Wei Navigation Co., Ltd.	3,838,367	1.97
Spinnaker Pescadores S.A. Panama	3,838,367	1.97
EDA Hospital Corp.	3,788,562	1.95
Da-Li International LLC	3,784,842	1.94
Zhong Tai Hotel Co., Ltd.	3,775,842	1.94
Mandarin Oriental, Taipei	3,775,842	1.94
Fubon Bank Eurobond (Otc-15-0007)	3,774,066	1.94
Capital Machinery Corp.	3,771,700	1.94
Chailease Finance Co., Ltd.	3,766,724	1.93

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Tcc International Holdings Ltd.	$ 3,765,629	1.93
Tcc International Ltd.	3,765,629	1.93
Formosa Ps (Ningbo) Co., Ltd.	3,763,312	1.93
Runtex Materials Co., Ltd.	3,757,911	1.93
Chunghwa Picture Tubes, Ltd.	3,724,758	1.91
Giantplus Technology Co., Ltd.	3,724,758	1.91
Chailease Rental Corp.	3,709,412	1.91
Chailease Holding Company Ltd.	3,709,412	1.91
Tayu-Taiwanglass Corp.	3,662,302	1.88
Tjg-Taiwanglass Corp.	3,662,302	1.88
Oriental Petrochemical (Taiwan) Corp.	3,661,000	1.88
Pan Asia Chemical Co.	3,646,217	1.87
Funbon Asset Management Co., Ltd.	3,520,950	1.81
Chungwha Construction Corp.	3,463,634	1.78
Taiwan Acetic Acid Chemical Co., Ltd.	3,435,096	1.76
Formosa Plastics Corp.	3,433,984	1.76
Formosa Biomedical Technology Corp.	3,388,196	1.74
Unimicron Technology Corp.	3,372,099	1.73
Bank Of America N.A.	3,348,459	1.72
Foemosa Chemicals Industries (Ningbo) Co., Ltd.	3,348,196	1.72
Central Investment Corp.	3,339,558	1.72
Walsin Corp.	3,338,722	1.71
Farglory Life Insurance Co., Ltd.	3,287,663	1.69
Dong Lien Maritime Sa Panama	3,237,793	1.66
Goldsun Co., Ltd.	3,196,828	1.64
Taipei Port Co., Ltd.	3,196,828	1.64
Oriental Resources Development Ltd.	3,195,156	1.64
Abn Amro Bank N.V.	3,167,978	1.63
Chailease Consumer Finance Co., Ltd.	3,141,405	1.61
Ttet Union Corp.	3,139,602	1.61
Radium Life Tech. Co., Ltd.	3,136,639	1.61
Info-Tek Corp.	3,087,148	1.59
Oriental Union Chemical (Yangzhou) Corp.	3,060,037	1.57
Fujian Fuxin Special Steel Co., Ltd.	3,029,146	1.56
Uni-President Enterprises Corp.	3,006,687	1.54

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Note 2)	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
1	Co-operative Assets Management Co., Ltd.	Tai-Hwei Trade Co, Ltd.	Receivables on lending funds	No	$ 310,000	$ 200,000	$ 160,000	3-8	Short-term financing	$ -	Operating use	$ 1,600	Real estate	$ 386,976	$ 339,639 (Note 3)	$ 1,358,556 (Note 3)
		Hanky & Partners (Taiwan) Ltd.	Receivables on lending funds	No	239,290	234,287	234,287	3-8	Short-term financing	-	Operating use	2,343	Real estate	293,728	339,639 (Note 3)	1,358,556 (Note 3)
		Sin-Dan Co., Ltd.	Receivables on lending funds	No	50,000	50,000	50,000	3-8	Short-term financing	-	Operating use	500	Land	101,380	339,639 (Note 3)	1,358,556 (Note 3)
		Sen-Yuan Construction Co., Ltd.	Receivables on lending funds	No	273,000	149,736	149,736	3-8	Short-term financing	-	Operating use	1,497	Real estate	307,620	339,639 (Note 3)	1,358,556 (Note 3)
		Sanlight Corporation	Receivables on lending funds	No	200,000	192,589	192,589	3-8	Short-term financing	-	Operating use	1,926	Stocks	200,000	339,639 (Note 3)	1,358,556 (Note 3)
		Flagship Square Enterprise Co., Ltd.	Receivables on lending funds	No	25,000	25,000	25,000	3-8	Short-term financing	-	Operating use	250	Land	101,380	339,639 (Note 3)	1,358,556 (Note 3)
2	Cooperative Financial International Lease	Shan Yuan Group (Tsingtao) Ltd.	Receivables on lending funds	No	104,627	102,194	102,194	10	Short-term financing	-	Operating use	1,533	Real estate	1,880,328	136,203 (Note 4)	363,209 (Note 4)
		Markor Investment Group (Tianjin) Co., Ltd.	Receivables on lending funds	No	26,839	16,232	16,232	10.61	Short-term financing	-	Operating use	243	Real estate	50,471	136,203 (Note 4)	363,209 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Receivables on lending funds	No	45,490	38,667	38,667	8	Business relationship	223,215	Operating use	580	Real estate	47,355	136,203 (Note 4)	363,209 (Note 4)

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

a. Parent company: 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 December 31, 2017 was $3,396,391 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 December 31, 2017 was $908,023 thousand.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Beneficial certificate							
Taiwan Cooperative Venture Capital Co., Ltd.	TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	903	$ 9,119	-	$ 9,119	
	Stock							
Co-operative Assets Management Co., Ltd.	Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	908,023	100.00	908,023	Note
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets carried at cost	227	2,274	0.38	2,633	
Taiwan Cooperative Venture Capital Co., Ltd.	O-TA precision Industry Co., Ltd.	-	Financial assets at fair value through profit or loss	379	13,341	-	13,341	
	AIDC/Aerospace Industrial Development Corp.	-	Financial assets at fair value through profit or loss	395	14,635	-	14,635	
	Cathay Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	100	5,350	-	5,350	
	First Financial Holding Co., Ltd	-	Available-for-sale financial assets	11	220	-	220	
	Pou Chen Corporation	-	Available-for-sale financial assets	692	26,677	0.02	26,677	
	Mega Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,200	28,860	0.01	28,860	
	Taiwan Mobile Corp.	-	Available-for-sale financial assets	239	25,692	0.01	25,692	
	China Motor Corporation	-	Available-for-sale financial assets	875	22,750	0.06	22,750	
	Excelsior Medical Co., Ltd.	-	Available-for-sale financial assets	144	6,466	0.11	6,466	
	Taiwan Shin Kong Security Co., Ltd.	-	Available-for-sale financial assets	175	6,764	0.05	6,764	
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	240	25,440	-	25,440	
	MiTAC Holdings Corporation	-	Available-for-sale financial assets	630	22,491	0.08	22,491	
	Hi Lai Foods Co., Ltd.	-	Available-for-sale financial assets	27	3,834	0.07	3,834	
	Pegatron Corporation	-	Available-for-sale financial assets	300	21,600	0.01	21,600	
	Evergreen Marine Corporation	-	Available-for-sale financial assets	1,400	22,890	0.03	22,890	
	Tanvex BioPharma, Inc.	-	Available-for-sale financial assets	300	22,710	0.14	22,710	
	SuperAlloy International Co., Ltd.	-	Available-for-sale financial assets	184	14,378	0.09	14,378	
	RiTdisplay Corporation	-	Available-for-sale financial assets	26	2,791	0.06	2,791	
	Twoway Communications, Inc.	-	Available-for-sale financial assets	2,000	26,000	2.45	26,000	
	Nan Pao Resins Chemical Co., Ltd.	-	Available-for-sale financial assets	306	42,552	0.28	42,552	
	SR Suntour Inc.	-	Financial assets carried at cost	1,800	55,160	2.98	68,742	
	eLand Technologies Co., Ltd.	-	Financial assets carried at cost	500	27,500	3.49	6,115	
	M2Communication Inc.	-	Financial assets carried at cost	500	8,000	1.29	2,665	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets carried at cost	800	20,000	2.75	14,928	
	Drewloong Precision, Inc.	-	Financial assets carried at cost	400	48,000	1.54	15,336	

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 YEAR ENDED DECEMBER 31, 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	$ 20,263,224 (Notes 1 and 2)	-	$ -	$ 10,241,543 (Notes 1 and 2)	$ -	8,808,130	$ 199,680,230 (Note 2)

Note 1: Acquisition consists of $5,000,048 thousand from capital increase, $12,899,194 thousand from the share of gains of subsidiaries accounted for using equity method and $2,363,982 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. Disposal consists of $8,703,900 thousand from cash dividends, $1,156,596 thousand from exchange differences on the translation of foreign operations, $32,084 thousand from unrealized losses on available-for-sale financial assets and $348,963 thousand from the premeasurement of defined benefit plan.

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

TABLE 10

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$5 MILLION
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Securities Firms	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	$ 747,108	$ 381,179	$ 16,244	$ 11,683	2.17	3.06

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note 2)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2017.07.12	The Hong Kong and Shanghai Banking Corporation Limited	Medium unsecured loans of business	$ - (Note 1)	$ 121,357 (US$ 3,975)	$ 120,883 (US$ 3,975)	None	None
2017.07.13	SC Lowy Primary Investments, Ltd.	International syndicated loan	- (Note 2)	121,620 (US$ 4,000)	121,643 (US$ 4,000)	None	None

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

Note 2: Book value equals the original loan amounting to US$5,109 thousand minus allowance for possible losses amounting US$5,109 thousand.

Co-operative Assets Management Co., Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note 3)	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
2017.11.06	Su Sir	Claims and its subordinate mortgage	-	1,700	1,700	None	None
2017.11.06	Su Sir	Claims and its subordinate mortgage	1,988	2,500	512	None	None

Note 3: 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.

TABLE 12

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
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Company, Ltd.	Parent company	$ 1,071,039	-	$ -	-	$ -	$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	560,958	-	-	-	-	-

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

TABLE 13

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

PERCENTAGE SHARE IN INVESTEES AND RELATED INFORMATION
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei	Banking	100.00	$ 199,680,230	$ 12,899,194	8,808,130	-	8,808,130	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,473,004	321,305	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	5,136,605	551,906	354,727	-	354,727	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,396,391	337,480	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	377,473	22,457	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	4,296,736	397,802	326,376	-	326,376	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	966,797	25,588	100,000	-	100,000	100.00	Note 3

Note 1: Shares or proforma shares held by the Company, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Proforma shares are shares that are assumed to have been obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."

c. Derivative instruments, such as stock options, are those conforming to the definition of IFRS 39 - "Financial Instruments: Recognition and Measurement," such as stock options.

Note 3: When TCFHC prepares the consolidated financial statements, this investment has been eliminated.

TABLE 14

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Taiwan Cooperative Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Taiwan Cooperative Bank Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	$ 4,547,235 (US$ 154,395) (Note 1)	Direct	$ 4,547,235 (US$ 154,395) (Note 1)	$ -	$ -	$ 4,547,235 (US$ 154,395) (Note 1)	$ 519,556	100	$ 519,556	$ 5,390,387	$ -
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)	207,669	100	207,669	3,036,211	-
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)	201,997	100	201,997	2,976,410	-
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)	6,309	100	6,309	2,595,881	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$ 13,075,916 (US$ 436,563) (Note 1)	$ 13,075,916 (US$ 436,563) (Note 1)	$ 120,286,003

(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 December 31, 2017	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Taiwan Cooperative International Leasing Co., Ltd.	Financial leasing	$ 910,980 (RMB 185,460) (Note 1)	Direct	$ 910,980 (RMB 185,460) (Note 1)	$ -	$ -	$ 910,980 (RMB 185,460) (Note 1)	$ 43,615	100	$ 43,615	$ 908,023	$ -

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 3)
$ 910,980 (RMB 185,460) (Note 1)	$ 910,980 (RMB 185,460) (Note 1)	$ 2, 037,835

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 YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax receivables - consolidated tax return	$ 560,958	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	560,958	Note 4	0.02
0	Taiwan Cooperative Financial Holding Co., Ltd.	Co-operative Assets Management Co., Ltd.	a	Tax receivables - consolidated tax return	111,657	Note 4	-
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	111,657	Note 4	-
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,071,039	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,071,039	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	573,480	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	573,480	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	6,645,722	Note 4	0.19
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	6,645,722	Note 4	0.19
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	961,290	Note 4	0.03
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	961,290	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	718,365	Note 4	1.54
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	718,365	Note 4	1.54
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd	c	Gain (loss) on financial assets and liabilities at fair value through profit or loss	200,452	Note 4	0.43
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd	Taiwan Cooperative Bank, Ltd.	c	Gain (loss) on financial assets and liabilities at fair value through profit or loss	200,452	Note 4	0.43

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	$ 199,521	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	199,521	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	1.24
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	296,800	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Short-term borrowings	296,800	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	153,075	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Payable on securities	90,526	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Settlement receivable	15,392	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Settlement payable	77,941	Note 4	-

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

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary.
b. From subsidiary to parent company.
c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by the consolidated total assets, and the revenue or expense account is divided by the total consolidated net revenue of the same year.

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)