Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 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 June 30, 2018, December 31, 2017 and June 30, 2017, and the related consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, as well as the consolidated statements of changes in equity and cash flows for the six months 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 June 30, 2018, December 31, 2017 and June 30, 2017, and its consolidated financial performance for the three months ended June 30, 2018 and 2017 and its consolidated financial performance and consolidated cash flows for the six months ended June 30, 2018 and 2017 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 International Accounting Standard 34 "Interim Financial Reporting" 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 six months ended June 30, 2018. 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 six months ended June 30, 2018 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 June 30, 2018 were $2,112,413,584 thousand, consisting 60% 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 expected credit losses models. The amount of impairment loss is recognized by the 12-month or lifetime expected credit losses models. 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 14.

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. Test the reasonableness of the main assumptions used in the expected credit losses valuation model

3. Test the reasonableness of amounts of expected credit losses of selected samples from discounts and loans.

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 29 and 30.

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.

Correctness of Recognized Loan Interest Income

The loan interest income of Taiwan Cooperative Bank, Ltd. and subsidiaries for the six months ended June 30, 2018 was $20,879,947 thousand, consisting 74% of total interest income. Of the amount, domestic loan interest income was $18,214,605 thousand, consisting 87% 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 33.

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 include 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 29.

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. 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. 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.

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

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, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 appropriate audit evidence of the consolidated financial information of the components of 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 the most significance in the audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. for the six months ended June 30, 2018 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

August 27, 2018

Notice to Readers

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 59,967,314	2	$ 64,849,640	2	$ 41,933,153	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 41 and 42)	281,988,848	8	269,695,830	8	272,598,260	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	67,655,657	2	53,150,130	2	41,356,654	1
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 42)	-	-	203,319,458	6	203,364,050	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10 and 42)	292,098,625	8	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 11 and 42)	513,973,016	15	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	798,397	-	1,580,366	-	1,479,821	-
RECEIVABLES, NET (Notes 4, 13 and 41)	35,792,412	1	34,360,303	1	34,251,309	1
CURRENT TAX ASSETS	1,509,199	-	1,350,922	-	1,314,960	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 15 and 42)	2,087,036,250	59	2,002,883,548	59	1,960,080,543	59
REINSURANCE ASSETS, NET	18,902	-	129,358	-	10,840	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 15 and 42)	-	-	516,191,151	15	514,768,584	16
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 16)	124,198	-	124,346	-	118,416	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 17, 31 and 42)	119,974,930	4	213,472,900	6	207,827,369	6
INVESTMENT PROPERTIES, NET (Note 18)	8,774,147	-	8,426,704	-	4,148,742	-
PROPERTIES AND EQUIPMENT, NET (Note 19)	34,157,342	1	34,096,069	1	38,336,053	1
INTANGIBLE ASSETS (Note 20)	3,536,317	-	3,588,490	-	3,571,532	-
DEFERRED TAX ASSETS (Notes 4 and 38)	1,879,310	-	1,601,639	-	1,374,853	-
OTHER ASSETS, NET (Note 21)	4,286,567	-	2,718,701	-	2,750,043	-
TOTAL	$ 3,513,571,431	100	$ 3,411,539,555	100	$ 3,329,285,182	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 22 and 41)	$ 262,745,757	7	$ 227,797,431	7	$ 235,300,673	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 27 and 41)	17,511,785	-	14,571,524	-	14,555,334	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 10, 12, 15, 23 and 41)	39,327,825	1	42,299,838	1	44,499,350	1
COMMERCIAL PAPER ISSUED, NET (Note 24)	18,845,751	1	25,657,429	1	15,804,547	-
PAYABLES (Notes 25 and 41)	59,517,519	2	51,332,672	2	52,353,567	2
CURRENT TAX LIABILITIES	1,061,799	-	1,298,351	-	1,241,664	-
DEPOSITS AND REMITTANCES (Notes 26 and 41)	2,699,186,249	77	2,623,540,576	77	2,547,677,958	77
BONDS PAYABLE (Note 27)	54,610,000	2	64,610,000	2	66,610,000	2
OTHER BORROWINGS (Notes 24 and 28)	2,184,169	-	800,027	-	1,649,561	-
PROVISIONS (Notes 4, 29 and 30)	49,831,837	1	50,464,495	1	50,630,526	2
OTHER FINANCIAL LIABILITIES (Note 31)	97,431,128	3	99,045,141	3	95,385,778	3
DEFERRED TAX LIABILITIES (Notes 4, 19 and 38)	3,647,532	-	3,033,870	-	3,010,113	-
OTHER LIABILITIES (Note 32)	1,719,447	-	1,591,905	-	2,003,644	-
Total liabilities	3,307,620,798	94	3,206,043,259	94	3,130,722,715	94
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	122,027,036	4	122,027,036	3	118,472,850	4
Reserve for capitalization	3,660,811	-	-	-	3,554,186	-
Total capital stock	125,687,847	4	122,027,036	3	122,027,036	4
Capital surplus	57,964,343	2	57,964,343	2	57,964,343	2
Retained earnings						
Legal reserve	6,451,448	-	5,019,668	-	5,019,668	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	7,662,926	-	14,377,752	1	7,631,729	-
Total retained earnings	15,110,400	-	20,393,446	1	13,647,423	-
Other equity	3,002,325	-	767,215	-	843,671	-
Total equity attributable to owners of TCFHC	201,764,915	6	201,152,040	6	194,482,473	6
NON-CONTROLLING INTERESTS	4,185,718	-	4,344,256	-	4,079,994	-
Total equity	205,950,633	6	205,496,296	6	198,562,467	6
TOTAL	$ 3,513,571,431	100	$ 3,411,539,555	100	$ 3,329,285,182	100

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 33 and 41)	$ 14,364,392	136	$ 13,046,364	113	$ 28,170,631	123	$ 25,949,001	116
INTEREST EXPENSE (Notes 33 and 41)	(5,444,224)	(52)	(4,606,822)	(40)	(10,518,385)	(46)	(9,187,790)	(41)
NET INTEREST	8,920,168	84	8,439,542	73	17,652,246	77	16,761,211	75
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 34 and 41)	1,548,789	15	1,545,855	13	3,149,613	14	2,941,784	13
Premium income, net (Notes 31 and 35)	(314,329)	(3)	199,177	2	(61,196)	-	835,856	3
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 36 and 41)	1,648,528	16	593,158	5	2,157,605	9	(468,536)	(2)
Realized gains on available-for-sale financial assets (Note 4)	-	-	266,284	2	-	-	471,735	2
Realized gains on financial assets at fair value through other comprehensive income (Note 4)	396,026	4	-	-	770,340	3	-	-
Foreign exchange gains, net	(1,876,158)	(18)	363,584	3	(1,035,267)	(4)	1,810,149	8
Reversal of impairment（losses）profit on assets (Notes 4 and 15)	1,395	-	(120)	-	1,694	-	7,977	-
Gain or loss on reclassification of overlay approach (Note 4)	49,375	-	-	-	41,469	-	-	-
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 16)	1,042	-	174	-	3,754	-	2,843	-
Gains on financial assets carried at cost, net	-	-	186,251	2	-	-	186,251	1
Other noninterest gains, net (Note 41)	190,447	2	(23,593)	-	181,505	1	(55,863)	-
Total net revenues and gains other than interest	1,645,115	16	3,130,770	27	5,209,517	23	5,732,196	25
TOTAL NET REVENUES	10,565,283	100	11,570,312	100	22,861,763	100	22,493,407	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 14)	(21,669)	-	(868,307)	(8)	(1,617,113)	(7)	(1,582,091)	(7)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 29)	564,651	5	23,367	-	488,438	2	(511,686)	(2)
OPERATING EXPENSES (Notes 4, 19, 30 and 37)								
Employee benefits	(4,022,216)	(38)	(4,148,980)	(36)	(8,044,307)	(35)	(8,006,610)	(36)
Depreciation and amortization	(338,048)	(3)	(272,161)	(2)	(677,807)	(3)	(551,629)	(2)
General and administrative	(1,750,919)	(17)	(1,725,012)	(15)	(3,463,301)	(15)	(3,315,933)	(15)
Total operating expenses	(6,111,183)	(58)	(6,146,153)	(53)	(12,185,415)	(53)	(11,874,172)	(53)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 4,997,082	47	$ 4,579,219	39	$ 9,547,673	42	$ 8,525,458	38
INCOME TAX EXPENSE (Notes 4 and 38)	(745,797)	(7)	(615,865)	(5)	(1,453,729)	(7)	(1,066,743)	(5)
NET INCOME	4,251,285	40	3,963,354	34	8,093,944	35	7,458,715	33
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss (Note 4)								
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	1,791	-	(18,282)	-	14,334	-	(19,395)	-
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	(650,652)	(6)	-	-	(3,131)	-	-	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	(648,861)	(6)	(18,282)	-	11,203	-	(19,395)	-
Items that may be reclassified subsequently to profit or loss (Notes 4, 16 and 38)								
Exchange differences on the translation of financial statements of foreign operations	1,559,808	15	167,969	1	968,719	4	(551,989)	(2)
Unrealized gains on available-for-sale financial assets	-	-	1,261,071	11	-	-	2,146,489	9
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,146	-	169	-	1,662	-	261	-
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(59,370)	(1)	-	-	(1,944,401)	(8)	-	-
Other comprehensive income on reclassification of overlay approach	(49,375)	-	-	-	(41,469)	-	-	-
Income tax attributable to other comprehensive income	(233,473)	(2)	(34,261)	-	6,845	-	62,348	-
Items that may be reclassified subsequently to profit or loss, net of income tax	1,218,736	12	1,394,948	12	(1,008,644)	(4)	1,657,109	7
Other comprehensive income (losses) , net of income tax	569,875	6	1,376,666	12	(997,441)	(4)	1,637,714	7
TOTAL COMPREHENSIVE INCOME	$ 4,821,160	46	$ 5,340,020	46	$ 7,096,503	31	$ 9,096,429	40

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	$ 4,153,185	39	$ 3,844,855	33	$ 7,866,570	34	$ 7,222,111	32
Non-controlling interests	98,100	1	118,499	1	227,374	1	236,604	1
	$ 4,251,285	40	$ 3,963,354	34	$ 8,093,944	35	$ 7,458,715	33
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	$ 4,835,485	46	$ 5,066,672	44	$ 7,235,739	32	$ 8,689,938	38
Non-controlling interests	(14,325)	-	273,348	2	(139,236)	(1)	406,491	2
	$ 4,821,160	46	$ 5,340,020	46	$ 7,096,503	31	$ 9,096,429	40
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)								
Basic	$ 0.33		$ 0.31		$ 0.63		$ 0.57	
Diluted	$ 0.33		$ 0.31		$ 0.63		$ 0.57	

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of TCFHC													
								Other Equity						
	Capital Stock (Note 40)				Retained Earnings (Note 40)									
	Shares (In Thousands)	Common Stock	Reserve for Capitalization	Capital Surplus (Note 40)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 10)	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	Other Comprehensive Income on Reclassification of Overlay Approach	Non-controlling Interests (Note 40)	Total Equity
BALANCE, JANUARY 1, 2018	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
Effect of retrospective application	-	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	84,178	2,613,342
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	-	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	4,428,434	208,109,638
Appropriation of the 2017 earnings														
Legal reserve	-	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,152,028)	-	-	-	-	-	-	(9,152,028)
Stock dividends	-	-	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	38,075	-	(38,075)	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(103,480)	(103,480)
Net income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	-	-	-	-	-	227,374	8,093,944
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	817,927	(1,439,860)	-	14,334	(23,232)	(366,610)	(997,441)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	817,927	(1,439,860)	-	14,334	(23,232)	(139,236)	7,096,503
BALANCE, JUNE 30, 2018	12,202,704	$ 122,027,036	$ 3,660,811	$ 57,964,343	$ 6,451,448	$ 996,026	$ 7,662,926	$ (360,007)	$ 3,185,957	$ -	$ 16,748	$ 159,627	$ 4,185,718	$ 205,950,633
BALANCE, JANUARY 1, 2017	11,847,285	$ 118,472,850	$ -	$ 57,964,343	$ 3,643,188	$ 996,026	$ 14,225,747	$ (9,285)	$ -	$ (649,369)	$ 34,498	$ -	$ 3,802,863	$ 198,480,861
Appropriation of the 2016 earnings														
Legal reserve	-	-	-	-	1,376,480	-	(1,376,480)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(8,885,463)	-	-	-	-	-	-	(8,885,463)
Stock dividends	-	-	3,554,186	-	-	-	(3,554,186)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(129,360)	(129,360)
Net income for the six months ended June 30, 2017	-	-	-	-	-	-	7,222,111	-	-	-	-	-	236,604	7,458,715
Other comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	-	-	(462,284)	-	1,949,506	(19,395)	-	169,887	1,637,714
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	-	7,222,111	(462,284)	-	1,949,506	(19,395)	-	406,491	9,096,429
BALANCE, JUNE 30, 2017	11,847,285	$ 118,472,850	$ 3,554,186	$ 57,964,343	$ 5,019,668	$ 996,026	$ 7,631,729	$ (471,569)	$ -	$ 1,300,137	$ 15,103	$ -	$ 4,079,994	$ 198,562,467

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 9,547,673	$ 8,525,458
Adjustments for:		
Depreciation expenses	592,287	458,557
Amortization expenses	85,520	93,072
Bad-debt expenses	1,669,486	1,525,943
Losses (gains) on financial assets and liabilities at fair value through profit or loss	(2,157,605)	468,536
Interest expense	10,518,385	9,187,790
Interest revenue	(28,170,631)	(25,949,001)
Dividend income	(170,243)	(272,544)
Net changes in reserves for insurance liabilities	(681,514)	240,465
Provision (reversal of provision) for losses on guarantees	(108,284)	56,148
Net changes in reserves for other liabilities	55,911	-
Share of gains of associates and joint ventures accounted for using equity method	(3,754)	(2,843)
Gains on reclassification of overlay approach	(41,469)	-
Losses on disposal of properties and equipment	709	904
Gains on disposal of investments	(600,097)	(385,443)
Impairment losses on financial assets	4,172	-
Reversal of impairment losses on financial assets	(5,866)	(7,977)
Unrealized losses (gains) on foreign exchange	(643,683)	1,160,641
Gains on disposal of collaterals assumed	-	(1,970)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(18,286,603)	4,927,775
Decrease in financial assets at fair value through profit or loss	6,434,970	19,543,973
Decrease in financial assets at fair value through other comprehensive income	2,537,490	-
Decrease in investments in debt instruments at amortized cost	3,792,722	-
Increase in available-for-sale financial assets	-	(24,610,496)
Increase in receivables	(2,180,418)	(3,359,373)
Decrease (increase) in discounts and loans	(85,830,323)	5,430,309
Decrease (increase) in reinsurance assets	106,797	(1,998)
Increase in held-to-maturity financial assets	-	(2,482,951)
Increase in other financial assets	(4,447,945)	(5,837,530)
Decrease (increase) other assets	13,631	(30,782)
Increase in due to the Central Bank and other banks	34,948,326	1,265,488
Decrease in financial liabilities at fair value through profit or loss	(5,838,501)	(6,767,231)
Increase (decrease) in securities sold under repurchase agreements	(2,972,013)	359,935
Decrease in payables	(1,484,580)	(9,923,983)
Increase (decrease) in deposits and remittances	75,645,673	(14,909,818)

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30 2018	For the Six Months Ended June 30 2017
Decrease in provision for employee benefits	$ (58,998)	$ (601)
Increase (decrease) in other financial liabilities	(214,046)	1,249,705
Increase (decrease) in other liabilities	125,314	(63,634)
Cash used in operations	(7,817,507)	(40,113,476)
Interest received	30,062,712	26,552,668
Dividends received	366,319	275,561
Interest paid	(10,561,185)	(9,517,304)
Income tax paid	(1,221,821)	(593,480)
Net cash generated by (used in) operating activities	10,828,518	(23,396,031)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(1,011,287)	(907,960)
Increase in refundable deposits	(2,208,179)	(158,837)
Decrease in refundable deposits	619,357	139,305
Acquisition of intangible assets	(47,370)	(31,915)
Proceeds of the disposal of collaterals assumed	-	6,350
Acquisition of collaterals assumed	-	(1,033)
Acquisition of investment properties	-	(86,702)
Increase in other assets	(11,877)	(6,918)
Decrease in other assets	-	4,495
Net cash used in investing activities	(2,659,356)	(1,043,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper issued	(6,813,000)	(715,000)
Repayments of bank debentures	(10,000,000)	(8,000,000)
Increase in other borrowings	10,557,138	14,895,928
Decrease in other borrowings	(9,176,271)	(14,564,613)
Increase in guarantee deposits received	611,797	689,218
Decrease in guarantee deposits received	(977,391)	(555,500)
Increase in other liabilities	2,113	20,297
Net cash used in financing activities	(15,795,614)	(8,229,670)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	253,172	1,615,942
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,373,280)	(31,052,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	106,195,547	119,263,205
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 98,822,267	$ 88,210,231

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

Cash and cash equivalents reconciliations:

	June 30 2018	June 30 2017
Cash and cash equivalents in consolidated balance sheets	$ 59,967,314	$ 41,933,153
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"	37,871,956	44,614,737
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	798,397	1,479,821
Other items in accordance with the definition of cash and cash equivalents under IAS 7 "Statement of Cash Flows"	184,600	182,520
Cash and cash equivalents, end of period	$ 98,822,267	$ 88,210,231

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(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 June 30, 2018.

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; (c) securities investment consulting business and (d) other businesses as approved by the authorities.

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

As of June 30, 2018 and 2017, TCFHC and its subsidiaries (the Company) had 9,085 and 8,869 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 August 27, 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)

Except for the following, the initial application of the above New IFRSs in 2018 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:

IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. As of January 1, 2018, the changes of the measurement types and book values determined by IAS 39 and IFRS 9 for each category of financial assets are summarized as follows:

	IAS 39		IFRS 9	
Financial Assets	**Measurement Category**	**Carrying Amount**	**Measurement Category**	**Carrying Amount**
Cash and cash equivalents	Amortized cost	$ 64,849,640	Amortized cost	$ 64,849,640
Due from the Central Bank and call loans to other banks	Amortized cost (loans and receivables)	269,695,830	Amortized cost	265,595,830
			Fair value through profit or loss	4,100,000
Financial assets at fair value through profit or loss	Fair value through profit or loss	52,998,895	Fair value through profit or loss	52,998,895
	Designated at fair value through profit or loss	151,235	Designated at fair value through profit or loss	151,235
Available-for-sale financial assets, net	Fair value through other comprehensive income	203,319,458	Fair value through profit or loss	5,796,071
			Fair value through other comprehensive income	193,867,519
			Amortized cost	3,576,817
Securities purchased under resell agreements	Amortized cost	1,580,366	Amortized cost	1,580,366

(Continued)

Financial Assets	IAS 39 Measurement Category	IAS 39 Carrying Amount	IFRS 9 Measurement Category	IFRS 9 Carrying Amount
Receivables, net	Amortized cost (loans and receivables)	$ 34,360,303	Amortized cost	$ 33,560,535
			Fair value through profit or loss	775,508
Discounts and loans, net	Amortized cost (loans and receivables)	2,002,883,548	Amortized cost	2,002,889,005
Held-to-maturity financial assets, net	Amortized cost	516,191,151	Amortized cost	500,245,843
			Fair value through other comprehensive income	16,194,736
Other financial assets, net	Financial assets measured at cost	4,279,439	Fair value through profit or loss	161,676
			Fair value through other comprehensive income	5,521,358
	Amortized cost (debt investments with no active market)	92,388,831	Amortized cost	14,031,563
			Fair value through other comprehensive income	79,609,856
	Amortized cost (due from banks)	21,313,136	Fair value through profit or loss	400,000
			Amortized cost	20,913,136
	Amortized cost (other financial assets, net)	95,491,494	Amortized cost	95,491,494
Others, net	Amortized cost (refundable deposits)	1,351,040	Amortized cost	1,351,040

(Concluded)

The reclassifications and remeasurements of the book value of Company's financial assets from IAS 39 measurement categories to IFRS 9 measurement categories as of January 1, 2018 were as follows:

Financial Assets	IAS 39 Carrying Amount as of December 31, 2017	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling Interests Effect on January 1, 2018	Remark
FVTPL	$ 53,150,130	$ -	$ -	$ 53,150,130	$ -	$ -	$ -	
Add: Reclassification and remeasurement from available-for-sale (IAS 39)	-	5,795,581	490	5,796,071	(68,306)	68,796	-	(1)
Add: Reclassification from due from the Central Bank and call loans to banks	-	4,100,000	-	4,100,000	-	-	-	(2)
Add: Reclassification from other financial assets - due from the banks	-	400,000	-	400,000	-	-	-	(2)
Add: Reclassification and remeasurement from financial assets measured at cost (IAS 39)	-	158,660	3,016	161,676	3,016	-	-	(3)
Changes of financial assets through FVTPL	53,150,130	10,454,241	3,506	63,607,877	(65,290)	68,796	-	
FVTOCI	-	-	-	-	-	-	-	
Debt instruments								
Add: Reclassification from available-for-sale (IAS 39)	-	189,492,506	-	189,492,506	(62,328)	62,328	-	(4)
Add: Reclassification and remeasurement from held-to-maturity financial assets, net (IAS 39)	-	15,913,871	280,865	16,194,736	(4,960)	285,825	-	(4)
Add: Reclassification and remeasurement from debt investments with no active market (IAS 39)	-	78,351,560	1,258,296	79,609,856	(24,814)	1,165,017	84,242	(4)
Equity instruments								
Add: Reclassification from available-for-sale (IAS 39)	-	4,375,013	-	4,375,013	-	-	-	(1)
Add: Reclassification and remeasurement from financial assets measured at cost (IAS 39)	-	4,120,779	1,400,579	5,521,358	-	1,400,579	-	(3)
Changes of financial assets through FVTOCI	-	292,253,729	2,939,740	295,193,469	(92,102)	2,913,749	84,242	
Amortized cost	-	-	-	-	-	-	-	
Add: Reclassification and remeasurement from available-for-sale (IAS 39)	-	3,656,358	(79,541)	3,576,817	(1,012)	(78,529)	-	(5)
Add: Reclassification and remeasurement from held-to-maturity financial assets, net (IAS 39)	-	500,277,280	(31,437)	500,245,843	(31,437)	-	-	(6)
Add: Reclassification and remeasurement from debt investments with no active market (IAS 39)	-	14,037,271	(5,708)	14,031,563	(5,699)	-	(9)	(6)
Add: Reclassification from other financial assets - due from the bank	-	13,940	-	13,940	-	-	-	(7)
Changes of amortized cost	-	517,984,849	(116,686)	517,868,163	(38,148)	(78,529)	(9)	
Reclassification and remeasurement of financial assets on January 1, 2018	$ 53,150,130	$ 820,692,819	$ 2,826,560	$ 876,669,509	$ (195,540)	$ 2,904,016	$ 84,233	

1) The stock investment classified as available-for-sale financial assets under IAS 39 was reclassified under IFRS 9 as measured at fair value through profit or loss and at fair value through other comprehensive income, hence the retained earnings on January 1, 2018 decreased by $47,672 thousand, and the other equity - unrealized losses on available-for-sale financial assets decreased by $48,162 thousand.

   The beneficial certificates originally classified under IAS 39 as available-for-sale financial asset that cash flow are not solely payment of principal amounts and interest on the outstanding principal amounts, and is not an equity instrument, hence, the financial asset was reclassified as at fair value through profit or loss under IFRS 9, and the other equity - unrealized losses on available-for-sale financial assets of $20,634 thousand, was reclassified to retained earnings.

   In addition, the Company selected the overlay approach (Note) and evaluated qualified financial assets classified at fair value based on stock investments that are all eligible for the overlay approach. The Company applies the overlay approach when applying IFRS 9 for the first time. Retained earnings are reclassified to other equity - other comprehensive income under the overlay approach.

   Note: The amendments to IFRS 4 allow contracts covered by IFRS 4 which issued by companies have applied IFRS 9 applying the overlay approach. Qualified financial assets subject to the applicable overlay approach are limited to IFRS 9 and are measured only at fair value through profit or loss as a whole, which are not measured in the same manner as IAS 39, and are not held for activities without relation of the IFRS 4 insurance contract. If an enterprise chooses to apply the overlay approach, it should clearly specify the eligible financial assets subject to the overlay approach when the company applies IFRS 9 for the first time. The subsequent acquisition of new assets will be specified at the time of initial recognition. The changes in the fair value of the designated qualifying financial assets shall be divided into two parts. The part that should be recognized by the applicable IAS 39 is stated in profit or loss, and the difference between the applicable IFRS 9 and the applicable IAS 39 is expressed in other comprehensive profit and loss. The amount reclassified from profit or loss to other comprehensive income should be stated separately in the comprehensive income statement and the relevant information should be disclosed in the notes.

2) The financial assets, which were originally classified as due from the Central Bank and call loans to banks, and other financial assets - negotiable certificates of deposit issued in the Central Bank of due from banks that measured at amortized cost, were evaluated according to the facts and circumstances existing on January 1, 2018 and found that the cash flow are not solely payment of principal amounts and interest on outstanding principal amounts. The Company classified the financial assets under IFRS 9 as at fair value through profit or loss.

3) The unlisted company stock investments originally measured by IAS 39 on a cost basis are classified according to IFRS 9 at fair value through profit or loss and at fair value through other comprehensive income. The classification under IFRS 9 increased financial assets measured at fair value through profit or loss and retained earnings on January 1, 2018 by $3,016 thousand, and increased financial assets measured at fair value through other comprehensive income and other equity - unrealized gains or losses on financial assets at fair value through other comprehensive income by $1,400,579 thousand.

4) Under IAS 39, financial assets classified as available for sale, financial assets classified as held-to-maturity and debt instruments with no active market were measured at amortized cost, were originally recognized that contractual cash flows are solely payment of principal amounts and interest on the outstanding principal amounts. The evaluation of the business model on the basis of the facts and circumstances existing on January 1, 2018 was aiming for holding financial assets to collect contractual cash flows and selling financial assets; therefore, the financial assets are classified as measured at fair value through other comprehensive income under IFRS 9 and assessed for expected credit losses (ECL). As a result of the retrospective application of IFRS 9, the remeasured amount of financial assets at fair value through other comprehensive income on January 1, 2018 increased by $1,539,161 thousand; retained earnings decreased by $92,102 thousand (including the income tax benefit of $840 thousand); other equity - unrealized gains or losses on financial assets at fair value through other comprehensive income increased by $1,513,170 thousand (including income tax loss of $18,104 thousand), and non-controlling interests increased by $84,242 thousand (including income tax loss of $16,587 thousand).

5) The bond investment originally classified as available-for-sale financial assets under IAS 39, was evaluated based on the facts and circumstances existing on January 1, 2018, and reclassified under IFRS 9 as measured at amortized cost and assessed for expected credit losses due to the business model of receiving the contractual cash flow that are solely payments of principal amounts and interest on the outstanding principal amounts. As a result of retrospective application, the amount of investment in debt instruments at amortized cost as of January 1, 2018 decreased by $79,541 thousand, retained earnings decreased by $1,012 thousand, and the other equity - unrealized gains or losses on available-for-sale financial assets decreased by $78,529 thousand.

6) The bond investments originally classified under IAS 39 as held-to-maturity financial assets and debt instruments with no active market were measured at amortized cost and the contractual cash flows were solely payment of principal amounts and interest on the outstanding principal amounts. The evaluation of the facts and circumstances existing on January 1, 2018 showed that the business model is to collect contractual cash flows; hence, according to IFRS 9, the bond investments are measured at amortized cost, and assessed for expected credit losses. As a result of retrospective application, the allowance for loss on debt instruments at amortized cost on January 1, 2018 increased by $37,145 thousand, retained earnings decreased by $37,136 thousand, and the non-controlling interests decreased by $9 thousand.

7) Financial assets originally classified as other financial assets - fixed deposits of due from banks were classified according to IFRS 9 at amortized cost and assessed for expected credit losses, due to the business model's objective of collecting contractual cash flows from payment of principal amounts and interest on the outstanding principal amounts.

The Company's financial assets that meet the requirements of IAS 39 were converted to IFRS 9 measurement on June 30, 2018, the fair value of the financial assets reclassified to amortized cost and the profit or loss of the financial assets if its were not reclassified were as follows:

Reclassified at Amortized Cost	June 30, 2018
Reclassified at amortized cost from available-for-sale (IAS 39)	$ 3,656,358
At fair value on June 30, 2018	3,612,115
Unrealized gains or losses at FVTOCI if the FVTOCI was not reclassified in the current year	(28,651)

Reconciliation of allowance for impairment upon initial application of IFRS 9

The reconciliation of the amount of allowance for impairment measured by Loss Model under IAS 39 with the amount of allowance for impairment measured by Expected Loss Model under IFRS 9, on January 1, 2018 is as follows:

Category of measurement	The Amount of Allowance for Impairment under IAS 39 and the Recognition under IAS 37	Reclassifications	Remea-surements	The Amount of Allowance for Impairment under IFRS 9
Loans and receivables (IAS 39)/ financial assets at amortized cost (IFRS 9)				
Accounts receivable	$ 1,318,342	$ -	$ (595,691)	$ 722,651
Discounts and loans	8,409,360	-	668,711	9,078,071
Other financial assets	958,555	-	(80)	958,475
Impairment loss under regulations	16,902,450	-	(692,425)	16,210,025
	27,588,707	-	(619,485)	26,969,222
Available-for-sale financial assets (IAS 39)/financial assets at FVTOCI (IFRS 9)				
Available-for-sale financial assets	-	-	69,078	69,078
Available-for-sale financial assets (IAS 39)/financial assets at amortized cost (IFRS 9)				
Available-for-sale financial assets	-	-	1,012	1,012
	-	-	70,090	70,090
Held-to-maturity financial assets (IAS 39)/financial assets at amortized cost (IFRS 9)				
Held-to-maturity financial assets	3,304	-	31,437	34,741
Held-to-maturity financial assets (IAS 39)/financial assets at FVTOCI (IFRS 9)				
Held-to-maturity financial assets	-	-	4,960	4,960
	3,304	-	36,397	39,701
Debt investments with no active market (IAS 39)/financial assets at FVTOCI (IFRS 9)				
Debt investments with no active market	-	-	27,103	27,103
Debt investments with no active market (IAS 39)/financial assets at amortized cost (IFRS 9)				
Debt investments with no active market	-	-	5,708	5,708
	-	-	32,811	32,811
Loan commitments and guarantee commitments				
Loans (loan commitments)	-	-	134,336	134,336
Credit card (loan commitments)	-	-	4,834	4,834
Guarantee receivable	547,404	-	299,628	847,032
Letters of credit	-	-	17,001	17,001
Impairment loss under regulations	878,946	-	(295,213)	583,733
	1,426,350	-	160,586	1,586,936
Total	$ 29,018,361	$	$ (319,601)	$ 28,698,760

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 2019

New, Amended or Revised Standards and Interpretations (the 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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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, Amended or Revised 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: The Company 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.

Definition of a lease

Upon initial application of IFRS 16, the Company will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

<u>The Company as lessor</u>

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

2) 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 consistently 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.

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)
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 17 "Insurance Contracts"	January 1, 2021

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

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:

1) Level of aggregation

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

a) A group of contracts that are onerous at initial recognition;

b) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently;

c) A group of the remaining contracts in the portfolio.

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

2) 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.

3) 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.

4) 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.

5) 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.

6) 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.

7) 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.

8) 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.

9) 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Other Major Accounting Policies

In addition to the following, refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2017.

a. 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.

1) Measurement category

   2018

   Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

   a) Financial asset at FVTPL

      Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL.

      Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

      A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

      Financial assets at FVTPL are subsequently measured 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 44.

   b) Financial assets at amortized cost

      Financial assets that meet the following conditions are subsequently measured at amortized cost:

      i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

      ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

      Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other bank, call loans to securities firms, receivables and discounts and debt instruments are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

      Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

      i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

      ii. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

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.

a) 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:

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

ii. 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

iii. 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 44.

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

AFS financial assets are nonderivatives 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 44.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange 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 equity investments that do not have a quoted market price in an active market and whose fair value 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 loss at the end of each reporting period and are presented 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.

c) Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and a fixed maturity date 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.

d) Loans and receivables

Loans and receivables are nonderivative 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 market) are measured at amortized cost using the effective interest method less any impairment.

2) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss for receivables (excluding receivables of credits and credit cards and accrued interest from debt instruments), and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

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 of 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.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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;
- 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 investments, 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 investments, impairment losses previously recognized in profit or loss cannot 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 will not 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 or 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.

3) 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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. 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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

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

1) Subsequent measurement

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

   a) 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:

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

      ii. 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

      iii. 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 44.

b) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

i. The amount of the loss allowance reflecting expected credit loss; and

ii. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

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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.

2) Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company's obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or 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 recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

b. 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:

1) Life policy reserve

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

2) Unearned premium reserve

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

3) Claim reserve

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

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

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

   b) Injury insurance

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

   c) 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.

   d) 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.

e) 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.

f) 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:

i. 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.

ii. 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.

iii. 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.

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

v. 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.

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

c. Recognition of revenue

The Company recognizes revenue in accordance with IFRS 15 "Revenue from Contracts with Customers", 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.

d. Employee benefits

1) Retirement benefits

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

2) 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.

e. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, consequently spreading the effect throughout the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In addition to the following, refer to the critical accounting judgments and key sources of estimation uncertainty of the consolidated financial statements for the year ended December 31, 2017.

a. Impairment losses on loans

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Estimated impairment losses on loans of the Company is based on certain assumptions about percentage of default and expected losses. The Company makes assumptions and decide the amount of impairment losses according to prior experience, current marketing situation and looking-forward information. The Company will have a material impairment losses if cash flows are less than expected in the future.

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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. 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.

c. Insurance liability and liability adequacy test

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 22,729,331	$ 22,460,001	$ 21,541,763
Notes and checks in clearing	22,893,539	23,198,709	7,818,160
Due from banks	14,344,444	19,190,930	12,573,230
	$ 59,967,314	$ 64,849,640	$ 41,933,153

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of June 30, 2018 and 2017 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2017 are stated below:

	December 31, 2017
Cash and cash equivalent in the consolidated balance sheet	$ 64,849,640
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
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
Cash and cash equivalents, end of the year	$ 110,295,547

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

	June 30, 2018	December 31, 2017	June 30, 2017
Reserves for deposits - account A	$ 39,821,764	$ 36,817,723	$ 36,507,998
Reserves for deposits - account B	69,884,810	68,849,178	66,538,880
Reserves for deposits - community financial institutions	57,167,709	56,667,002	55,603,582
Reserves for deposits - foreign-currency deposits	391,763	370,594	334,679
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Time deposits in the Central Bank	-	4,100,000	4,200,000
Negotiable certificates of deposit in the Central Bank	-	800,000	800,000
Due from the Central Bank - others	8,114,195	10,732,126	6,592,556
Due from the Central Bank - central government agencies' deposits	2,829,539	2,498,012	3,989,585
Call loans to banks	64,579,068	49,661,195	58,830,980
	$ 281,988,848	$ 269,695,830	$ 272,598,260

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

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

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

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets mandatorily classified as at fair value through profit or loss			
Commercial paper	$ 27,560,544	$ -	$ -
Negotiable certificates of deposit	12,847,336	-	-
Beneficial certificates	5,834,190	-	-
Bank debentures	4,227,519	-	-
Stocks	2,610,159	-	-
Convertible bonds assets swap contracts	2,536,853	-	-
Corporate bonds	2,174,560	-	-
Convertible bonds	1,288,167	-	-
Government bonds	917,926	-	-
Commercial paper contracts with reference rate	1,368	-	-
Currency swap contracts	7,169,998	-	-
Futures exchange margins	267,252	-	-
Foreign-currency margin contracts	127,381	-	-
Forward contracts	48,581	-	-
Currency option contracts - buy	29,336	-	-
Interest rate swap contracts	13,299	-	-
Cross-currency swap contracts	1,188	-	-
	67,655,657	-	-
Held-for-trading financial assets			
Commercial paper	-	34,724,323	30,827,009
Corporate bonds	-	4,073,847	2,138,124
Negotiable certificates of deposit	-	3,946,887	300,004
Bank debentures	-	3,297,370	1,719,093
Stocks	-	1,748,869	1,405,327
Convertible bonds	-	1,108,603	1,478,378
Beneficial certificates	-	1,024,957	1,230,655
Government bonds	-	150,148	252,172
Commercial paper contracts with reference rate	-	2,699	1,724
Currency swap contracts	-	2,257,064	1,469,629
Futures exchange margins	-	222,072	226,275
Interest rate swap contracts	-	166,405	9,399
Forward contracts	-	116,003	176,595
Foreign-currency margin contracts	-	112,946	81,776
Cross-currency swap contracts	-	27,341	10,417
Currency option contracts - buy	-	18,306	28,271
Stock warrants	-	1,055	1,806
	-	52,998,895	41,356,654

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
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	$ 67,655,657	$ 53,150,130	$ 41,356,654
Held-for-trading financial liabilities			
Payable - security borrowing	$ 170,720	$ 114,043	$ 82,214
Securities purchased under resell agreements - short sale	-	-	453,795
Currency swap contracts	4,868,866	2,654,764	1,789,963
Interest rate swap contracts	787,294	18,677	169,797
Forward contracts	155,873	10,907	18,128
Cross-currency swap contracts	45,114	15,108	25,749
Asset swap options	38,227	47,005	54,908
Currency option contract - sell	35,598	18,304	28,327
Foreign-currency margin contracts	95	229	-
Stock warrants issued liabilities, net	-	4,196	6,106
	6,101,787	2,883,233	2,628,987
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 27)	11,409,998	11,688,291	11,926,347
Financial liabilities at fair value through profit or loss	$ 17,511,785	$ 14,571,524	$ 14,555,334

(Concluded)

As of June 30, 2018, December 31, 2017 and June 30, 2017, financial assets at fair value through profit or loss amounting to $26,867,729 thousand, $28,100,388 thousand and $17,499,417 thousand, respectively, had been sold under repurchase agreements.

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, the contract (notional) amounts of derivative transactions of TCB were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Currency swap contracts	$ 446,033,081	$ 385,254,620	$ 354,612,170
Interest rate swap contracts	17,032,625	16,987,717	15,309,041
Forward contracts	11,129,147	10,061,815	13,692,712
Currency option contracts - sell	7,227,730	4,936,507	6,784,415
Currency option contracts - buy	6,769,105	4,936,507	6,784,415
Cross-currency swap contracts	2,294,860	1,910,603	2,211,764
Foreign-currency margin contracts	842,535	1,555,713	1,648,504

As of June 30, 2018, December 31, 2017 and June 30, 2017, the open position of futures transactions of TCB were as follows:

		June 30, 2018			
		Open Position		Contract Amounts or Premium	
Items	Products	Buy/Sell	Number of Contracts	Paid (Charged)	Fair Values
Futures contracts	TAIEX Futures 201807	Sell	50	$ 106,104	$ 106,770
	10-Year U.S. Treasury Note Futures 201809	Sell	180	660,608	661,452

		December 31, 2017			
		Open Position		Contract Amounts or Premium	
Items	Products	Buy/Sell	Number of Contracts	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

		June 30, 2017			
		Open Position		Contract Amounts or Premium	
Items	Products	Buy/Sell	Number of Contracts	Paid (Charged)	Fair Values
Futures contracts	TAIEX Futures 201707	Sell	10	$ 20,435	$ 20,504
	10-Year U.S. Treasury Note Futures 201709	Sell	39	150,127	149,261

As of June 30, 2018, December 31, 2017 and June 30, 2017, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		June 30, 2018			
		Open Position		Contract Amounts or Premium	
Items	Products	Buy/Sell	Number of Contracts	Paid (Charged)	Fair Values
Future contracts	W.I.S.E. Yuanta/P-shares CSI300 ETF 201807	Buy	316	$ 56,930	$ 53,878
	W.I.S.E. Yuanta/P-shares CSI300 ETF 201808	Buy	1	170	170
	Fubon SSE 180 ETF Futures 201807	Buy	34	9,700	9,758
	Cathay FTSE China A50 ETF Futures 201807	Buy	29	5,706	5,484

(Continued)

Items	Products	Open Position: Buy/Sell	Open Position: Number of Contracts	June 30, 2018 Contract Amounts or Premium Paid (Charged)	Fair Values
	NYMEX Crude Futures 201812	Buy	6	$ 11,992	$ 12,700
	SGX FTSE China A50 Index Futures 201807	Buy	238	82,006	83,586
	Walsin Futures 201807	Sell	3	2,257	2,490
	NSP Futures 201807	Sell	525	10,384	10,458
	Fuh Hwa CSI 300 A Shares ETF Futures 201807	Sell	3	659	652
	Fubon SISE 100 Index ETF Futures 201807	Sell	13	1,375	1,313
	Taiwan Stock Exchange Electronic Sector Index Futures 201807	Sell	6	10,413	10,449
	Taiwan Stock Exchange Finance Sector Index Futures 201807	Sell	14	17,318	17,405
	TAIEX Futures 201807	Sell	39	82,754	83,281
	Ennoconn Futures 201807	Sell	1	896	881
	Japanese Yen Futures 201807	Sell	11	38,320	37,977
	NYMEX Crude Futures 201808	Sell	25	55,627	56,465
	US Dollar Index Futures 201809	Sell	5	14,375	14,369
	E-mini S&P 500 Futures 201809	Sell	2	8,450	8,290
	5 Year U.S. Treasury Note Futures 201809	Sell	25	86,409	86,520
	Gold Futures 201808	Sell	15	57,286	57,318
	E-mini NASDAQ-100 Futures 201809	Sell	3	12,946	12,915
	Silver Futures 201809	Sell	3	7,756	7,401
	2-Year U.S. Treasury Note Futures 201809	Sell	140	903,753	903,320
	10-Year U.S. Treasury Note Futures 201809	Sell	42	153,219	153,758
	Ultra 10-Year U.S. Treasury Note Futures 201809	Sell	4	19,367	19,441
	VX-Cboe Volatility Index Futures 201807	Sell	88	38,803	42,955
	VX-Cboe Volatility Index Futures 201808	Sell	56	27,923	27,932
	E-mini Dow Index Futures 201809	Sell	4	15,356	14,782
	Soybean Futures 201811	Sell	6	8,110	8,042

(Continued)

Items	Products	Open Position: Buy/Sell	Open Position: Number of Contracts	June 30, 2018: Contract Amounts or Premium Paid (Charged)	Fair Values
	SGX Nikkei 225 Index Futures 201809	Sell	3	$ 9,384	$ 9,187
	H-shares Index Futures 201807	Sell	14	29,150	29,528

(Concluded)

Items	Products	Open Position: Buy/Sell	Open Position: Number of Contracts	December 31, 2017: 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
	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

(Continued)

Items	Products	Open Position: Buy/Sell	Open Position: Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
				December 31, 2017	
	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)

Items	Products	Open Position: Buy/Sell	Open Position: Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
				June 30, 2017	
Futures contracts	Finance Sector Index Futures 201707	Buy	8	$ 9,004	$ 9,019
	NYMEX Crude Oil Futures 201712	Buy	1	1,352	1,431
	US Dollar Index Futures 201709	Buy	2	5,879	5,805
	Cathay FTSE China A50 ETF Futures 201707	Buy	30	10,374	10,369
	TAIEX Futures 201707	Sell	1	2,050	2,050
	WPG Holdings Limited Stock Futures 201707	Sell	287	23,691	23,304
	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201707	Sell	138	22,715	22,853
	Fubon SSE180 ETF 201707	Sell	341	96,623	98,856

(Continued)

Items	Products	June 30, 2017 Open Position Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
	Yuanta/P-shares SSE50 ETF 201707	Sell	106	$ 29,075	$ 30,146
	Fuh Hwa CSI300 A Shares ETF Futures 201707	Sell	121	25,272	26,390
	Fubon SZSE 100 Index ETF Futures 201707	Sell	14	1,391	1,446
	Capital SZSE SME Price Index ETF Futures 201707	Sell	36	5,005	5,141
	H-shares Index Futures 201707	Sell	47	94,425	93,365
	Mini H-shares Index Futures 201707	Sell	24	9,567	9,535
	Tokyo Stock Price Index Futures 201709	Sell	11	47,332	48,145
	NYMEX Crude Oil Futures 201708	Sell	33	43,599	46,218
	Cathay FTSE China A50 ETF Futures 201707	Sell	188	65,015	64,982
	E-mini S&P 500 Index Futures 201709	Sell	5	18,522	18,411
	NYMEX Gold Futures 201708	Sell	7	26,528	26,454
	Nifty 50 Futures 201707	Sell	42	24,334	24,322
	E-mini NASDAQ 100 Futures 201709	Sell	10	34,494	34,391
	US 2 Year T-Note Futures 201709	Sell	1	6,576	6,574
	US T-Note 201709	Sell	6	23,129	22,912
	Ultra 10-Year U.S. Treasury Note Futures 201709	Sell	18	92,280	90,827
	CBOE Volatility Index Futures 201707	Sell	105	38,474	39,367
	CBOE Volatility Index Futures 201708	Sell	75	28,765	28,918
	E-mini Dow Jones Futures 201709	Sell	2	6,498	6,479

(Concluded)

As of June 30, 2018 and December 31, 2017 and June 30, 2017, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Asset swap contracts	$ 503,500	$ 408,500	$ 533,600

As of June 30, 2018, December 31, 2017 and June 30, 2017, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Interest rate swap contracts	$ 76,540,000	$ 28,490,000	$ 2,090,000
Currency swap contracts	405,925	792,669	424,988

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	June 30, 2017
Stock warrants issued liabilities	$ 333,058	$ 998,550
Losses on changes in fair value of stock warrants issued liabilities	(34,404)	(110,330)
	298,654	888,220
Repurchase of stock warrants issued liabilities	313,427	924,850
Losses on changes in fair value of repurchased of stock warrants issued liabilities	(18,969)	(42,736)
	294,458	882,114
Stock warrants liabilities, net	$ 4,196	$ 6,106

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 manage substantial risks due to changes in fair value or cash flow.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Currency swap contracts	$ 18,897,514	$ 13,736,581	$ 13,262,645
Cross-currency swap contracts	-	593,600	912,600

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET - 2017

	December 31, 2017	June 30, 2017
Government bonds	$ 112,677,620	$ 112,280,601
Corporate bonds	43,359,712	45,906,469
Bank debentures	37,111,531	33,731,853
Stocks	5,371,870	6,591,431
Beneficial certificates	4,798,725	4,853,696
	$ 203,319,458	$ 203,364,050

As of December 31, 2017 and June 30, 2017, available-for-sale financial assets amounting to $13,460,652 thousand and $24,013,369 thousand, respectively, had been sold under repurchase agreements.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	June 30, 2018
Investment in equity instruments at FVTOCI	
Listed shares and emerging market shares	$ 6,680,203
Unlisted shares	5,487,071
	12,167,274
Investments in debt instruments at FVTOCI	
Government bonds	121,666,229
Corporate bonds	96,542,496
Bank debentures	61,722,626
	279,931,351
	$ 292,098,625

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments for the six months ended June 30, 2018. The accumulated unrealized profit of financial assets at FVTOCI under other equity in the amount of $38,075 thousand has been transferred to retained earnings.

The dividends revenue was $170,243 thousand for the six months ended June 30, 2018. The Company still had investment in equity instruments at FVTOCI amounting to $170,243 thousand.

As of June 30, 2018, financial assets at fair value through other comprehensive income amounting to $12,429,142 thousand, respectively, had been sold under repurchase agreements.

11. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	June 30, 2018
Negotiable certificates of deposit in the Central Bank	$ 381,875,000
Government bonds	78,299,756
Corporate bonds	33,608,310
Bank debentures	19,933,962
Certificates of deposit	298,449
	514,015,477
Less: Allowance for impairment loss	42,461
	$ 513,973,016

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $798,397 thousand $1,580,366 thousand and $1,479,821 thousand under resell agreements as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively, will subsequently be sold for $798,916 thousand, $1,582,469 thousand and $1,480,291 thousand, respectively.

As of June 30, 2018, December 31, 2017 and June 30, 2017, securities purchased under resell agreements amounting to $137,690 thousand, $917,098 thousand and $137,374 thousand, respectively had been sold under repurchase agreements.

13. RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Accrued interest	$ 8,320,542	$ 8,285,700	$ 7,162,483
Margin loans receivable	5,898,676	5,698,466	4,217,601
Credit cards	5,437,442	3,214,061	4,541,076
Acceptances	3,377,960	4,119,715	3,669,503
Settlement consideration	2,734,423	2,603,792	2,120,505
Settlement receivable	2,533,465	1,908,602	1,710,524
Lease payment receivable	2,381,600	2,001,316	1,666,105
Receivable on securities	1,282,478	739,905	4,567,674
Receivables on lending funds	889,564	968,704	1,062,991
Receivables on merchant accounts in the credit card business	749,160	1,031,825	892,080
Acquired loans	560,165	1,361,411	1,647,998
Credits receivable	461,793	463,578	466,978
Accounts receivable	395,349	463,241	450,920
Receivable - separated account	376,017	516,778	363,520
Accounts receivable factored without recourse	342,030	1,843,856	279,294
Refundable deposits receivable in leasehold agreements	183,993	183,993	272,993
Others	782,833	528,340	645,202
	36,707,490	35,933,283	35,737,447
Less: Allowance for possible losses	753,194	1,433,695	1,371,108
Less: Unrealized interest revenue	161,884	139,285	115,030
	$ 35,792,412	$ 34,360,303	$ 34,251,309

Credits receivable recognized in 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 changes in the impairment assessment of receivables and allowance for possible losses of credits, credit cards, and accrued interest from debt instruments are summarized below:

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 22,194,858	$ 53,206	$ 184,769	$ 22,432,833
Transfers to				
Lifetime ECL	(18,068)	18,169	(101)	-
Credit-impaired financial assets	(7,057)	(7,696)	14,753	-
12-month ECL	11,760	(11,544)	(216)	-
New financial assets purchased or originated	16,732,247	53,083	128,671	16,914,001
Write-offs	-	-	(23,544)	(23,544)
Derecognition of financial assets in the current reporting period	(17,085,627)	(57,474)	(147,501)	(17,290,602)
Change in exchange rates and other changes	374,649	81	45	374,775
Balance at June 30, 2018	$ 22,202,762	$ 47,825	$ 156,876	$ 22,407,463

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 46,423	$ 12,867	$ 61,448	$ 120,738	$ 97,016	$ 217,754
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(113)	127	(14)	-	-	-
Credit-impaired financial assets	(280)	(806)	1,086	-	-	-
12-month ECL	2,544	(2,517)	(27)	-	-	-
Derecognition of financial assets in the current reporting period	(35,920)	(18,498)	(85,640)	(140,058)	-	(140,058)
Reversal from financial instruments recognized at the beginning of the current reporting period	(4,318)	2,812	4,467	2,961	-	2,961
New financial assets purchased or originated	32,967	17,091	21,862	71,920	-	71,920
Difference of impairment loss under regulations	-	-	-	-	13,727	13,727
Write-offs	-	-	(23,544)	(23,544)	-	(23,544)
Recovery of written-off receivables	-	-	65,268	65,268	-	65,268
Change in exchange rates and other changes	1,640	-	(2,788)	(1,148)	-	(1,148)
Balance at June 30, 2018	$ 42,943	$ 11,076	$ 42,118	$ 96,137	$ 110,743	$ 206,880

Impairment assessment, except the above receivables was based on expected credit losses model at the beginning of the current reporting period by simplified method. On June 30, 2018, the amounts of impairment assessment of receivables and allowance for possible losses were $14,300,027 thousand and $546,314 thousand, respectively.

The changes in allowance for possible losses by using simplified method are summarized below:

	For the Six Months Ended June 30, 2018
Balance, January 1	$ 601,913
Provision for possible losses	1,917
Write-offs	(61,476)
Recovery of written-off receivables	3,681
Effects of exchange rate changes	279
Balance, June 30	$ 546,314

The allowances for possible losses on receivables (except spot exchange receivable - foreign currencies, which amounted to $21 thousand and $15,460 thousand, respectively) assessed for impairment as of December 31, 2017 and June 30, 2017 were as follows:

Items		December 31, 2017		June 30, 2017	
		Receivables	**Allowance for Possible Losses**	**Receivables**	**Allowance for Possible Losses**
With objective evidence of impairment	Assessment of individual impairment	$ 1,417,185	$ 838,843	$ 1,278,962	$ 629,767
	Assessment of collective impairment	116,033	31,979	119,743	34,674
With no objective evidence of impairment	Assessment of collective impairment	34,400,044	562,873	34,323,282	706,667
Total		35,933,262	1,433,695	35,721,987	1,371,108

The changes in allowance for possible losses are summarized below:

	For the Six Months Ended June 30, 2017
Balance, January 1	$ 1,618,858
Provision for possible losses	8,563
Write-offs	(262,798)
Recovery of written-off receivables	9,826
Effects of exchange rate changes	(3,341)
Balance, June 30	$ 1,371,108

14. DISCOUNTS AND LOANS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Bills discounted	$ 1,617,602	$ 1,446,384	$ 1,091,417
Overdraft			
Unsecured	126,801	136,988	156,320
Secured	81,188	63,885	100,932
Import and export negotiations	663,660	663,775	226,101
Short-term loans			
Unsecured	314,468,055	250,074,255	232,695,982
Accounts receivable financing	670,704	869,022	589,806
Secured	196,435,346	190,622,135	181,483,838
Medium-term loans			
Unsecured	304,285,612	304,022,529	289,141,192
Secured	292,714,129	299,685,728	310,202,174
Long-term loans			
Unsecured	28,562,557	27,915,371	29,427,080
Secured	966,107,212	946,289,312	931,287,986
Overdue loans	5,860,902	6,075,410	7,267,123
Life insurance loan	785,914	611,957	515,852
Temporary insurance paid	33,902	25,987	21,255
	2,112,413,584	2,028,502,738	1,984,207,058
Less: Allowance for possible losses	24,916,249	25,196,604	23,709,826
Less: Adjustment of discount	461,085	422,586	416,689
	$ 2,087,036,250	$ 2,002,883,548	$ 1,960,080,543

The changes in gross carrying amount and allowance for possible losses of discounts and loans are summarized below:

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 1,991,651,844	$ 6,619,720	$ 30,231,174	$ 2,028,502,738
Transfers to				
Lifetime ECL	(2,740,041)	2,781,749	(41,708)	-
Credit-impaired financial assets	(4,627,973)	(1,534,245)	6,162,218	-
12-month ECL	1,458,992	(1,312,489)	(146,503)	-
New financial assets purchased or originated	570,664,992	437,141	872,306	571,974,439
Write-offs	-	-	(2,458,276)	(2,458,276)
Derecognition of financial assets in the current reporting period	(486,589,258)	(606,951)	(4,189,034)	(491,385,243)
Change in exchanges and other changes	5,735,973	13,718	30,235	5,779,926
Balance at June 30, 2018	$ 2,075,554,529	$ 6,398,643	$ 30,460,412	$ 2,112,413,584

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 3,366,360	$ 36,992	$ 5,674,719	$ 9,078,071	$ 16,113,076	$ 25,191,147
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(5,673)	11,049	(5,376)	-	-	-
Credit-impaired financial assets	(9,901)	(12,080)	21,981	-	-	-
12-month ECL	18,036	(2,202)	(15,834)	-	-	-
Derecognition of financial assets in the current reporting period	(1,034,888)	(2,537)	(908,794)	(1,946,219)	-	(1,946,219)
Reversal from financial instruments recognized at the beginning of the current reporting period	136,636	4,350	2,135,306	2,276,292	-	2,276,292
New financial assets purchased or originated	1,256,547	761	142,608	1,399,916	-	1,399,916
Difference of impairment loss under regulations	-	-	-	-	(27,064)	(27,064)
Write-offs	-	-	(2,458,276)	(2,458,276)	-	(2,458,276)
Recovery of write-off credits	-	-	387,322	387,322	-	387,322
Change in exchange rates and other changes	20,416	321	72,394	93,131	-	93,131
Balance at June 30, 2018	$ 3,747,533	$ 36,654	$ 5,046,050	$ 8,830,237	$ 16,086,012	$ 24,916,249

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

Items		December 31, 2017		June 30, 2017	
		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	$ 18,862,918	$ 3,421,255
	Assessment of collective impairment	11,295,185	1,910,062	11,204,751	1,906,286
With no objective evidence of impairment	Assessment of collective impairment	1,997,904,740	19,454,230	1,954,139,389	18,382,285
Total		2,028,502,738	25,196,604	1,984,207,058	23,709,826

The changes in allowance for possible losses are summarized below:

	For the Six Months Ended June 30, 2017
Balance, January 1	$ 23,554,791
Provision for possible losses	1,626,039
Write-offs	(1,734,112)
Recovery of written-off credits	453,974
Effects of exchange rate changes	(190,866)
Balance, June 30	$ 23,709,826

The bad-debt expenses and provision for losses on guarantees for the three months and the six months ended June 30, 2018 and 2017 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Provision for possible losses on discounts and loans	$ 123,197	$ 947,430	$ 1,702,925	$ 1,626,039
Provision (reversal of provision) for possible losses on receivables	(40,947)	18,822	(49,533)	8,563
Provision (reversal of provision) for possible losses on overdue receivables	11,615	(15,019)	16,094	(108,659)
Provision (reversal of provision) for possible losses on guarantees	(73,397)	(82,926)	(108,284)	56,148
Provision for possible losses on loan commitment	1,201	-	55,911	-
	$ 21,669	$ 868,307	$ 1,617,113	$ 1,582,091

As of June 30, 2018, December 31, 2017 and June 30, 2017, TCB was in compliance with the FSC-required provision for credit assets.

As of June 30, 2018, December 31, 2017 and June 30, 2017, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was $55,669 thousand and $68,456 thousand for the six months ended June 30, 2018 and 2017, respectively, based on the average loan interest rate for the year.

15. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017	June 30, 2017
Negotiable certificates of deposit in the Central Bank	$ 402,675,000	$ 412,510,000
Government bonds	76,495,807	69,736,510
Corporate bonds	30,841,989	26,160,096
Bank debentures	5,902,331	6,079,072
Certificates of deposit	276,024	282,906
	$ 516,191,151	$ 514,768,584

The Company evaluated its held-to-maturity financial assets and recognized a reversal of impairment loss of $7,977 thousand on some bonds because of the change in credit ratings of the bond issuers for the six months ended June 30, 2017.

As of June 30, 2017, held-to-maturity financial assets amounting to $2,140,602 thousand, had been sold under repurchase agreements.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2018		December 31, 2017		June 30, 2017	
Investment in associate	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
United Real Estate Management Co., Ltd.	$ 124,198	30.00	$ 124,346	30.00	$ 118,416	30.00

Aggregate information of associate that is not individually material:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
The Company's share of:				
Net income	$ 1,042	$ 174	$ 3,754	$ 2,843
Other comprehensive income	1,146	169	1,662	261
Total comprehensive income for the period	$ 2,188	$ 343	$ 5,416	$ 3,104

The Company received $5,564 thousand and $6,069 thousand dividends from United Real Estate Management Co., Ltd. for the six months ended June 30, 2018 and 2017, 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 six months ended June 30, 2018 and 2017 were based on the associate's financial statements audited by the auditors for the same years.

17. OTHER FINANCIAL ASSETS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Overdue receivables	$ 59,007	$ 987,653	$ 466,232
Less: Allowance for possible losses	16,921	958,408	438,810
Overdue receivables, net	42,086	29,245	27,422
Due from banks	25,182,019	21,313,136	17,781,208
Security borrowing margin	350,965	214,778	346,778
Call loans to security firms	184,600	-	182,520
Debt instruments with no active market, net	-	92,388,831	93,840,979
Financial assets carried at cost	-	4,279,439	4,312,005
Separate-account assets (Note 31)	94,215,260	95,247,471	91,336,457
	$ 119,974,930	$ 213,472,900	$ 207,827,369

Debt instruments with no active market are summarized as follows:

	December 31, 2017	June 30, 2017
Corporate bonds	$ 75,664,544	$ 76,759,042
Bank debentures	16,724,287	17,081,937
	$ 92,388,831	$ 93,840,979

Financial assets carried at cost are summarized as follows:

	December 31, 2017		June 30, 2017	
	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		403,788	
	$ 4,279,439		$ 4,312,005	

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

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

18. INVESTMENT PROPERTIES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Land	$ 6,719,804	$ 6,532,839	$ 3,130,260
Buildings	2,054,343	1,893,865	1,018,482
	$ 8,774,147	$ 8,426,704	$ 4,148,742

Except for depreciation expenses recognized and the reclassification of investment properties, the Company had no significant addition, disposal and impairment on investment properties during the six months ended June 30, 2018 and 2017.

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 management of the Company had assessed and determined that there was no significant changes in the fair value of investment properties for the six months ended June 30, 2018 and 2017.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Rental income from investment properties	$ 102,908	$ 46,143	$ 184,197	$ 91,212
Direct operating expenses for investment properties that generate rental income	(33,117)	(19,179)	(60,382)	(37,209)
	$ 69,791	$ 26,964	$ 123,815	$ 54,003

19. PROPERTIES AND EQUIPMENT, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Carrying amount			
Land	$ 21,103,573	$ 21,107,531	$ 24,314,042
Buildings	11,973,272	11,896,115	7,692,116
Machinery and equipment	479,037	581,097	619,391
Transportation equipment	87,692	95,126	104,034
Other equipment	215,641	181,053	148,024
Leasehold improvements	130,089	111,016	129,304
Leased assets	22,997	11,604	12,557
Prepayments for equipment, land and buildings and construction in progress	145,041	112,527	5,316,585
	$ 34,157,342	$ 34,096,069	$ 38,336,053

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
Cost									
Balance, January 1, 2018	$ 21,122,708	$ 18,675,258	$ 4,592,586	$ 648,149	$ 1,311,963	$ 904,230	$ 13,352	$ 112,527	$ 47,380,773
Additions	-	395,478	34,601	7,707	27,612	45,121	12,773	487,995	1,011,287
Disposals	-	-	(61,607)	(30,363)	(15,564)	(19,416)	-	-	(126,950)
Reclassification	(4,035)	2,887	20,748	-	44,813	-	-	(455,505)	(391,092)
Effects of exchange rate changes	77	162	3,091	367	978	860	-	24	5,559
Balance, June 30, 2018	$ 21,118,750	$ 19,073,785	$ 4,589,419	$ 625,860	$ 1,369,802	$ 930,795	$ 26,125	$ 145,041	$ 47,879,577
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	57,021	24,340	29,815	22,369	14,971	20,274	13,352	725,818	907,960
Disposals	-	-	(87,596)	(6,125)	(36,367)	(8,868)	-	-	(138,956)
Reclassification	(73,499)	(26,106)	15,783	-	142	999	-	(284,025)	(366,706)
Effects of exchange rate changes	(153)	(326)	(6,761)	(966)	(2,117)	(4,622)	-	-	(14,945)
Balance, June 30, 2017	$ 24,329,219	$ 14,412,276	$ 4,775,943	$ 651,575	$ 1,285,299	$ 926,898	$ 13,352	$ 5,316,585	$ 51,711,147

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total
Accumulated depreciation and impairment								
Balance, January 1, 2018	$ 15,177	$ 6,779,143	$ 4,011,489	$ 553,023	$ 1,130,910	$ 793,214	$ 1,748	$ 13,284,704
Disposals	-	-	(61,161)	(30,361)	(15,524)	(19,195)	-	(126,241)
Depreciation expenses	-	321,998	157,564	15,264	38,029	25,746	1,380	559,981
Reclassification	-	(756)	-	-	-	-	-	(756)
Effects of exchange rate changes	-	128	2,490	242	746	941	-	4,547
Balance, June 30, 2018	$ 15,177	$ 7,100,513	$ 4,110,382	$ 538,168	$ 1,154,161	$ 800,706	$ 3,128	$ 13,722,235
Balance, January 1, 2017	$ 15,177	$ 6,550,345	$ 4,068,785	$ 537,914	$ 1,143,503	$ 775,067	$ -	$ 13,090,791
Disposals	-	-	(86,818)	(6,116)	(36,250)	(8,868)	-	(138,052)
Depreciation expenses	-	179,392	179,361	16,888	30,435	33,447	795	440,318
Reclassification	-	(9,353)	-	-	-	-	-	(9,353)
Effects of exchange rate changes	-	(224)	(4,776)	(1,145)	(413)	(2,052)	-	(8,610)
Balance, June 30, 2017	$ 15,177	$ 6,720,160	$ 4,156,552	$ 547,541	$ 1,137,275	$ 797,594	$ 795	$ 13,375,094

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As June 30, 2018, the reserve for land revaluation increment tax (part of deferred tax liabilities) was $2,596,230 thousand.

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

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

As of June 30, 2017, 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 properties and equipment. The discount rates for the CGUs' value in use were 9.34%, 9.34% and 8.84% as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

20. INTANGIBLE ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Goodwill	$ 3,170,005	$ 3,170,005	$ 3,170,005
Computer software	366,312	418,485	401,527
	$ 3,536,317	$ 3,588,490	$ 3,571,532

	Goodwill	Computer Software	Total
Balance, January 1, 2018	$ 3,170,005	$ 418,485	$ 3,588,490
Separate acquisition	-	47,370	47,370
Amortization expenses	-	(85,508)	(85,508)
Reclassification	-	1,656	1,656
Effect of exchange rate changes	-	(15,691)	(15,691)
Balance, June 30, 2018	$ 3,170,005	$ 366,312	$ 3,536,317
Balance, January 1, 2017	$ 3,170,005	$ 446,838	$ 3,616,843
Separate acquisition	-	31,915	31,915
Amortization expenses	-	(93,047)	(93,047)
Reclassification	-	16,799	16,799
Effect of exchange rate changes	-	(978)	(978)
Balance, June 30, 2017	$ 3,170,005	$ 401,527	$ 3,571,532

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

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 goodwill impairment test. The discount rates for the CGUs' value in use were 9.34%, 9.34% and 8.84% as of June 30, 2018, December 31, 2017 and June 30, 2017, 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 June 30, 2018, December 31, 2017 and June 30, 2017.

21. OTHER ASSETS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Refundable deposits	$ 2,927,600	$ 1,351,040	$ 1,413,328
Operating deposits and settlement funds	670,709	656,122	654,244
Prepaid expenses	295,307	290,452	327,360
Collaterals assumed, net	255,144	255,144	259,104
Others	137,807	165,943	96,007
	$ 4,286,567	$ 2,718,701	$ 2,750,043

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	June 30, 2018	December 31, 2017	June 30, 2017
Due to banks	$ 132,596,208	$ 123,644,372	$ 119,935,559
Call loans from banks	126,506,551	94,450,481	109,914,332
Deposits from Chunghwa Post Co., Ltd.	1,755,410	3,920,100	4,458,623
Bank overdraft	1,527,398	5,355,483	557,332
Due to the Central Bank	360,190	426,995	434,827
	$ 262,745,757	$ 227,797,431	$ 235,300,673

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $39,327,825 thousand, $42,299,838 thousand and $44,499,350 thousand under repurchase agreements as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively, would subsequently be purchased for $39,342,336 thousand, $42,313,248 thousand and $44,512,689 thousand, respectively.

24. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were $18,857,000 thousand, $25,670,000 thousand and $15,810,000 thousand and the annual discount rates were from 0.498%-0.898% from 0.518%-0.878% and from 0.508%-0.878% as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively, and the commercial paper will mature by September 5, 2018, March 5, 2018 and August 3, 2017, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of June 30, 2018, the Company had not used the amount of $75,235,929 thousand, the sum of the amount of the commercial paper issued and the credit.

25. PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Checks for clearing	$ 22,893,539	$ 23,198,709	$ 7,818,160
Dividends payable	9,611,791	274,604	9,362,554
Accrued interest	4,698,176	4,400,473	3,699,085
Collections payable	4,527,495	4,250,682	5,169,214
Acceptances	3,423,676	4,147,242	3,697,309
Accrued expenses	3,177,172	4,907,434	3,211,036
Settlement consideration	2,865,216	2,161,587	1,954,318
Settlement payable	2,417,221	2,225,066	1,924,384
Payable on securities	1,624,891	143,746	4,494,097
Collections of notes and checks for various financial institutions in other cities	599,540	627,378	5,580,464
Tax payable	589,894	515,888	586,033
Payables on notes and checks collected for others	347,462	257,935	1,853,070
Payables for short-sale transactions	138,208	353,844	221,525
Deposits on short-sale transactions	129,896	326,490	203,195
Factored accounts payable	110,651	107,321	107,087

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Insurance claims and benefits payable	$ 67,750	$ 83,934	$ 88,953
Others	2,294,941	3,350,339	2,383,083
	$ 59,517,519	$ 51,332,672	$ 52,353,567

(Concluded)

26. DEPOSITS AND REMITTANCES

	June 30, 2018	December 31, 2017	June 30, 2017
Deposits			
Checking	$ 42,339,698	$ 46,902,524	$ 35,431,840
Demand	503,801,031	525,366,293	480,869,609
Savings - demand	818,214,935	805,892,649	797,190,344
Time	565,306,290	490,573,073	486,058,316
Negotiable certificates of deposit	46,957,759	12,392,500	7,021,400
Savings - time	635,848,508	647,817,790	658,180,042
Treasury	86,544,176	93,750,404	82,628,586
Remittances	173,852	845,343	297,821
	$ 2,699,186,249	$ 2,623,540,576	$ 2,547,677,958

27. BONDS PAYABLE

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

	June 30, 2018	December 31, 2017	June 30, 2017
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	1,200,000

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Second subordinated bonds in 2011, Type B: Fixed rate of 1.70%; maturity - July 28, 2018	$ 3,410,000	$ 3,410,000	$ 3,410,000
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	11,650,000	11,650,000	11,650,000
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	1,000,000	1,000,000	1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	4,000,000	4,000,000	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	3,500,000	3,500,000	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	900,000	900,000	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000	-
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000	-
	$ 54,610,000	$ 64,610,000	$ 66,610,000

(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:

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank debentures bonds issued in 2015, Type A	$ 8,558,203	$ 8,766,846	$ 8,945,396
Unsecured bank debentures bonds issued in 2015, Type B	2,851,795	2,921,445	2,980,951
	$ 11,409,998	$ 11,688,291	$ 11,926,347

28. OTHER BORROWINGS

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Short-term borrowings (Note 24)	$ 2,184,169	0.860-5.655	$ 800,027	0.870-5.438	$ 1,649,561	0.870-5.873

29. PROVISIONS

	June 30, 2018	December 31, 2017	June 30, 2017
Reserve for life insurance liabilities	$ 29,994,083	$ 30,664,563	$ 30,936,879
Reserve for insurance contracts with financial instrument features	11,149,499	11,238,116	11,350,481
Provision for employee benefits	6,676,771	6,735,769	6,501,191
Provision for losses on guarantees	1,318,299	1,426,350	1,471,491
Provision for losses on loan commitment	219,564	-	-
Others	473,621	399,697	370,484
	$ 49,831,837	$ 50,464,495	$ 50,630,526

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

	June 30, 2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 11,431,896	$ 6,540,878	$ 17,972,774
Health insurance	429,035	-	429,035
Annuity insurance	-	11,517,633	11,517,633
Investment insurance	74,427	-	74,427
	11,935,358	18,058,511	29,993,869
Less: Ceded life insurance liability reserve	-	-	-
	$ 11,935,358	$ 18,058,511	$ 29,993,869

	December 31, 2017		
	Insurance Contracts	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

	June 30, 2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 10,096,823	$ 8,000,383	$ 18,097,206
Health insurance	321,336	-	321,336
Annuity insurance	-	12,453,414	12,453,414
Investment insurance	64,923	-	64,923
	10,483,082	20,453,797	30,936,879
Less: Ceded life insurance liability reserve	-	-	-
	$ 10,483,082	$ 20,453,797	$ 30,936,879

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

	For the Six Months Ended June 30					
	2018			2017		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	$ 11,452,624	$ 19,211,939	$ 30,664,563	$ 9,533,081	$ 21,021,427	$ 30,554,508
Provision	1,061,545	180,388	1,241,933	1,080,705	1,112,237	2,192,942
Recovery	(578,811)	(1,333,816)	(1,912,627)	(130,704)	(1,679,867)	(1,810,571)
Ending balance	11,935,358	18,058,511	29,993,869	10,483,082	20,453,797	30,936,879
Less: Ceded life insurance liability reserve	-	-	-	-	-	-
Balance, June 30	$ 11,935,358	$ 18,058,511	$ 29,993,869	$ 10,483,082	$ 20,453,797	$ 30,936,879

As of June 30, 2018, December 31, 2017 and June 30, 2017, total life policy reserve carrying amounts (including reserve of policyholders payables) of $29,994,083 thousand, $30,664,563 thousand and $30,936,879 thousand.

b. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	June 30, 2018	December 31, 2017	June 30, 2017
Life insurance liability reserve	$ 29,993,869	$ 30,664,563	$ 30,936,879
Unearned premium reserve	207,132	182,508	159,406
Claims reserve	35,161	43,213	43,764
Premium deficiency reserve	12,100	24,456	31,715
Book value of insurance reserve	$ 30,248,262	$ 30,914,740	$ 31,171,764
Present value of discounted cash flows	$ 26,824,516	$ 27,550,841	$ 27,634,447
Balance of liability adequacy reserve	$ -	$ -	$ -

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

	June 30, 2018, December 31, 2017 and June 30, 2017
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:

	June 30, 2018	December 31, 2017	June 30, 2017
Life insurance	$ 11,149,499	$ 11,238,116	$ 11,350,481

	For the Six Months Ended June 30	
	2018	2017
Balance, January 1	$ 11,238,116	$ 11,511,953
Insurance claim payments for the period	(193,290)	(271,221)
Reserve for insurance contracts with financial instrument features	104,673	109,749
Balance, June 30	$ 11,149,499	$ 11,350,481

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 Six Months Ended June 30	
	2018	2017
Balance, January 1	$ 149,520	$ 145,987
Provisions		
Compulsory provisions	5,166	5,435
Additional provisions	73,033	25,943
	78,199	31,378
Recovery	(8,491)	(41,766)
Balance, June 30	$ 219,228	$ 135,599

3) Impact of the reserve of foreign exchange variation

For the six months ended June 30, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 8,149,710	$ 8,093,944	$ (55,766)
Earnings per share (NT$)	0.63	0.63	-
Reserve of foreign exchange variation	-	219,228	219,228
Equity	206,155,318	205,950,633	(204,685)

For the six months ended June 30, 2017

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	$ 7,450,093	$ 7,458,715	$ 8,622
Earnings per share (NT$)	0.57	0.57	-
Reserve of foreign exchange variation	-	135,599	135,599
Equity	198,699,832	198,562,467	(137,365)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Reserve for life insurance liabilities, net	$ (639,188)	$ (96,417)	$ (670,694)	$ 382,371
Reserve for insurance contract with financial instrument features, net	53,920	57,726	104,673	109,749
Others, net	20,617	15,324	77,583	19,566
	$ (564,651)	$ (23,367)	$ (488,438)	$ 511,686

f. Provisions for employee benefits are summarized below:

	June 30, 2018	December 31, 2017	June 30, 2017
Net defined benefit liabilities	$ 2,585,943	$ 2,727,448	$ 2,432,030
Present value of retired employees' preferential interest deposit obligation	4,090,828	4,008,321	4,069,161
	$ 6,676,771	$ 6,735,769	$ 6,501,191

g. The changes in the provision for losses on guarantees and provision for losses on loan commitment are summarized below:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 667,534	$ 294,665	$ 30,229	$ 992,428	$ 594,508	$ 1,586,936
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(26)	26	-	-	-	-
Credit-impaired financial assets	(118)	-	118	-	-	-
12-month ECL	-	-	-	-	-	-
Derecognition of financial assets in the current reporting period	(100,273)	(543)	(16,711)	(117,527)	-	(117,527)
Reversal from financial instruments recognized at the beginning of the current reporting period	(24,913)	(43,461)	6,673	(61,701)	-	(61,701)
New financial assets purchased or originated	144,285	346	-	144,631	-	144,631
Difference of impairment loss under regulations	-	-	-	-	(17,776)	(17,776)
Change in exchange rates and other changes	3,302	(2)	-	3,300	-	3,300
Balance at June 30, 2018	$ 689,791	$ 251,031	$ 20,309	$ 961,131	$ 576,732	$ 1,537,863

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

	For the Six Months Ended June 30, 2017
Balance, January 1	$ 1,415,708
Provision for losses on guarantees	56,148
Effects of exchange rate changes	(365)
Balance, June 30	$ 1,471,491

30. 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 $87,673 thousand and $81,428 thousand in the consolidated statement of comprehensive income for the six months ended June 30, 2018 and 2017, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

For the six months ended June 30, 2018 and 2017, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $410,353 thousand and $427,831 thousand, respectively. For more information about the defined benefit plan, refer to Note 28 of the consolidated financial statements for the year ended December 31, 2017.

c. Employees' preferential deposit plan

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

For the six months ended June 30, 2018 and 2017, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to $494,592 thousand and $504,826 thousand, respectively. For more information about the employee preferential deposit plan, refer to Note 28 of the consolidated financial statements for the year ended December 31, 2017.

31. OTHER FINANCIAL LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Structured products - host contracts	$ 1,916,311	$ 2,133,279	$ 2,474,769
Guarantee deposits received	1,238,057	1,605,813	1,236,934
Appropriation for loans	38,133	46,770	324,960
Lease payables	23,367	11,808	12,658
Separate-account liabilities	94,215,260	95,247,471	91,336,457
	$ 97,431,128	$ 99,045,141	$ 95,385,778

The status of the Company's investment-linked products - separate account as of June 30, 2018, December 31, 2017 and June 30, 2017, are summarized as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Fund assets for investment-linked products (part of other financial assets)			
Cash	$ 960,733	$ 394,362	$ 923,684
Beneficial certificates	93,017,833	94,096,991	90,221,126
Other receivables	236,694	756,118	191,647
	$ 94,215,260	$ 95,247,471	$ 91,336,457
Fund liabilities for investment-linked products (part of other financial liabilities)			
Reserve for investment-linked products	$ 93,839,243	$ 94,730,693	$ 90,972,937
Other payables	376,017	516,778	363,520
	$ 94,215,260	$ 95,247,471	$ 91,336,457

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Income on investment-linked products				
Premium income	$ 3,187,488	$ 4,609,492	$ 6,972,728	$ 9,478,404
Unrealized gains (losses) on financial instruments	-	(28,911)	-	577,134
Others	139,482	114,619	274,361	211,515
	$ 3,326,970	$ 4,695,200	$ 7,247,089	$ 10,267,053
Expense for investment-linked products				
Net investment-linked product provision of insurance reserves	$ (369,167)	$ 3,640,482	$ (1,269,842)	$ 5,033,322
Insurance claims and surrender	1,488,054	1,178,038	3,100,427	2,749,974
Unrealized losses on financial instruments	1,375,763	-	3,522,790	-
Losses (gains) on foreign exchange	129,050	(484,858)	746,875	1,740,576
Losses on disposal of investments	515,596	199,531	786,302	429,048
Insurance fees	142,668	113,944	269,491	217,691
Service charge and maintenance fees	45,006	48,063	91,046	96,442
	$ 3,326,970	$ 4,695,200	$ 7,247,089	$ 10,267,053

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

32. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Advance receipts	$ 1,631,442	$ 1,501,857	$ 1,909,455
Others	88,005	90,048	94,189
	$ 1,719,447	$ 1,591,905	$ 2,003,644

33. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest revenue				
From discounts and loans	$ 10,670,984	$ 9,803,941	$ 20,897,341	$ 19,513,824
From investments	2,516,088	2,375,304	4,975,794	4,619,010
From due from banks and call loans to other banks	764,078	542,283	1,495,802	1,083,720
Others	413,242	324,836	801,694	732,447
	14,364,392	13,046,364	28,170,631	25,949,001
Interest expense				
From deposits	(4,481,781)	(3,866,609)	(8,688,443)	(7,700,309)
From funds borrowing from the Central Bank and other banks	(514,238)	(301,255)	(909,284)	(622,880)
From subordinated bank debentures	(209,285)	(245,503)	(426,650)	(490,921)
From due to the Central Bank and other banks	(155,907)	(109,470)	(316,822)	(230,656)
From securities sold under repurchase agreements	(59,021)	(50,709)	(122,339)	(95,966)
From structure products	(5,324)	(11,938)	(17,069)	(15,236)
Others	(18,668)	(21,338)	(37,778)	(31,822)
	(5,444,224)	(4,606,822)	(10,518,385)	(9,187,790)
	$ 8,920,168	$ 8,439,542	$ 17,652,246	$ 16,761,211

34. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Service fee and commission revenues				
From trust business	$ 364,068	$ 362,709	$ 814,422	$ 651,591
From insurance service	230,459	238,477	473,110	510,392
From guarantee	191,848	173,436	381,189	344,591
From loans	188,848	213,075	367,571	310,437
From management fees of investment-linked products	134,499	129,595	284,004	261,386
From credit cards	138,165	135,679	279,146	267,831
From brokerage service	123,602	78,060	225,659	151,696
From remittance	74,530	75,586	162,290	151,346
From cross-bank transactions	67,555	67,404	135,337	132,535
Others	322,865	357,354	629,781	693,674
	1,836,439	1,831,375	3,752,509	3,475,479

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Service charge and commission expenses				
From cross-bank transactions	$ (82,566)	$ (77,526)	$ (164,353)	$ (149,649)
From credit cards	(49,878)	(49,231)	(101,304)	(98,818)
From insurance business	(60,320)	(60,890)	(145,910)	(98,096)
From credit cards acquiring	(29,711)	(35,265)	(59,267)	(66,388)
From custody	(18,702)	(15,527)	(38,311)	(29,298)
Others	(46,473)	(47,081)	(93,751)	(91,446)
	(287,650)	(285,520)	(602,896)	(533,695)
	$ 1,548,789	$ 1,545,855	$ 3,149,613	$ 2,941,784

(Concluded)

35. PREMIUM INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Premium income				
Income on investment-linked products (Note 31)	$ 3,326,970	$ 4,695,200	$ 7,247,089	$ 10,267,053
Premium income	1,009,033	1,198,433	2,094,056	2,838,842
	4,336,003	5,893,633	9,341,145	13,105,895
Premium losses				
Expense for investment-linked products (Note 31)	(3,326,970)	(4,695,200)	(7,247,089)	(10,267,053)
Insurance claims and benefits	(1,274,293)	(948,143)	(2,050,370)	(1,911,613)
Reinsurance premium ceded	(40,808)	(34,518)	(81,041)	(60,278)
Others	(8,261)	(16,595)	(23,841)	(31,095)
	(4,650,332)	(5,694,456)	(9,402,341)	(12,270,039)
	$ (314,329)	$ 199,177	$ (61,196)	$ 835,856

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

	For the Three Months Ended June 30, 2018				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 144,669	$ 1,183,961	$ 5,559,448	$ 48,019	$ 6,936,097
Held-for-trading financial liabilities	-	(3,750,965)	(1,480,473)	-	(5,231,438)
Financial liabilities designated as at fair value through profit or loss	(142,025)	-	85,894	-	(56,131)
	$ 2,644	$ 2,567,004	$ 4,164,869	$ 48,019	$ 1,648,528

	For the Three Months Ended June 30, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Loss on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 103,727	$ 2,655,244	$ (1,311,530)	$ 14,701	$ 1,462,142
Held-for-trading financial liabilities	-	(3,644,464)	3,186,796	-	(457,668)
Financial liabilities designated as at fair value through profit or loss	(137,088)	-	(274,228)	-	(411,316)
	$ (33,361)	$ (989,220)	$ 1,601,038	$ 14,701	$ 593,158

	For the Six Months Ended June 30, 2018				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 285,212	$ 5,855,574	$ 4,181,863	$ 97,772	$ 10,420,421
Held-for-trading financial liabilities	-	(5,871,670)	(2,740,072)	-	(8,611,742)
Financial liabilities designated as at fair value through profit or loss	(273,033)	-	621,959	-	348,926
	$ 12,179	$ (16,096)	$ 2,063,750	$ 97,772	$ 2,157,605

	For the Six Months Ended June 30, 2017				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Loss on Valuation	Dividend Income	Total
Held-for-trading financial assets	$ 203,721	$ 7,804,039	$ (1,581,136)	$ 16,920	$ 6,443,544
Held-for-trading financial liabilities	-	(6,907,309)	556,038	-	(6,351,271)
Financial liabilities designated as at fair value through profit or loss	(269,892)	-	(290,917)	-	(560,809)
	$ (66,171)	$ 896,730	$ (1,316,015)	$ 16,920	$ (468,536)

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Salaries	$ 2,106,064	$ 2,061,512	$ 4,257,066	$ 4,133,867
Incentives	584,509	729,343	1,284,409	1,430,219
Excessive interest from preferential interest deposits	433,066	411,358	700,765	716,763
Post-employment benefits, termination benefits and compensation	317,928	391,881	696,547	653,435
Overtime	105,437	102,196	203,459	193,977
Others	475,212	452,690	902,061	878,349
	$ 4,022,216	$ 4,148,980	$ 8,044,307	$ 8,006,610

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 six months ended June 30, 2018 and 2017, compensations of employees were estimated at $1,262 thousand and $1,371 thousand and the remuneration of directors were estimated at $43,381 thousand and $39,887 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 employees' 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 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 Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Depreciation expenses	$ 296,586	$ 226,197	$ 592,287	$ 458,557
Amortization expenses	41,462	45,964	85,520	93,072
	$ 338,048	$ 272,161	$ 677,807	$ 551,629

38. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
Current period	$ (154,869)	$ 315,502	$ 1,241,236	$ 1,565,904
Prior year's adjustment	(5,715)	2,501	(5,715)	2,501
	(160,584)	318,003	1,235,521	1,568,405
Deferred tax				
Current period	960,694	297,862	309,255	(501,662)
Effect of change in tax rate	(40,337)	-	(77,071)	-
Prior year's adjustment	(13,976)	-	(13,976)	-
Income tax expense recognized in profit or loss	$ 745,797	$ 615,865	$ 1,453,729	$ 1,066,743

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit is $193,980 thousand (including income tax benefits recognized in profit or loss and other comprehensive income of $163,012 thousand and $30,968 thousand, respectively), of which $85,940 thousand has not been recognized as of June 30, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
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	$ 291,825	$ 26,208	$ 191,743	$ (94,685)
Unrealized gains on available-for-sale financial assets	-	8,053	-	32,337
Unrealized gains on financial assets at fair value through other comprehensive income	(64,869)	-	(171,566)	-

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Other comprehensive income on reclassification of overlay approach	$ 6,517	$ -	$ 3,946	$ -
Effect of change in tax rate	-	-	(30,968)	-
Total income tax recognized in other comprehensive income	$ 233,473	$ 34,261	$ (6,845)	$ (62,348)

(Concluded)

c. Deferred tax assets and liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Deferred tax assets			
Temporary differences			
Financial instruments at fair value through other comprehensive income	$ 111,334	$ -	$ -
Available-for-sale financial assets	-	2,957	390
Properties and equipment	10,171	8,921	9,087
Payable for annual leave	132,974	70,741	106,763
Defined benefit obligation	-	29	9,045
Employee’s preferential interest deposit obligation	818,166	681,415	691,757
Other liabilities	5,949	4,955	4,971
Exchange differences on foreign operations	76,187	229,400	84,724
Allowance for possible losses	88,618	77,976	74,642
Collaterals assumed	372	316	316
Financial instruments at fair value through profit or loss	135,543	40,905	38,081
Pension liabilities	330	488	575
Employee benefit	600	1,020	1,530
Unrealized interest expense	356,363	256,494	209,578
Unrealized foreign exchange losses	31,246	131,284	88,573
Revenue from disposal of acquired loans	111,457	94,738	54,821
	$ 1,879,310	$ 1,601,639	$ 1,374,853
Deferred tax liabilities			
Temporary differences			
Financial instruments at fair value through profit or loss	$ 541,252	$ 1,229	$ 133
Available-for-sale financial assets	-	19,093	17,577
Intangible assets	428,614	364,322	364,322
The reserve for land revaluation increment tax	2,596,230	2,596,230	2,596,230

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Investments accounted for using equity method	$ 46,510	$ 32,884	$ 13,754
Exchange differences on foreign operations	143	-	-
Collaterals assumed	466	397	397
Lease incentive	7,962	5,528	5,085
Unrealized foreign exchange losses	16,447	-	-
Overlay approach	4,862	-	-
Others	5,046	14,187	12,615
	$ 3,647,532	$ 3,033,870	$ 3,010,113

(Concluded)

d. 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
2012	2012	2012	2012	2012	2015	2014	2015

39. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT$)
For the three months ended June 30, 2018			
Basic earnings per share (EPS)	$ 4,153,185	12,568,785	$ 0.33
Effect of dilutive common stock:			
Employees' compensation	-	71	
Diluted EPS	$ 4,153,185	12,568,856	$ 0.33
For the three months ended June 30, 2017			
Basic EPS	$ 3,844,855	12,568,785	$ 0.31
Effect of dilutive common stock:			
Employees' compensation	-	85	
Diluted EPS	$ 3,844,855	12,568,870	$ 0.31
For the six months ended June 30, 2018			
Basic earnings per share (EPS)	$ 7,866,570	12,568,785	$ 0.63
Effect of dilutive common stock:			
Employees' compensation	-	128	
Diluted EPS	$ 7,866,570	12,568,913	$ 0.63

(Continued)

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT$)
For the six months ended June 30, 2017			
Basic EPS	$ 7,222,111	12,568,785	$ 0.57
Effect of dilutive common stock:			
Employees' compensation	-	151	
Diluted EPS	$ 7,222,111	12,568,936	$ 0.57

(Concluded)

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

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2017	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2017
Basic EPS (NT$)	$ 0.32	$ 0.59	$ 0.31	$ 0.57
Diluted EPS (NT$)	$ 0.32	$ 0.59	$ 0.31	$ 0.57

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

40. EQUITY

a. Capital stock

Common stocks

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	15,000,000	15,000,000	12,000,000
Authorized capital	$ 150,000,000	$ 150,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)	12,202,704	12,202,704	11,847,285
Common stocks issued	$ 122,027,036	$ 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 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 the Ministry of Economic Affairs (MOEA).

On June 22, 2018, the stockholders of TCFHC resolved to issue 366,081 thousand shares, which included the 2017 earnings amounting to $3,660,081 thousand. This issuance was approved by the FSC and the change in registration is awaiting the approval of the MOEA.

b. Capital surplus

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

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

The capital surplus as of June 30, 2018 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

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

c. Special reserve

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

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

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

	For the Six Months Ended June 30	
	2018	**2017**
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 June 30	$ 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.

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

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

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

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

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

The appropriations from the earnings of 2017 and 2016 were approved in the stockholders' meeting on June 22, 2018 and June 16, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 1,431,780	$ 1,376,480		
Cash dividends	9,152,028	8,885,463	$0.75	$0.75
Stock dividends	3,660,811	3,554,186	0.30	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).

e. Non-controlling interests

	For the Six Months Ended June 30	
	2018	2017
Balance on January 1	$ 4,344,256	$ 3,802,863
Effect of retrospective application and retrospective restatement	84,178	-
Balance of retrospective application and retrospective restatement at beginning	4,428,434	3,802,863
Attributable to non-controlling interests		
Net income	227,374	236,604
Exchange differences on the translation of financial statements of foreign operations	(469)	4,980
Unrealized losses on financial assets at FVTOCI	(343,821)	-
Other comprehensive income reclassification of overlay approach	(22,320)	-
Unrealized gains on available for sale financial assets	-	164,907
Cash dividends distributed by subsidiary	(103,480)	(129,360)
Balance on June 30	$ 4,185,718	$ 4,079,994

41. RELATED-PARTY TRANSACTIONS

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

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

a. Related parties

Related Party	Relationship with the Company
United Real Estate Management Co., Ltd.	Associated enterprise
TCB Global Emerging Markets Equity Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB S&P U.S. Variable Rate Preferred Stock Index 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.
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 six months ended June 30, 2018				
Others	$ 5,961,800	$ 1,728,750	$ 14,711	0.350-4.150
For the six months ended June 30, 2017				
Others	$ 7,500,000	$ -	$ 5,087	0.270-0.560

2) Due to banks

	For the Six Months Ended June 30			
	2018		2017	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	$ 259,958	$ 766	$ 281,948	$ 589
Others				
Tamshui First Credit Bank	25,060,774	119,318	25,087,584	120,848
Others	12,521	7	6,787	-
	$ 25,333,253	$ 120,091	$ 25,376,319	$ 121,437

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended June 30, 2018				
Others	$ 1,777,080	$ -	$ 114	0.300-1.830

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended June 30, 2018				
Main management	$ 216,709	$ 200,601	$ 981	1.245-1.790
Others	61,136	51,741	358	1.137-2.465
	$ 277,845	$ 252,342	$ 1,339	
For the six months ended June 30, 2017				
Main management	$ 136,097	$ 103,907	$ 736	1.245-2.428
Others	65,465	49,391	365	1.137-2.465
	$ 201,562	$ 153,298	$ 1,101	

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 six months ended June 30, 2018			
Others	$ 53,895	$ 22	0.390-0.540
For the six months ended June 30, 2017			
Others	$ 29,991	$ 240	0.320-0.370

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the six months ended June 30, 2018			
Associates	$ 99,456	$ 225	0-0.900
Main management	607,409	5,062	0-13.000
Others	9,219,288	14,717	0-13.000
	$ 9,926,153	$ 20,004	
For the six months ended June 30, 2017			
Associates	$ 157,874	$ 228	0-0.775
Main management	535,618	4,640	0-13.000
Others	8,533,834	12,804	0-13.000
	$ 9,227,326	$ 17,672	

	June 30, 2018	December 31, 2017	June 30, 2017
7) Accrued income (part of receivables)			
Others	$ 15,849	$ 14,224	$ 16,636
8) Accrued dividends (part of receivable)			
Associates	$ 5,564	$ -	$ 6,069
9) Accrued interest (part of receivables)			
Others	$ 75	$ 7,154	$ -
10) Receivable on securities (part of receivables)			
Others	$ -	$ -	$ 196
11) Accrued interest (part of payables)			
Others	$ 2	$ 3	$ -
12) Payable on securities (part of payables)			
Others	$ 352	$ 1,475	$ 259

	For the Six Months Ended June 30	
	2018	2017
13) Service fee income (part of service fee and commission income, net)		
Associate	$ 88	$ 27
Main management	180	104
Others	89,436	106,627
	$ 89,704	$ 106,758
14) Service charge (part of service fee and commission income, net)		
Main management	$ 23	$ 15
Others	2	2
	$ 25	$ 17
15) Rental income (part of other noninterest gain, net)		
Others	$ -	$ 6,306
16) Other income (part of other noninterest gain, net)		
Others	$ 4,136	$ 219

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

17) Purchases and sales of securities

	For the Six Months Ended June 30, 2018			
Related Party	**Purchases**	**Sales**	**Sales Under Repurchase Agreements**	**Purchases Under Resell Agreements**
Others	$ 99,984	$ 50,052	$ 299,203	$ -

	For the Six Months Ended June 30, 2017			
Related Party	**Purchases**	**Sales**	**Sales Under Repurchase Agreements**	**Purchases Under Resell Agreements**
Others	$ -	$ -	$ 1,938,985	$ -

18) 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 Six Months Ended June 30, 2018					
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.05.03-2018.07.03	US$ 5,550	$ (5,727)	Financial liabilities at fair value through profit or loss	$ (5,727)
	Currency swap	2018.06.11-2018.07.11	US$ 3,960	(3,771)	Financial liabilities at fair value through profit or loss	(3,771)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.06.11-2018.07.11	US$ 14,250	(13,570)	Financial liabilities at fair value through profit or loss	(13,570)
	Currency swap	2018.06.29-2018.07.06	US$ 8,000	(939)	Financial liabilities at fair value through profit or loss	(939)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.06.12-2018.07.12	US$ 10,000	(8,301)	Financial liabilities at fair value through profit or loss	(8,301)
	Currency swap	2018.06.13-2018.07.13	US$ 5,000	(3,990)	Financial liabilities at fair value through profit or loss	(3,990)

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 Six Months Ended June 30, 2017					
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.06.13-2017.07.13	US$ 7,000	$ 2,112	Financial assets at fair value through profit or loss	$ 2,112
	Currency swap	2017.06.22-2017.07.24	US$ 2,020	105	Financial assets at fair value through profit or loss	105
Other - TCB Global High Yield Bond Fund	Currency swap	2017.06.13-2017.07.13	US$ 1,000	302	Financial assets at fair value through profit or loss	302
	Currency swap	2017.06.13-2017.07.13	US$ 4,000	1,207	Financial assets at fair value through profit or loss	1,207
	Currency swap	2017.06.19-2017.07.13	US$ 400	(28)	Financial liabilities at fair value through profit or loss	(28)

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

	For the Six Months Ended June 30	
	2018	2017
Financial assets and liabilities at fair value through profit or loss		
Others	$ 26,229	$ (25,442)

19) Loans

June 30, 2018

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 2018 (Note 1)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	50	$ 127,528	$ 118,614	$ 118,614	$ -	Note 2	None
Self-used housing mortgage loans	33	150,317	133,728	133,728	-	Land and buildings	None

June 30, 2017

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 2017 (Note 1)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	42	$ 64,327	$ 52,288	$ 52,288	$ -	Note 2	None
Self-used housing mortgage loans	34	137,235	101,010	101,010	-	Land and buildings	None

Note 1: The highest balance is the largest sum in the period of all daily accounts for each type.

Note 2: A portion of the consumer loans was real estate guarantee.

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

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	June 30, 2018	December 31, 2017	June 30, 2017
Subsidiaries	$ 586,437	$ 573,480	$ 576,832

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended June 30, 2018				
Subsidiaries	$ 8,866,909	$ 6,917,664	$ 30,857	0.001-2.820
Sister companies	2,540,000	2,540,000	1,142	0.350-0.510
Others	5,961,800	1,728,750	14,711	0.350-4.150
	$ 17,368,709	$ 11,186,414	$ 46,710	
For the six months ended June 30, 2017				
Subsidiaries	$ 7,066,063	$ 7,066,063	$ 15,930	0.001-2.700
Sister companies	3,500,000	-	2,227	0.330-0.560
Others	7,500,000	-	5,087	0.270-0.560
	$ 18,066,063	$ 7,066,063	$ 23,244	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended June 30, 2018				
Sister company				
TCS	$ 305,770	$ 305,750	$ 3,181	1.750-2.550
For the six months ended June 30, 2017				
Sister company				
TCS	$ 252,760	$ 243,360	$ 1,412	1.100-1.600

d) Due to banks

	For the Six Months Ended June 30			
	2018		2017	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiaries	$ 1,498	$ -	$ 3,270	$ -
Main management	259,958	766	281,948	589
Others				
Tamshui First Credit Bank	25,060,774	119,318	25,087,584	120,848
Others	12,521	7	6,787	-
	$ 25,334,751	$ 120,091	$ 25,379,589	$ 121,437

e) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended June 30, 2018				
Others	$ 1,777,080	$ -	$ 114	0.300-1.830

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended June 30, 2018				
Sister companies	$ 33,000	$ -	$ 3	2.265
Main management	216,709	200,601	981	1.245-1.790
Others	61,136	51,741	358	1.137-2.465
	$ 310,845	$ 252,342	$ 1,342	

	Highest Balance		Ending Balance		Interest Revenue		Interest Rate (%)
For the six months ended June 30, 2017							
Sister companies	$	58,300	$	-	$	16	2.265
Main management		136,097		103,907		736	1.245-2.428
Others		65,465		49,391		365	1.137-2.465
	$	259,862	$	153,298	$	1,117	

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 agreement

	Ending Balance		Interest Expense		Interest Rate (%)
For the six months ended June 30, 2018					
Sister companies	$	-	$	33	0.425
For the six months ended June 30, 2017					
Sister companies	$	698,227	$	1,042	0.350-0.450

h) Deposits

	Ending Balance		Interest Expense		Interest Rate (%)
For the six months ended June 30, 2018					
Parent company	$	49,113	$	25	0-0.080
Sister companies		3,200,220		4,129	0-1.300
Associates		99,456		225	0-0.900
Main management		607,409		5,062	0-13.000
Others		9,219,288		14,717	0-13.000
	$	13,175,486	$	24,158	

	Ending Balance	Interest Expense	Interest Rate (%)
For the six months ended June 30, 2017			
Parent company	$ 34,777	$ 27	0-0.080
Sister companies	2,495,585	3,839	0-1.205
Associates	157,874	228	0-0.775
Main management	535,618	4,640	0-13.000
Others	8,533,834	12,804	0-13.000
	$ 11,757,688	$ 21,538	

i) Receivable on securities (part of receivables)

	June 30, 2018	December 31, 2017	June 30, 2017
Sister company			
TCS	$ 78,315	$ 153,075	$ 58,735

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

	June 30, 2018	December 31, 2017	June 30, 2017
Parent company	$ 1,304,087	$ 1,071,039	$ 1,126,338

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

	June 30, 2018	December 31, 2017	June 30, 2017
Parent company	$ 486,679	$ 560,958	$ 999,767

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

	For the Six Months Ended June 30	
	2018	2017
Sister companies		
BPCTLI	$ 375,655	$ 395,917
Others	17,820	16,412
Associate	88	27
Main management	180	104
Others	90	514
	$ 393,833	$ 412,974

m) Purchases and sales of securities

Related Party	For the Six Months Ended June 30, 2018 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ 49,834	$ 149,830	$ -	$ 199,521
Others	99,984	50,052	-	-
	$ 149,818	$ 199,882	$ -	$ 199,521

Related Party	For the Six Months Ended June 30, 2017 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ -	$ 149,438	$ -	$ 3,595,098

n) Derivatives

	For the Six Months Ended June 30, 2018					
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts
Sister company - BPCTLI	Currency swap	2018.06.25-2018.07.25	US$ 9,956	$ 3,429	Financial assets at fair value through profit or loss	$ 3,429
	Currency swap	2018.06.26-2018.07.26	US$ 7,042	1,655	Financial assets at fair value through profit or loss	1,655
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.05.03-2018.07.03	US$ 5,550	(5,727)	Financial liabilities at fair value through profit or loss	(5,727)
	Currency swap	2018.06.11-2018.07.11	US$ 3,960	(3,771)	Financial liabilities at fair value through profit or loss	(3,771)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.06.11-2018.07.11	US$14,250	(13,570)	Financial liabilities at fair value through profit or loss	(13,570)
	Currency swap	2018.06.29-2018.07.06	US$ 8,000	(939)	Financial liabilities at fair value through profit or loss	(939)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.06.12-2018.07.12	US$10,000	(8,301)	Financial liabilities at fair value through profit or loss	(8,301)
	Currency swap	2018.06.13-2018.07.13	US$ 5,000	(3,990)	Financial liabilities at fair value through profit or loss	(3,990)

	For the Six Months Ended June 30, 2017					
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts
Sister company - BPCTLI	Currency swap	2017.06.22-2017.08.22	US$ 4,935	$ 274	Financial liabilities at fair value through profit or loss	$ 274
	Currency swap	2017.06.22-2017.08.22	US$10,033	558	Financial liabilities at fair value through profit or loss	558
	Currency swap	2017.06.22-2017.08.22	US$13,000	722	Financial liabilities at fair value through profit or loss	722
	Currency swap	2017.06.08-2017.08.08	US$ 3,187	1,108	Financial liabilities at fair value through profit or loss	1,108

(Continued)

Related Party	For the Six Months Ended June 30, 2017 Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet Account	Amounts
	Currency swap	2017.06.12-2017.07.12	US$ 3,499	$ 1,050	Financial liabilities at fair value through profit or loss	$ 1,050
	Currency swap	2017.06.19-2017.07.19	US$ 1,699	297	Financial liabilities at fair value through profit or loss	297
	Currency swap	2017.06.19-2017.07.19	US$ 3,129	547	Financial liabilities at fair value through profit or loss	547
	Currency swap	2017.06.19-2017.07.19	US$ 4,850	848	Financial liabilities at fair value through profit or loss	848
	Currency swap	2017.06.19-2017.07.19	US$ 3,129	547	Financial liabilities at fair value through profit or loss	547
	Currency swap	2017.06.19-2017.07.19	US$10,488	1,835	Financial liabilities at fair value through profit or loss	1,835
	Currency swap	2017.06.15-2017.08.15	US$ 5,030	1,126	Financial liabilities at fair value through profit or loss	1,126
	Currency swap	2017.06.15-2017.08.15	US$ 5,001	1,119	Financial liabilities at fair value through profit or loss	1,119
	Currency swap	2017.06.15-2017.08.15	US$10,012	2,241	Financial liabilities at fair value through profit or loss	2,241
	Currency swap	2017.06.15-2017.08.15	US$ 9,989	2,236	Financial liabilities at fair value through profit or loss	2,236
	Currency swap	2017.06.15-2017.08.15	US$ 5,006	1,121	Financial liabilities at fair value through profit or loss	1,121
	Currency swap	2017.06.15-2017.08.15	US$10,483	2,347	Financial liabilities at fair value through profit or loss	2,347
	Currency swap	2017.06.15-2017.08.15	US$ 1,920	430	Financial liabilities at fair value through profit or loss	430
	Currency swap	2017.06.12-2017.07.12	US$10,255	3,078	Financial liabilities at fair value through profit or loss	3,078
	Currency swap	2017.01.13-2017.07.13	US$ 3,299	(4,570)	Financial liabilities at fair value through profit or loss	(4,570)
	Currency swap	2017.06.08-2017.08.08	US$ 2,002	696	Financial liabilities at fair value through profit or loss	696
	Currency swap	2017.06.08-2017.08.08	US$ 9,977	3,469	Financial liabilities at fair value through profit or loss	3,469
	Currency swap	2017.06.19-2017.07.19	US$ 5,165	903	Financial liabilities at fair value through profit or loss	903
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.06.13-2017.07.13	US$ 7,000	2,112	Financial liabilities at fair value through profit or loss	2,112
	Currency swap	2017.06.22-2017.07.24	US$ 2,020	105	Financial liabilities at fair value through profit or loss	105
Other - TCB Global High Yield Bond Fund	Currency swap	2017.06.13-2017.07.13	US$ 1,000	302	Financial liabilities at fair value through profit or loss	302
	Currency swap	2017.06.13-2017.07.13	US$ 4,000	1,207	Financial liabilities at fair value through profit or loss	1,207
	Currency swap	2017.06.19-2017.07.13	US$ 400	(28)	Financial liabilities at fair value through profit or loss	(28)

(Concluded)

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

	For the Six Months Ended June 30	
	2018	2017
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	$ (6,417)	$ (202,730)
Others	26,229	(25,442)
	$ (19,812)	$ (228,172)

o) Loans

June 30, 2018

Type	Account Volume or Name	Highest Balance in the Period Ended June 30, 2018 (Note 1)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	50	$ 127,528	$ 118,614	$ 118,614	$ -	Note 2	None
Self-used housing mortgage loans	33	150,317	133,728	133,728	-	Land and buildings	None
Other	TCS	33,000	-	-	-	Bonds	None

June 30, 2017

Type	Account Volume or Name	Highest Balance in the Period Ended June 30, 2017 (Note 1)	Ending Balance	Loan Classification: Normal Loans	Loan Classification: Nonperforming Loans	Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	42	$ 64,327	$ 52,288	$ 52,288	$ -	Note 2	None
Self-used housing mortgage loans	34	137,235	101,010	101,010	-	Land and buildings	None
Other	TCS	58,300	-	-	-	Bonds	None

Note 1: The highest balance is the largest sum in the year of all daily accounts for each type.

Note 2: A portion of the consumer loans was real estate guaranteed.

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

a) Settlement payable (part of payables)

	June 30, 2018	December 31, 2017	June 30, 2017
Sister companies	$ 73,290	$ 127,818	$ 44,369
Others	352	1,475	259
	$ 73,642	$ 129,293	$ 44,628

b) Purchases and sales of securities

Related Party	For the Six Months Ended June 30, 2018 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ 149,830	$ 49,834	$ -	$ -

Related Party	For the Six Months Ended June 30, 2017 Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	$ 149,438	$ -	$ -	$ -

c) To settle security transactions, TCS applied to TCB for a guarantee of $1,500,000 thousand for short-term loan and overdraft. As of June 30, 2018, December 31, 2017 and June 30, 2017, TCS had no borrowing and overdraft. The overdraft for the six months ended June 30, 2018 and 2017 were as follows:

	For the Six Months Ended June 30, 2018			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 33,000	$ -	$ 3	2.265

	For the Six Months Ended June 30, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	$ 58,300	$ -	$ 16	2.265

d) TCS applied to TCB for call loans

	For the Six Months Ended June 30, 2018			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	$ 304,600	$ 304,600	$ 3,191	1.750-2.550

	For the Six Months Ended June 30, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	$ 252,760	$ 243,360	$ 1,412	1.100-1.600

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
June 30, 2018				
Sister companies	$ 1,045,143	$ 1,045,143	$ 11	0.010-1.065
December 31, 2017				
Sister companies	$ 291,658	$ 64,328	$ 19	0.010-1.065
June 30, 2017				
Sister companies	$ 291,658	$ 45,985	$ 10	0.010-1.065

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the six months ended June 30, 2018				
Sister companies	$ 2,540,000	$ 2,540,000	$ 1,142	0.350-0.510
For the six months ended June 30, 2017				
Sister companies	$ 3,500,000	$ -	$ 2,227	0.330-0.560

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
For the six months ended June 30, 2018			
Sister companies	$ 163,717	$ 514	0.360-0.520
Others	53,985	22	0.390-0.540
For the six months ended June 30, 2017			
Sister companies	1,268,291	2,386	0.310-0.560
Others	29,991	240	0.320-0.370

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

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Sister company						
TCB	$ 2,038,594	66	$ 1,355,653	57	$ 2,349,185	56

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

	For the Six Months Ended June 30, 2018		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	$ 2,312,668	$ 163,717	0.360-0.520

	For the Six Months Ended June 30, 2017		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	$ 5,813,382	$ 570,064	0.310-0.560

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the six months ended June 30, 2018

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2018.06.21-2018.07.26	US$ 16,998	$ (5,084)	Financial liabilities at fair value through profit or loss	$ (5,084)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2018.04.02-2018.08.21	US$287,669	(193,808)	Financial liabilities at fair value through profit or loss	(193,808)

For the six months ended June 30, 2017

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2017.06.08-2017.08.14	US$ 3,299	$ 4,570	Financial assets at fair value through profit or loss	$ 4,570
		2017.01.01-2017.08.22	US$132,789	(26,552)	Financial liabilities at fair value through profit or loss	(26,552)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2017.01.29-2017.07.28	US$ 35,922	38,354	Financial assets at fair value through profit or loss	38,354
		2017.06.01-2017.08.28	US$207,074	(39,035)	Financial liabilities at fair value through profit or loss	(39,035)

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

For the six months ended June 30, 2018 and 2017, the realized gains or losses on currency swaps with sister companies were $6,417 thousand gains and $202,730 thousand gains, respectively. Besides, the realized gains or losses on currency swaps with affiliates were $38,329 thousand losses and $320,619 thousand gains, respectively.

The BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (reported as other assets - refundable deposits other liabilities) depending on the value of the swaps. As of June 30, 2018, December 31, 2017 and June 30, 2017, the BPCTLI had received deposits of $178,184 thousand, $0 thousand and $0 thousand, respectively.

d) Operating expenses - insurance contract expenses

	For the Six Months Ended June 30	
	2018	**2017**
Sister company		
TCB	$ 381,201	$ 400,153

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

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

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Other payables			
Parent company	$ 73,711	$ 111,657	$ 54,305

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

	For the Six Months Ended June 30	
	2018	**2017**
Management fee income		
Sister company	$ 505	$ 501
Others	88,968	105,836
	$ 89,473	$ 106,337

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the six months ended June 30, 2018 and 2017, are summarized as follows:

	For the Six Months Ended June 30	
	2018	2017
Salaries and other short-term employment benefits	$ 80,418	$ 71,954
Post-employment benefits	3,585	2,936
Interest arising from the employees' preferential rate in excess of normal rates	887	742
	$ 84,890	$ 75,632

42. 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Collaterals for call loans of foreign currency	$ 40,000,000	$ 40,000,000	$ 40,000,000
Collaterals for domestic overdraft	31,610,000	31,510,000	31,410,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	1,471,680	1,455,680	1,436,160
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,274,700	1,440,700	1,169,600
Guarantee deposits for the insurance operation	960,000	960,000	900,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	374,200	362,859	371,124
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	227,400	227,400	227,400
Guarantee deposits for the trust business compensation reserve	240,000	220,000	220,000
Collaterals for overseas branch U.S. dollar settlement	34,703	31,786	74,225
Overseas branches' guarantee deposits for operation	6,115	5,936	6,084
Others	90,000	90,200	90,200
	$ 88,143,798	$ 88,159,561	$ 87,759,793

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), the TCB provided partial certificates of deposit as collateral for day-term overdraft (part of due from the Central Bank and call loans to other banks). The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as the 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**
June 30, 2018	$ 270,925	$ -	$ 270,925	$ 199,704
December 31, 2017	$ 308,429	$ -	$ 308,429	$ 230,474
June 30, 2017	$ 245,414	$ -	$ 245,414	$ 191,123

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Taiwan Cooperative Financial Holding Co., Ltd.

As of June 30, 2018, TCFHC's outstanding major construction and procurement contracts amounted to $133,365 thousand, of which $106,850 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) Lease agreements on premises occupied by TCB's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of June 30, 2018, refundable deposits on these leases totaled $128,509 thousand (part of refundable deposits). Minimum future annual rentals are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Within one year	$ 589,351	$ 588,831	$ 606,663
One to five years	1,381,689	1,192,276	1,214,058
Over five years	118,042	127,766	112,558
	$ 2,089,082	$ 1,908,873	$ 1,933,279

The lease payments recognized as expenses are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Minimum lease payments	$ 149,102	$ 164,264	$ 301,630	$ 327,228
Contingent rentals	3,517	233	4,084	481
	$ 152,619	$ 164,497	$ 305,714	$ 327,709

2) Lease agreements on investment properties owned by TCB and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of June 30, 2018, guarantee deposits on these leases totaled $60,235 thousand. Minimum future annual rentals are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Within one year	$ 307,459	$ 186,858	$ 113,852
One to five years	892,799	497,804	210,250
Over five years	146,537	12,195	15,283
	$ 1,346,795	$ 696,857	$ 339,385

3) As of June 30, 2018, TCB's outstanding major construction and procurement contracts amounted to $5,775,682 thousand, of which $386,993 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Within one year	$ 2,741	$ 2,688	$ 2,585
One to five years	12,228	11,987	11,697
Over five years	9,092	10,773	12,627
	$ 24,061	$ 25,448	$ 26,909

d. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of June 30, 2018, the commitments or contingencies arose from business were as follows:

	June 30, 2018
Guarantees of commercial paper	$ 24,315,800
Purchase of reference-rate commercial paper	$ 5,000,000

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

1) As of June 30, 2018, TCS's agreements on the acquisition equipment and procurement contracts amounted to $19,167 thousand, of which $10,658 thousand was still unpaid.

2) In May 2012, TCS laid off an employee - Ms. Chen - in accordance with the Labor Standards Act, but Ms. Chen, claiming the layoff was illegal, applied to the Taipei District Court (the Court) on April 10, 2014 for clarification of this employment issue. The Taipei Department of Labor (TDOL) investigated this case in March 2014 and TDOL later concluded that there was no evidence that TCS had violated the Labor Standards Act. On March 18, 2016, the Taipei District Court ascertained the existence of the employment relationship in the first instance. TCS is required to pay monthly salary of $30.5 thousand plus accrued interests from April 25, 2014 to Ms. Chen until her reinstatement. The rest of the appeal of the plaintiff had been dismissed by the Court. Four fifth of the litigation fee is to be paid by TCS and the rest of the litigation fee is to be paid by the plaintiff. TCS filed an appeal on April 13, 2016. TCS appointed lawyers to handle the litigation and the case is still in process. TCS has already recognized $1,738 thousand loss.

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

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

As of June 30, 2018, guarantee deposits on these leases to totaled $13,240 thousand. Minimum future annual rentals are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Within one year	$ 48,895	$ 40,535	$ 55,505
One to five years	185,972	156,689	164,433
Over five years	535,266	556,706	577,732
	$ 770,133	$ 753,930	$ 797,670

44. 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.

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets						
Investments in debt instruments at amortized cost	$ 513,973,016	$ 516,248,456	$ -	$ -	$ -	$ -
Held-to-maturity financial assets	-	-	516,191,151	517,935,433	514,768,584	514,944,848
Debt instruments with no active market	-	-	92,388,831	94,399,621	93,840,979	95,844,437
Financial liabilities						
Bonds payable	54,610,000	55,466,294	64,610,000	65,621,526	66,610,000	67,563,208

Fair value hierarchy as at June 30, 2018, December 31, 2017 and June 30, 2017:

June 30, 2018

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 516,248,456	$ 6,929,999	$ 509,318,457	$ -
Financial liabilities				
Bonds payable	55,466,294	-	55,466,294	-

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	-

June 30, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 514,944,848	$ 7,214,892	$ 507,729,956	$ -
Debt instruments with no active market	95,844,437	408,511	95,435,926	-
Financial liabilities				
Bonds payable	67,563,208	-	67,563,208	-

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

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

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

For debt instruments with no active market, if there are theoretical prices from Taipei Exchange (TPEx, an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.5039% and 1.3141%, between 0.7211% and 1.1545%, between 0.6882% and 1.1171% as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

Evaluation technique and input of fair value measurement at Level 3

The Company adopts the market approach for domestic unlisted equity investment, and selects similar industries with the target company. The main business model is similar. The products and scales are close to the comparable listed companies. The fair value estimation is based on the information of the listed company, or the price-book ratio (P/B) of the industry to which the target is evaluated is estimated as the multiplier of the fair value estimate. The significant unobservable input used is discount for lack of marketability. A decrease in discount for lack of marketability used in isolation would result in increases in fair value. The Company adopts the discount for lack of marketability at 10% to 30% on June 30, 2018. With other input values remaining and a change in discount for lack of marketability input value to reflect reasonable assumptions, the amount of fair value of investment in equity instruments will increase (decrease) as follows:

	June 30, 2018
Discount for lack of marketability	
Increase 10%	$ (753,464)
Decrease 10%	$ 753,464

c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of June 30, 2018, December 31, 2017 and June 30, 2017 were as follows:

1) Fair value hierarchy

Financial Instruments Measured at Fair Value	June 30, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks	$ 2,610,159	$ 2,441,058	$ 7,001	$ 162,100
Debt instruments	8,608,172	3,632,836	4,975,336	-
Others	48,780,291	5,834,190	42,946,101	-
Financial assets at FVTOCI				
Stocks	12,167,274	6,680,203	-	5,487,071
Debt instruments	279,931,351	28,701,958	251,229,393	-
Liabilities				
Financial liabilities at FVTPL	(11,580,718)	(170,720)	(11,409,998)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	7,657,035	267,252	7,389,783	-
Liabilities				
Financial liabilities at FVTPL	(5,931,067)	-	(5,931,067)	-

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	June 30, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 1,405,327	$ 1,403,619	$ 1,708	$ -
Debt instruments	5,587,767	2,692,985	2,894,782	-
Others	32,359,392	1,230,655	31,128,737	-
Available-for-sale financial assets				
Stocks	6,591,431	6,591,431	-	-
Debt instruments	191,918,923	33,466,216	158,452,707	-
Others	4,853,696	4,853,696	-	-
Liabilities				
Financial liabilities at FVTPL	(12,462,356)	(536,009)	(11,926,347)	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	2,004,168	228,081	1,776,087	-
Liabilities				
Financial liabilities at FVTPL	(2,092,978)	(6,106)	(2,086,872)	-

2) Reconciliation for financial assets based on the fair value measurement of Level 3

Financial Assets	Financial assets at FVTPL	Investment in Equity Instruments at FVTOCI
Balance at January 1, 2018	$ 161,676	$ 5,521,358
Recognized in profit (financial assets and liabilities at FVTPL)	26,488	-
Recognized in OCI (investment in equity instruments at FVTOCI)	-	(109,287)
Purchases	25,000	75,000
Disposal	(3,064)	-
Transfers out of Level 3	(48,000)	-
Balance at June 30, 2018	$ 162,100	$ 5,487,071

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

	June 30, 2018	December 31, 2017	June 30, 2017
Difference between carrying amount and contractual amount at maturity			
Fair value	$ 11,409,998	$ 11,688,291	$ 11,926,347
Amount payable at maturity	12,230,000	11,872,000	12,168,000
	$ (820,002)	$ (183,709)	$ (241,653)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the six months ended June 30, 2018	$ 14,334
For the six months ended June 30, 2017	$ (19,395)
Accumulated amount of change	
As of June 30, 2018	$ 16,748
As of December 31, 2017	$ 2,414
As of June 30, 2017	$ 15,103

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

e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

Each subsidiary' 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 subsidiary

1) Risk management

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

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

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

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

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

2) Credit risk

a) Credit risk management policy

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

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

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

i. Loans business (including loan commitment and guarantees)

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

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

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

ii. 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.

iii. 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.

b) Measurement of expected credit losses

i. The determination of significantly increased credit risk after initial recognition

In order to determine whether the credit risks has increased significantly after initial recognition, TCB and its subsidiary assessed changes in default risks of financial assets over the duration at the balance sheet date. To evaluate changes in default risks, Taiwan Cooperative Bank, Ltd. and its subsidiary considered reasonable and verifiable information (including forward-looking information). The major considerations include:

<u>Loans business</u>

i) Quantitative benchmark

Overdue loans: Loans and other credits (including accrued interest) are overdue for at least 30 days less than 90 days.

ii) Qualitative benchmark

- Borrower or its representative suffered from dishonored check due to insufficient funds.
- Borrower or it’s representative suffered from credit card suspension.
- Owners of credit card has been denied by Taiwan Clearing House (THC).
- Objective evidence shows that the borrower’s ability to fulfill obligation has been affected.

<u>Bonds and bills business</u>

i) Quantitative benchmark

Credit rating of bond issuers are not classified as investment grade and downgraded by over two grades, or classified as CCC.

ii) Qualitative benchmark

Credit rating of bond issuers are not classified as investment grade and downgraded by no more than two grades, but credit risk increase significantly.

iii) Low credit risks

Credit risks are deemed low, if the credit rating of the issuer was classified as investment grade at the issue date and did not increase significantly after initial recognition.

ii. Definition of default and credit loss on financial assets

TCB and its subsidiary define financial asset default in the same manner as financial asset impairment. If one or more of the following conditions occur, TCB and its subsidiary can conclude that the financial asset has defaulted and the credit is impaired:

Loans business

i) Loans and other credits (including accrued interest) are overdue for at least 90 days.

ii) Borrower filed for bankruptcy or reorganization.

iii) Borrower defaulted on other financial instruments.

iv) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulties, has granted the borrower concession that the lender would not otherwise consider.

v) Borrower has been denied by TCH.

Bonds and bills business

i) Interest or principal of Bonds without payment are overdue for at least 90 days.

ii) Borrower has indication of impairment such as overdue receivables, doubtful debts, financial crisis, contract condition change due to financial crisis and bankruptcy or reorganization.

The above definition of default is applicable to financial assets that are held by TCB and its subsidiary, and is in line with the definition of internal-management intention. Therefore, it is applied to related impairment evaluation models.

If the conditions that define default and credit loss of financial assets have been corrected and the financial assets have returned to the original state of compliance, the financial assets are no longer recognized as impaired.

iii. Reversal policy

When TCB and its subsidiary are unable to recover financial assets to expectations, they are entirely or partly written off against the allowance amount. Indicators of uncollectible financial assets are as follows:

i) The debtor's inability to recover all or part of the debts due to dissolution, escape, settlement, bankruptcy or other reasons.

ii) After collaterals assumed and assets of principal and subordinate debtors have been priced low or after deductions for first-order mortgage have been made, the remaining value of the assets is not enough to pay any obligation; also, if execution cost nears or exceeds the debtor's liability, no gain will be realized.

iii) The Bank is not responsible for the collaterals assumed and assets of principal and subordinate debtors experiencing low priced auctions with no bidders.

iv) Overdue loans or collections were made after two years from the settlement date.

v) Overdue credit card loans and overdue receivables were aged over nine months after the settlement date.

Financial assets that have been written off by TCB and its subsidiary may continue activities in progress, while complying with procedures according to relevant policies.

iv. Measurement of expected credit losses

Loans business

In order to assess the expected credit loss, TCB and its subsidiary will categorize credit assets according to credit risk and industry assessments of borrower, as well as credit risk of the types of collateral.

A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The Company measures expected credit loss by calculating the product of loss given default and exposure at default, while taking into account the probability of default of a 12-month period and duration, as well as the effect of changes in currency values.

Probability of default refers to a possibility that a borrower would default to the contract (please refer to the introduction to "The definition of default and credit loss on financial assets"). Loss given default refers to the ratio of default loss caused by borrower. Probability of default and loss given default for loan business of TCB and its subsidiary are calculated by the adjustment of historical default rate, which is based on historical internal information (e.g. credit loss experience), current observable information and prospective macroeconomics statistics (e.g. monitoring indicator from National Development Association and unemployment rate from Directorate General of Budget, Accounting and Statistics, Executive Yuan).

TCB and its subsidiary estimate the exposure at default according to the aggregate book value. In addition, the estimations of expected credit loss for the 12-month loan period and duration of loan commitment made by the Bank and its subsidiaries are based on the credit conversion factor (CCF), using the portion of the loan commitment that is expected to be used within 12 months of reporting date and expected duration to calculate expected credit loss and determine the exposure at default.

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of June 30, 2018.

Bonds and bills business

A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The Company measures expected credit loss by calculating the product of loss given default and exposure at default, while taking into account the probability of default of a 12-month period and duration, as well as the effect of changes in currency values.

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of June 30, 2018.

v. Forward-looking information considerations

Loans business

TCB and its subsidiary have taken into account previous forward-looking information when assessing asset default probability. The Bank and its subsidiaries analyze past archives to identify relevant economic factors affecting personal and company asset default probabilities.

According to TCB and its subsidiary's previous forward-looking information, estimations are calculated at the end of the year per year on average. The influence of relevant economic factors and expected credit loss identified by the Bank and its subsidiaries on December 31, 2017 is as follows:

	Probability of Default
Relevant economic factors	Monitoring indicator/unemployment rate

Bonds and bills business

The assessment of the increase/decrease in the credit risk is based on TCB and its subsidiary's amortization costs and other comprehensive income measured by fair value, referring to changes in external credit ratings according to the international credit ratings service (Moody's) as a quantitative indicator. Also, the expected credit loss uses external credit ratings and Moody's periodic calculations of default probability and loss given default as references. As international credit ratings services have taken into account forward-looking information in assessing credit ratings, it is also appropriate for TCB and its subsidiary to consider forward-looking information when assessing relevant expected credit loss.

c) Credit risk avoidance or mitigation policy

i. Strengthen collaterals and other credits

TCB and its subsidiary have a series of measures for credit granting to reduce credit risks. One of the measures is to require collaterals from the borrowers. To secure a debt, TCB and its subsidiary manage and assess 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 shorten the repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in TCB and its subsidiary in order to reduce the credit risks.

There was no major change in the collateral policy of TCB and its subsidiary on the balance sheet date, and there was no significant change in the overall collateral quality.

TCB and its subsidiary closely monitor the value of collaterals of financial instruments and consider impairment on credit-impaired financial assets. Credit-impaired financial assets and collateral to mitigate potential loss as of June 30, 2018 were as follows:

	Cross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
Impaired financial assets				
Discount and loans	$ 17,810,315	$ 1,886,262	$ 15,924,053	$ 42,143,145

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary at June 30, 2018 was $27,131 thousand.

ii. Credit limit and the control of concentration of credit risk

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.

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

Credit Risk Profile by Group or Industry	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Natural person	$ 831,000,224	40	$ 819,375,254	41	$ 804,855,674	41
Manufacturing	384,115,922	18	383,995,457	19	376,875,652	19

iii. Master netting arrangement

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.

d) Maximum exposures to credit risks

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 financial instrument to credit risks which was not applicable to impairment is as follow:

	June 30, 2018
Financial assets at fair value through profit or loss - debt instrument	$ 781,338

The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Irrevocable loan commitments issued	$ 100,279,021	$ 94,377,275	$ 91,462,970
Irrevocable credit card commitments	45,752,635	45,082,276	44,856,225
Letters of credit issued yet unused	20,662,960	18,727,577	19,938,857
Other guarantees	79,195,017	79,802,266	80,771,495

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.

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

	June 30, 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Discounts, loans	$ 2,074,734,713	$ 6,398,643	$ 30,460,412	$ -	$ 2,111,593,768
Allowance for possible losses	(3,747,533)	(36,654)	(5,046,050)	-	(8,830,237)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(16,086,012)	(16,086,012)
	$ 2,070,987,180	$ 6,361,989	$ 25,414,362	$ (16,086,012)	$ 2,086,677,519

	June 30, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	$ 15,702,945	$ 47,825	$ 156,876	$ 3,096,174	$ -	$ 19,003,820
Allowance for possible losses	(41,556)	(11,076)	(42,118)	(528,958)	-	(623,708)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(110,743)	(110,743)
	$ 15,661,389	$ 36,749	$ 114,758	$ 2,567,216	$ (110,743)	$ 18,269,369

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

June 30, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D) With Objective Evidence of Impairment	Provision for Impairment Losses (D) With No Objective Evidence of Impairment	Net (A)+(B)+(C)-(D)
Receivables							
Credit cards	$ 4,448,451	$ 33,403	$ 59,251	$ 4,541,105	$ 20,989	$ 17,692	$ 4,502,424
Others	12,636,928	28,982	555,866	13,221,776	366,205	291,374	12,564,197
Discounts and loans	1,944,908,505	8,693,777	30,067,669	1,983,669,951	5,327,541	18,382,285	1,959,960,125

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

Items	December 31, 2017	June 30, 2017
Loans		
Secured	$ 1,409,682,987	$ 1,400,919,598
Unsecured	575,046,010	543,988,907
Total	$ 1,984,728,997	1,944,908,505

c) Credit quality analysis of securities

	June 30, 2018 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	$ 232,830,711	$ -	$ -	$ 232,830,711
Investments in debt instruments at amortized cost	$ 514,001,376	$ -	$ -	$ 514,001,376
Less: Allowance for possible losses	42,461	-	-	42,461
	$ 513,958,915	$ -	$ -	$ 513,958,915

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

June 30, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)	Net (A)+(B)+ (C)-(D)
Available-for-sale financial assets						
Debt instruments	$ 138,155,621	$ -	$ -	$ 138,155,621	$ -	$ 138,155,621
Equities	5,133,264	-	-	5,133,264	-	5,133,264
Others	302,395	-	-	302,395	-	302,395
Held-to-maturity financial assets						
Debt instruments	99,443,029	-	-	99,443,029	3,316	99,439,713
Others	412,792,906	-	-	412,792,906	-	412,792,906
Other financial assets						
Debt instruments	85,032,478	-	-	85,032,478	-	85,032,478
Equities	4,092,383	-	-	4,092,383	-	4,092,383
Others	16,689,558	-	-	16,689,558	-	16,689,558

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

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

Items	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	-	-	-

Items	June 30, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 26,772	$ 6,631	$ 33,403
Others	16,047	12,935	28,982
Loans			
Secured	5,482,838	2,056,791	7,539,629
Unsecured	1,055,449	98,699	1,154,148
Available-for-sale financial assets			
Debt instruments	-	-	-
Others	-	-	-
Held-to-maturity financial assets			
Debt instruments	-	-	-
Others	-	-	-
Other financial assets			
Debt instruments	-	-	-
Others	-	-	-

3) Market risks

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

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

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

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

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

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

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

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

Main Risk	Change Scenario	June 30, 2018	December 31, 2017	June 30, 2017
Interest rate risk	Interest rate curve increased 100 basis points	$ 98,231	$ (39,258)	$ (51,992)
	Interest rate curve fell 100 basis points	(110,613)	39,988	53,324
Exchange rate risk	USD/NT$, EUR/NT$ increased 3%	(260,442)	(195,579)	(147,206)
	USD/NT$, EUR/NT$ fell 3%	260,442	195,579	147,206
	Others (RMB, AUD etc.)/ NT$ increased 5%	14,291	(9,514)	(23,142)
	Others (RMB, AUD etc.)/ NT$ fell 5%	(14,291)	9,514	23,142
Equity security price risk	Equity security price increased by 15%	153,557	165,096	37,017
	Equity security price fell by 15%	(153,038)	(162,501)	(37,017)

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

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

a) Taiwan Cooperative Bank, Ltd.

	For the Six Months Ended June 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks and other financial assets - due from banks	$ 39,321,690	2.69	$ 30,038,990	2.03
Due from the Central Bank	165,752,493	0.35	162,617,051	0.35
Call loans to banks and other financial assets - call loans to security firms	67,962,885	2.11	75,814,248	1.33
Held-for-trading financial assets	-	-	17,035,863	0.62
Financial assets mandatorily classified as at fair value through profit or loss	7,236,608	0.71	-	-
Securities purchased under resell agreements	20,721	0.39	776,593	0.44
Discounts and loans	2,059,889,979	2.04	1,946,980,773	2.01
Financial assets at fair value through other comprehensive income	231,018,951	1.98	-	-
Investments in debt instruments at amortized cost	515,464,867	0.84	-	-
Available-for-sale financial assets	-	-	127,974,863	2.00
Held-to-maturity financial assets	-	-	512,743,815	0.72
Debt instruments with no active market	-	-	81,637,081	2.27

(Continued)

	For the Six Months Ended June 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Due to the Central Bank and other banks	$ 243,381,586	0.94	$ 224,171,991	0.71
Financial liabilities designated as at fair value through profit or loss	11,846,309	4.65	12,206,751	4.46
Securities sold under repurchase agreements	10,393,654	0.23	10,276,061	0.23
Demand deposits	506,842,813	0.15	472,452,407	0.11
Savings - demand deposits	831,391,597	0.28	803,294,638	0.27
Time deposits	514,793,957	1.35	464,367,134	1.11
Time savings deposits	640,985,933	1.06	664,426,362	1.07
Treasury deposits	90,940,668	0.64	82,273,267	0.66
Negotiable certificates of deposits	22,981,337	0.48	2,111,551	0.22
Structured products	1,450,710	2.34	2,663,162	1.14
Bank debentures	62,565,801	1.38	74,168,011	1.33

(Concluded)

b) United Taiwan Bank S.A.

	For the Six Months Ended June 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks	$ 57,422	0.59	$ 56,977	0.22
Due from the Central Bank	215,566	-	334,391	-
Discounts and loans	8,288,449	2.46	7,605,119	2.05
Debt instruments with no active market	-	-	1,510,154	0.77
Investments in debt instruments at amortized cost	1,502,950	0.82	-	-
Interest-bearing liabilities				
Due to the Central Bank and other banks	7,579,921	1.15	7,145,027	0.65
Demand deposits	46,474	-	49,226	-
Time deposits	96,341	1.65	83,947	1.18

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

(In Thousands)

	June 30, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
USD	$ 12,102,206	30.5750	$ 370,024,946
RMB	13,582,256	4.5990	62,464,795
AUD	1,239,271	22.4550	27,827,831
EUR	404,380	35.3800	14,306,980
JPY	33,646,768	0.2769	9,316,790
HKD	2,079,792	3.8960	8,102,871
ZAR	1,953,431	2.2100	4,317,083
GBP	47,183	39.9900	1,886,834
CAD	54,317	23.0500	1,252,016
NZD	53,119	20.6100	1,094,786
CHF	12,022	30.6450	368,422
SGD	6,065	22.3500	135,558
KHR	15,411,756	0.0075	116,205
THB	8,289	0.9260	7,676
SEK	1,277	3.3900	4,329
PHP	4,262	0.5718	2,437
Financial liabilities			
USD	12,705,839	30.5750	388,481,017
RMB	13,184,337	4.5990	60,634,764
AUD	1,068,752	22.4550	23,998,824
JPY	62,129,834	0.2769	17,203,751
EUR	239,281	35.3800	8,465,754
ZAR	3,284,402	2.2100	7,258,529
NZD	139,946	20.6100	2,884,287
HKD	567,025	3.8960	2,209,128
GBP	52,810	39.9900	2,111,857
CAD	74,621	23.0500	1,720,022
CHF	17,140	30.6450	525,249
SGD	13,139	22.3500	293,659
SEK	17,083	3.3900	57,912
THB	13,482	0.9260	12,484
KHR	377,359	0.0075	2,845
PHP	1,013	0.5718	579
MYR	-	7.5590	2

	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
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

	June 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
USD	$ 10,875,796	30.4200	$ 330,841,700
RMB	10,638,586	4.4880	47,745,976
AUD	901,219	23.4450	21,129,076
EUR	385,853	34.8100	13,431,552
JPY	42,331,277	0.2717	11,501,408
HKD	1,137,446	3.8960	4,431,491
ZAR	1,454,058	2.3300	3,387,955
GBP	85,341	39.6400	3,382,935
CAD	80,742	23.4500	1,893,394
NZD	27,241	22.2900	607,210
CHF	9,965	31.8050	316,928
SEK	18,596	3.6000	66,946
SGD	2,852	22.0800	62,977
THB	12,398	0.8995	11,152
KHR	730,510	0.0074	5,431
PHP	3,404	0.6018	2,049
Financial liabilities			
USD	11,189,394	30.4200	340,381,372
RMB	10,168,279	4.4880	45,635,236
AUD	826,551	23.4450	19,378,493
JPY	44,495,646	0.2717	12,089,467
ZAR	2,868,747	2.3300	6,684,180
EUR	167,773	34.8100	5,840,187
NZD	93,068	22.2900	2,074,481
HKD	519,775	3.8960	2,025,042
CAD	81,065	23.4500	1,900,976
GBP	41,372	39.6400	1,639,982
CHF	9,798	31.8050	311,622
SGD	12,716	22.0800	280,764
SEK	16,264	3.6000	58,551
THB	11,939	0.8995	10,739
PHP	79	0.6018	48
KHR	2,889	0.0074	21
MYR	-	7.0820	2

4) Liquidity risk

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

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

The liquidity risk management procedures involve identification, measurement, monitoring and report of risk. Each business unit should identify the existing liquidity risk in business activities and financing products.

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

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

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

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

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

TCB's liquidity reserve ratios were 25.35% in June 2018, 24.49% in December 2017 and 24.98% in June 2017.

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

June 30, 2018	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	$ 182,362,857	$ 56,648,929	$ 9,707,238	$ 2,181,733	$ -	$ 250,900,757
Financial liabilities at fair value through profit or loss	-	-	-	-	12,230,000	12,230,000
Securities sold under repurchase agreements	4,420,030	2,934,474	1,750,180	262,561	-	9,367,245
Payables	33,423,694	1,243,013	2,383,525	3,890,081	1,568,229	42,508,542
Deposits and remittances	298,968,731	352,701,182	389,698,000	626,935,099	1,033,172,065	2,701,475,077
Bank debentures	4,610,000	-	-	-	50,000,000	54,610,000
Other items of cash outflow on maturity	3,049,101	19,770	1,797	3,594	35,743	3,110,005

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

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 168,144,476	$ 46,451,417	$ 5,959,375	$ 3,555,405	$ -	$ 224,110,673
Financial liabilities at fair value through profit or loss	-	-	-	-	12,168,000	12,168,000
Securities sold under repurchase agreements	5,522,207	2,808,008	1,789,217	6,612	-	10,126,044
Payables	26,363,183	1,369,131	980,644	3,769,622	1,747,343	34,229,923
Deposits and remittances	264,217,888	314,345,417	371,405,744	636,158,694	963,156,883	2,549,284,626
Bank debentures	-	-	4,000,000	10,000,000	52,610,000	66,610,000
Other items of cash outflow on maturity	3,629,394	27,378	13,158	26,316	266,438	3,962,684

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 June 30, 2018, December 31, 2017 and June 30, 2017 must be repaid soon, the capital expenditure will be increased by $1,365,952,835 thousand, $1,382,433,220 thousand and $1,309,939,357 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

June 30, 2018	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	$ 894	$ 1,103	$ 89	$ 59	$ -	$ 2,145
Interest	(3,565)	(301)	(3,617)	(1,728)	(3,356)	(12,567)

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)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ 791	$ 434	$ 389	$ 350	$ -	$ 1,964
Interest	(3,138)	-	(3,210)	(5,212)	(5,377)	(16,937)

b) Derivative financial liabilities to be settled at gross amounts

June 30, 2018	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	$ 106,828,212	$ 61,849,102	$ 11,180,489	$ 3,496,405	$ 1,960,635	$ 185,314,843
Cash inflow	109,308,095	63,155,536	11,547,981	3,584,398	1,995,523	189,591,533
Interest derivatives						
Cash outflow	24,860	570,219	474,280	10,200,630	20,911,744	32,181,733
Cash inflow	-	541,810	428,373	1,194,659	27,487,670	29,652,512
Total cash outflow	106,853,072	62,419,321	11,654,769	13,697,035	22,872,379	217,496,576
Total cash inflow	109,308,095	63,697,346	11,976,354	4,779,057	29,483,193	219,244,045
Net cash flow	2,455,023	1,278,025	321,585	(8,917,978)	6,610,814	1,747,469

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)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 87,697,239	$ 69,399,542	$ 19,532,466	$ 3,992,681	$ 35,345	$ 180,657,273
Cash inflow	88,222,479	70,161,761	19,752,141	4,076,855	35,373	182,248,609
Interest derivatives						
Cash outflow	602,213	61,044	361,974	379,475	20,060,101	21,464,807
Cash inflow	602,799	60,300	301,624	811,647	28,529,951	30,306,321
Total cash outflow	88,299,452	69,460,586	19,894,440	4,372,156	20,095,446	202,122,080
Total cash inflow	88,825,278	70,222,061	20,053,765	4,888,502	28,565,324	212,554,930
Net cash flow	525,826	761,475	159,325	516,346	8,469,878	10,432,850

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.

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 2,804,591	$ 1,854,225	$ 31,887,969	$ 16,600,206	$ 47,132,030	$ 100,279,021
Irrevocable credit card commitments	503,233	237,766	570,818	1,594,123	42,846,695	45,752,635
Letters of credit issued yet unused	4,505,837	12,122,371	1,514,134	1,216,432	1,304,186	20,662,960
Other guarantees	3,037,804	3,599,242	4,956,203	8,935,866	58,665,902	79,195,017

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

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 543,061	$ 2,381,522	$ 5,010,757	$ 8,989,201	$ 74,538,429	$ 91,462,970
Irrevocable credit card commitments	34,110	266,636	375,798	3,659,296	40,520,385	44,856,225
Letters of credit issued yet unused	5,194,627	9,696,179	2,212,993	491,627	2,343,431	19,938,857
Other guarantees	2,558,085	5,932,996	6,277,020	10,482,933	55,520,461	80,771,495

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

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

The strategies adopted by management to supervise and control different financial risks as well as consider competition and changes in the economic environment were as follows:

1) Market risk

a) Market risk source and market risk factors

Market risk results from the fluctuation in the fair values of financial instruments or future cash. The risk factors causing market price changes include interest rates, exchange rates, stock prices and commodity prices, which may cause a gain or loss on net revenues and affect BPCTLI's investment portfolio.

b) Market risk strategy and procedures

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

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

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

c) Market risk management framework

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

d) Market risk measurement

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were $469,852 thousand, $451,595 thousand and $430,341 thousand as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

ii. Sensitivity analysis

i) Interest rate risk

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

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of June 30, 2018, December 31, 2017 and June 30, 2017 the fair values of financial assets would have decreased by $22,319 thousand, $21,328 thousand and $21,950 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on June 30, 2018, December 31, 2017 and June 30, 2017, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by $19,071 thousand, $18,542 thousand and $17,924 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the six months ended June 30, 2018 and 2017, the income before income tax would have decreased $199,599 thousand and $191,972 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of June 30, 2018, December 31, 2017 and June 30, 2017.

June 30, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Savings accounts			
USD	$ 9,528	30.51	$ 282,475
AUD	1,450	22.50	32,621
EUR	454	35.46	16,082
RMB	1,642	4.59	7,543
Receivables			
USD	5,723	30.51	174,614
RMB	4,658	4.59	21,393
Financial assets at FVTPL			
USD	9,129	30.51	278,525
Financial assets at FVTOCI			
USD	619,165	30.51	18,891,330
RMB	310,318	4.59	1,425,292
Financial assets at amortization			
RMB	3,070	4.59	14,101
Guarantee deposits			
USD	10,780	30.51	328,909

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
RMB	1,984	4.51	9,009
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

June 30, 2017

Financial assets	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Savings accounts			
USD	$ 16,120	30.41	$ 490,222
AUD	1,742	23.40	40,764
EUR	470	34.76	16,335
RMB	1,905	4.50	8,562
Receivables			
USD	4,820	30.41	146,579
RMB	2,221	4.50	9,985
Available-for-sale financial assets			
USD	369,747	30.41	11,244,011
RMB	30,953	4.50	139,133
Debt investments with no active market			
USD	241,030	30.41	7,329,734
RMB	240,999	4.50	1,083,290
Financial liabilities			
Guarantee deposits			
USD	440	30.41	13,380

iii. Stress testing

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

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

Assuming the Lehman crisis in 2008 reoccurred as of June 30, 2018, December 31, 2017 and June 30, 2017, the losses on financial assets would have been $2,131,352 thousand, $1,817,508 thousand and $1,911,796 thousand, respectively. Also assuming the Japan earthquake on March 11, 2011 reoccurred as of June 30, 2018, December 31, 2017 and June 30, 2017, the loss on financial assets would have been $153,175 thousand, $142,091 thousand and $119,561 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

	June 30, 2018		
	Carrying Amount	**Fair Value**	**%**
Domestic investment - government bonds (Note 1)	$ 19,653,748	$ 19,653,748	48
Domestic investment - corporate bonds (twAAA - twAA)	1,641,635	1,641,635	4
Overseas investment - government bonds	808,088	808,088	2
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,732,470	16,732,470	40
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	2,497,539	2,497,539	6
	$ 41,333,480	$ 41,333,480	100

	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 and bank debentures (Aa2 - A3)	17,335,789	17,529,382	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	2,077,898	2,081,877	5
	$ 41,993,231	$ 42,199,002	100

	June 30, 2017		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	$ 21,448,030	$ 21,448,030	51
Domestic investment - corporate bonds (twAAA - twAA)	1,220,020	1,228,559	3
Overseas investment - government bonds	11,989	11,989	-
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,896,472	16,049,140	38
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	3,525,239	3,570,868	8
	$ 42,101,750	$ 42,308,586	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 financial liabilities' maturity analysis

To ensure that it has sufficient cash on hand for liability payments and asset purchases (BPCTLI has no bank loans and financial guarantees, and all the non- derivative liabilities will expire in less than one year), BPCTLI can use unrestricted cash, consisting of financial institution deposits, certificate deposits (including conditional bonds), quasi-foreign currency mutual funds, etc.

ii. Maturity analysis of derivatives

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

	June 30, 2018			
	Within One Year	**1 Year to 3 Years**	**3 Years to 5 Years**	**Over Five Years**
Net settled				
Currency swap contracts	$ (376,064)	$ -	$ -	$ -

	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	$ -	$ -	$ -

	June 30, 2017			
	Within One Year	**1 Year to 3 Years**	**3 Years to 5 Years**	**Over Five Years**
Net settled				
Cross-currency swap contracts	$ (22,842)	$ -	$ -	$ -
Currency swap contracts	(1,793)	-	-	-
	$ (24,635)	$ -	$ -	$ -

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 1	2	3	4	5	6	7	8	9	Claim Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	-
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	21,112	-
2013	19,586	27,531	27,762	28,666	28,555	28,551	28,551	28,551	28,551	-
2014	25,862	28,357	28,976	31,011	31,016	31,016	31,016	31,016	31,016	-
2015	35,899	42,080	42,346	42,353	42,360	42,360	42,360	42,360	42,360	7
2016	26,485	31,219	31,368	31,703	31,710	31,710	31,710	31,710	31,710	342
2017	51,930	57,751	58,876	60,172	60,184	60,184	60,184	60,184	60,184	2,433
2018	63,923	78,693	80,507	83,311	83,325	83,325	83,325	83,325	83,325	19,402
								Incurred but not reported		22,184
								Reported but not paid		12,977
								Balance of claim reserve		$ 35,161

b) Development of retained business

	Development Ages 1	2	3	4	5	6	7	8	9	Claim Reserve
2010	$ 3	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ 35	$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	-
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	19,065	-
2013	19,497	26,841	27,071	27,975	27,864	27,860	27,860	27,860	27,860	-
2014	25,174	27,659	28,278	30,313	30,318	30,318	30,318	30,318	30,318	-
2015	31,538	37,711	37,977	37,984	37,991	37,991	37,991	37,991	37,991	7
2016	25,930	30,590	30,739	31,058	31,064	31,064	31,064	31,064	31,064	325
2017	49,801	55,548	56,556	57,520	57,531	57,531	57,531	57,531	57,531	1,983
2018	63,865	78,626	80,438	83,242	83,257	83,257	83,257	83,257	83,257	19,392
								Incurred but not reported		21,707
								Reported but not paid		12,930
								Balance of claim reserve		$ 34,637

3) Sensitivity analysis of insurance risk

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

Insurance contracts and investment contracts with a discretionary participation feature.

	June 30, 2018 Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 35,513	$ 29,475
Discount rate	(0.25%)	(35,592)	(29,541)
Mortality rate	10.00%	(10,152)	(8,426)
Mortality rate	(10.00%)	10,150	8,424
Withdrawal rate	30.00%	5,600	4,648
Withdrawal rate	(30.00%)	(5,636)	(4,678)
Illness rate/loss rate	15.00%	(7,328)	(6,083)
Expense rate	10.00%	(36,133)	(29,990)

	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)

	June 30, 2017		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	$ 36,466	$ 30,267
Discount rate	(0.25%)	(36,547)	(30,334)
Mortality rate	10.00%	(8,095)	(6,719)
Mortality rate	(10.00%)	8,094	6,718
Withdrawal rate	30.00%	4,945	4,104
Withdrawal rate	(30.00%)	(5,445)	(4,520)
Illness rate/loss rate	15.00%	(5,737)	(4,762)
Expense rate	10.00%	(30,727)	(25,504)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

BPCTLI predicts the future cash flows of assets and liabilities through an asset-liability matching model to ensure there are enough cash flows to cover a predicted liability obligation. The measure is used as a long-term control mechanism for liquidity risk.

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

g. Transfers of financial assets

Under the Company operations, most of derecognized financial assets are securities sold under repurchase agreements, and the contractual cash flows have been transferred to others. The Company has the responsibility to repurchase transferred financial assets at fixed prices, and cannot 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 cannot be removed entirely. The information on derecognized financial assets and liabilities is as follows:

June 30, 2018					
Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL - securities sold under repurchase agreements	$ 26,867,729	$ 26,594,434	$ 26,867,729	$ 26,594,434	$ 273,295
Financial assets at FVTOCI - securities sold under repurchase agreements	12,429,142	12,596,744	12,429,142	12,596,744	(167,602)
Securities with sell agreements - under repurchase agreements	137,690	136,647	137,690	136,647	1,043

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)
Securities with sell agreements - under repurchase agreements	917,098	919,182	917,098	919,182	(2,084)

June 30, 2017					
Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Net Position of Fair Value**
Financial assets at FVTPL - securities sold under repurchase agreements	$ 17,499,417	$ 17,584,528	$ 17,499,417	$ 17,584,528	$ (85,111)
Available-for-sale financial assets - securities sold under repurchase agreements	24,013,369	24,637,325	24,013,369	24,637,325	(623,956)
Held-to-maturity financial assets - securities sold under repurchase agreements	2,140,602	2,140,123	2,195,601	2,140,123	55,478
Securities with sell agreements - under repurchase agreements	137,374	137,374	137,374	137,374	-

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.

June 30, 2018

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	$ 798,397	$ -	$ 798,397	$ (771,463)	$ -	$ 26,934

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	$ 39,327,825	$ -	$ 39,327,825	$ (38,790,199)	$ -	$ 537,626

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	$ (41,692,025)	$ -	$ 607,813

June 30, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	$ 1,479,821	$ -	$ 1,479,821	$ (1,025,978)	$ -	$ 453,843

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 44,499,350	$ -	$ 44,499,350	$ (43,137,859)	$ -	$ 1,361,491

45. CAPITAL MANAGEMENT

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

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

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

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%. The CARs of TCBF were 16.71%, 15.46% and 14.74% as of June 30, 2018, December 31, 2017 and June 30, 2017, 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 334%, 328% and 315% as of June 30, 2018, December 31, 2017 and June 30, 2017, 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 1,162.48%, 1,152.31% and 1,100.45% as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

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

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

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

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2018		
	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	20.65
2	Group B Harbor services	17,064,393	8.40
3	Group C Petroleum and coal products manufacturing	16,532,541	8.14
4	Group D Cotton and textile	11,884,931	5.85
5	Group E Computers and computing peripheral equipment manufacturing	11,607,634	5.71
6	Group F Real estate development	10,284,932	5.06
7	Group G Shipping agency	9,682,597	4.77
8	Group H Iron and steel smelting	9,235,865	4.55
9	Group I Real estate development	9,164,087	4.51
10	Group J Harbor services	8,465,082	4.17

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCB's Equity**
1	Group A Railway transportation	$ 44,883,293	23.09
2	Group C Petroleum and coal products manufacturing	19,862,490	10.22
3	Group B Harbor services	18,950,643	9.75
4	Group K Cotton and textile	13,933,557	7.17
5	Group E Computer and computing peripheral equipment manufacturing	12,096,157	6.22
6	Group D Cotton and textile	10,821,506	5.57
7	Group G Shipping agency	10,571,152	5.44
8	Group I Real estate development	10,316,596	5.31
9	Group L Liquid crystal panel and component manufacturing	8,825,378	4.54
10	Group H Iron and steel smelting	8,485,170	4.36

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2018		
	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	$ 1,460,000	24.05
2	Group B Other financial intermediation not elsewhere classified	750,000	12.36
3	Group C Shipping agency	700,000	11.53
4	Group D Real estate development	688,500	11.34
5	Group E Real estate development	657,000	10.82
6	Group F Manmade fiber manufacturing	655,000	10.79
7	Group G Wholesale of motor vehicles and motorcycles parts and accessories	650,000	10.71
8	Group H Real estate development	630,000	10.38
9	Group I Pulp manufacturing	590,000	9.72
10	Group J Manmade fiber manufacturing	535,000	8.81

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of TCBF's Equity**
1	Group A Other financial intermediation not elsewhere classified	$ 960,000	19.85
2	Group F Manmade fiber manufacturing	750,000	15.51
3	Group H Real estate development	629,000	13.01
4	Group G Wholesale of motor vehicles and motorcycles parts and accessories	600,000	12.41
5	Group B Other financial intermediation not elsewhere classified	575,000	11.89
6	Group K Private financing industry	550,000	11.37
7	Group I Pulp manufacturing	550,000	11.37
8	Group L Aluminum refinery manufacturing	500,000	10.34
9	Group C Shipping agency	500,000	10.34
10	Group M Building completion and finishing	480,000	9.92

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

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

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

c. Interest rate sensitivity information

1) Taiwan Cooperative Bank, Ltd.

Interest Rate Sensitivity
June 30, 2018

(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	$ 2,273,380,766	$ 92,128,193	$ 12,630,064	$ 245,508,604	$ 2,623,647,627
Interest rate-sensitive liabilities	966,927,179	1,307,100,789	97,744,838	45,832,851	2,417,605,657
Interest rate sensitivity gap	1,306,453,587	(1,214,972,596)	(85,114,774)	199,675,753	206,041,970
Net worth					183,414,866
Ratio of interest rate-sensitive assets to liabilities					108.52
Ratio of interest rate sensitivity gap to net worth					112.34

Interest Rate Sensitivity
June 30, 2017

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 2,186,242,987	$ 82,908,300	$ 11,678,245	$ 236,377,149	$ 2,517,206,681
Interest rate-sensitive liabilities	904,984,362	1,254,538,191	114,548,867	51,715,102	2,325,786,522
Interest rate sensitivity gap	1,281,258,625	(1,171,629,891)	(102,870,622)	184,662,047	191,420,159
Net worth					179,382,304
Ratio of interest rate-sensitive assets to liabilities					108.23
Ratio of interest rate sensitivity gap to net worth					106.71

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

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

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

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

Interest Rate Sensitivity
June 30, 2018

(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	$ 12,590,382	$ 892,411	$ 353,227	$ 1,377,110	$ 15,213,130
Interest rate-sensitive liabilities	14,005,380	1,244,904	1,075,638	27,749	16,353,671
Interest rate sensitivity gap	(1,414,998)	(352,493)	(722,411)	1,349,361	(1,140,541)
Net worth					645,018
Ratio of interest rate-sensitive assets to liabilities					93.03
Ratio of interest rate sensitivity gap to net worth					(176.82)

Interest Rate Sensitivity
June 30, 2017

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,635,778	$ 911,903	$ 390,651	$ 1,185,373	$ 15,123,705
Interest rate-sensitive liabilities	14,325,537	908,858	821,997	5,000	16,061,392
Interest rate sensitivity gap	(1,689,759)	3,045	(431,346)	1,180,373	(937,687)
Net worth					494,086
Ratio of interest rate-sensitive assets to liabilities					94.16
Ratio of interest rate sensitivity gap to net worth					(189.78)

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

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

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

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

2) United Taiwan Bank S.A.

Interest Rate Sensitivity
June 30, 2018

(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	$ 279,925	$ 86,742	$ -	$ -	$ 366,667
Interest rate-sensitive liabilities	196,800	67,804	24,290	-	288,894
Interest rate sensitivity gap	83,125	18,938	(24,290)	-	77,773
Net worth					72,628
Ratio of interest rate-sensitive assets to liabilities					126.92
Ratio of interest rate sensitivity gap to net worth					107.08

Interest Rate Sensitivity
June 30, 2017

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 285,187	$ 80,654	$ -	$ -	$ 365,841
Interest rate-sensitive liabilities	223,165	67,742	1,297	-	292,204
Interest rate sensitivity gap	62,022	12,912	(1,297)	-	73,637
Net worth					67,224
Ratio of interest rate-sensitive assets to liabilities					125.20
Ratio of interest rate sensitivity gap to net worth					109.54

Note 1: The above amounts included only U.S. dollar amounts held by United Taiwan Bank S.A. and excluded contingent assets and contingent liabilities.

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

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

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

d. Profitability

1) Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.55	0.51
	After income tax	0.47	0.45
Return on equity	Before income tax	9.28	8.59
	After income tax	7.87	7.51
Net income ratio		35.40	33.16

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	7.04	6.80
	After income tax	7.06	6.81
Return on equity	Before income tax	7.79	7.41
	After income tax	7.81	7.42
Net income ratio		99.07	98.88

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.53	0.49
	After income tax	0.44	0.42
Return on equity	Before income tax	8.46	7.98
	After income tax	7.12	6.86
Net income ratio		33.58	32.56

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	1.31	1.08
	After income tax	1.30	1.07
Return on equity	Before income tax	10.22	9.41
	After income tax	10.08	9.37
Net income ratio		112.91	112.40

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.26	1.07
	After income tax	0.21	0.91
Return on equity	Before income tax	1.33	4.80
	After income tax	1.08	4.09
Net income ratio		7.38	23.83

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

(%)

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.72	0.60
	After income tax	0.62	0.67
Return on equity	Before income tax	12.79	11.15
	After income tax	11.02	12.41
Net income ratio		51.18	64.37

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

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

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

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

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

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
June 30, 2018

(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	$ 3,047,393,428	$ 426,332,257	$ 345,578,940	$ 191,874,899	$ 200,953,726	$ 359,068,639	$ 1,523,584,967
Main capital outflow on maturity	3,555,175,729	268,519,712	196,820,483	441,269,804	432,835,453	639,729,757	1,576,000,520
Gap	(507,782,301)	157,812,545	148,758,457	(249,394,905)	(231,881,727)	(280,661,118)	(52,415,553)

Maturity Analysis of Assets and Liabilities
June 30, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 2,874,798,326	$ 332,337,534	$ 345,126,202	$ 165,454,611	$ 185,433,201	$ 342,983,391	$ 1,503,463,387
Main capital outflow on maturity	3,357,432,561	217,574,447	170,910,960	394,650,279	414,649,811	677,376,414	1,482,270,650
Gap	(482,634,235)	114,763,087	174,215,242	(229,195,668)	(229,216,610)	(334,393,023)	21,192,737

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

Maturity Analysis of Assets and Liabilities
June 30, 2018

(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	$ 24,875,859	$ 8,072,582	$ 6,352,560	$ 2,825,291	$ 872,100	$ 6,753,326
Main capital outflow on maturity	28,834,723	12,053,876	6,971,866	2,918,711	3,712,468	3,177,802
Gap	(3,958,864)	(3,981,294)	(619,306)	(93,420)	(2,840,368)	3,575,524

Maturity Analysis of Assets and Liabilities
June 30, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 22,731,494	$ 9,162,865	$ 3,875,276	$ 2,471,109	$ 1,098,346	$ 6,123,898
Main capital outflow on maturity	26,011,439	12,757,151	4,552,891	2,624,485	3,469,724	2,607,188
Gap	(3,279,945)	(3,594,286)	(677,615)	(153,376)	(2,371,378)	3,516,710

Note: The above amounts included only U.S. dollar amounts held by TCB.

2) United Taiwan Bank S.A.

Maturity Analysis of Assets and Liabilities
June 30, 2018

(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	$ 366,667	$ 47,851	$ 2,585	$ 10,829	$ 27,554	$ 277,848
Main capital outflow on maturity	294,039	87,444	109,356	67,804	24,290	5,145
Gap	72,628	(39,593)	(106,771)	(56,975)	3,264	272,703

Maturity Analysis of Assets and Liabilities
June 30, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 365,841	$ 60,432	$ 11,087	$ -	$ 13,000	$ 281,322
Main capital outflow on maturity	298,617	98,035	125,130	67,742	1,297	6,413
Gap	67,224	(37,603)	(114,043)	(67,742)	11,703	274,909

Note: The above amounts included only U.S. dollar amounts held by United Taiwan Bank S.A.

f. The statement of use/source funds of Taiwan Cooperative Bills Finance Corporation Ltd.

June 30, 2018

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	$ 16,945,361	$ 13,185,940	$ 3,919,665	$ 502,398	$ -
	Bonds	-	-	725,000	200,000	3,490,713
	Cash in bank	1,222,714	70,000	-	200	-
	Total	18,168,075	13,255,940	4,644,665	702,598	3,490,713
Source of funds	Borrowings	14,385,000	-	-	-	-
	Securities sold under repurchase agreements	20,918,560	1,367,779	-	-	-
	Total	35,303,560	1,367,779	-	-	-
Net flows		(17,135,485)	11,888,161	4,644,665	702,598	3,490,713
Accumulated capital net flows		(17,135,485)	(5,247,324)	(602,659)	99,939	3,590,652

June 30, 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	$ 9,156,912	$ 10,918,211	$ 497,810	$ -	$ -
	Bonds	600,000	134,610	-	-	17,886,211
	Cash in bank	4,720,196	120,000	-	200	-
	Total	14,477,108	11,172,821	497,810	200	17,886,211
Source of funds	Borrowings	11,190,000	-	-	-	-
	Securities sold under repurchase agreements	27,176,243	824,506	-	-	-
	Total	38,366,243	824,506	-	-	-
Net flows		(23,889,135)	10,348,315	497,810	200	17,886,211
Accumulated capital net flows		(23,889,135)	(13,540,820)	(13,043,010)	(13,042,810)	4,843,401

47. TAIWAN COOPERATIVE BANK, LTD.'S TRUST BUSINESS UNDER THE TRUST LAW

a. Trust-related items are those shown in the following balance sheets, statements of income and trust property list

These items were managed by TCB's Trust Department. However, these items were not included in the consolidated financial statements.

Balance Sheets of Trust Accounts

Trust Assets	June 30, 2018	December 31, 2017	June 30, 2017
Cash in banks	$ 4,506,930	$ 3,319,755	$ 2,700,820
Short-term investments			
Mutual funds	166,754,414	161,531,937	157,422,019
Stocks	1,294,381	1,294,138	1,908,654
Debt instruments	3,293,364	2,698,757	2,409,218
Structured products	183,993	243,571	270,621
	171,526,152	165,768,403	162,010,512
Securities lending	188,722	304,154	396,985
Receivables	11,522	6,337	13,661
Real estate			
Land	49,004,520	49,423,289	49,514,669
Buildings	8,523	8,523	12,110
Construction in process	13,271,643	11,784,267	12,693,153
	62,284,686	61,216,079	62,219,932
Securities under custody	118,129,238	112,915,054	92,705,931
Total	$ 356,647,250	$ 343,529,782	$ 320,047,841

Trust Liabilities	June 30, 2018	December 31, 2017	June 30, 2017
Payables			
Accrued expense	$ 1,771	$ 2,785	$ 2,286
Others	2,311	2,290	2,396
	4,082	5,075	4,682
Accounts payable on securities under custody	118,129,238	112,915,054	92,705,931
Trust capital			
Cash	173,417,179	166,811,638	162,775,058
Real estate	63,485,063	62,103,419	62,125,310
Securities	1,314,952	1,443,645	2,084,990
Others	119,130	110,521	177,234
	238,336,324	230,469,223	227,162,592
Reserves and retained earnings			
Net income	119,981	158,119	135,634
Appropriation	(188,000)	(200,645)	(150,939)
Retained earnings	245,625	182,956	189,941
	177,606	140,430	174,636
Total	$ 356,647,250	$ 343,529,782	$ 320,047,841

Trust Property List

Investment Items	June 30, 2018	December 31, 2017	June 30, 2017
Cash in banks	$ 4,506,930	$ 3,319,755	$ 2,700,820
Short-term investments			
Mutual funds	166,754,414	161,531,937	157,422,019
Stocks	1,294,381	1,294,138	1,908,654
Debt instruments	3,293,364	2,698,757	2,409,218
Structured products	183,993	243,571	270,621
Securities lending	188,722	304,154	396,985
Receivables			
Accrued interest	4,573	4,972	4,416
Cash dividends	5,068	-	5,111
Receivable on the sale of securities	-	-	400
Others	1,881	1,365	3,734
Real estate			
Land	49,004,520	49,423,289	49,514,669
Buildings	8,523	8,523	12,110
Construction in process	13,271,643	11,784,267	12,693,153
Securities under custody	118,129,238	112,915,054	92,705,931
Total	$ 356,647,250	$ 343,529,782	$ 320,047,841

Statements of Income on Trust Accounts
For the Six Months Ended June 30, 2018 and 2017

	2018	2017
Revenues		
Interest revenue	$ 3,901	$ 3,789
Cash dividends	5,924	6,088
Realized gain on investment -stocks	4,584	422
Unrealized gain on investment - stocks	185,192	255,866
Realized gain on investment -mutual funds	71	253
Rentals	3,218	10,508
Others	93	146
Total revenues	202,983	277,072
Expenses		
Management fees	1,976	3,826
Taxes	5	-
Service charge	110	320
Postage	21	21
Unrealized loss on investment - stocks	80,465	136,772
Realized loss on investment - mutual funds	332	434
Others	93	65
Total expenses	83,002	141,438
Income before income tax	119,981	135,634
Income tax expense	-	-
Net income	$ 119,981	$ 135,634

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

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

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

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, TCB's accrued receivables were $4,905 thousand, $3,144 thousand and $3,595 thousand, respectively. TCB's revenues from cross-selling transactions were $5,455 thousand and $3,595 thousand for the six months ended June 30, 2018 and 2017, respectively.

To promote the insurance business together, TCB and BNP Paribas Cardif TCB Life Insurance Co., Ltd. signed cooperation arrangements. The service fees earned by TCB were based on the agreed percentage of the premiums from the insurance companies' products sold by TCB.

As of June 30, 2018, December 31, 2017 and June 30, 2017, TCB's accrued receivables were $2,573 thousand, $2,499 thousand and $2,698 thousand, respectively. TCB's revenues from cross-selling transactions were $19,229 thousand and $17,967 thousand for the six months ended June 30, 2018 and 2017, respectively.

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

Table 4 (attached).

50. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 5 (attached).

51. FINANCIAL HOLDING COMPANY ACT NO. 46 ANNOUNCEMENT

Table 6 (attached).

52. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by stockholders' meetings are $9,611,791 thousand, $274,604 thousand and $9,362,554 thousand as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

53. 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.

54. 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, 41 and 44 to the consolidated financial statements

13) Other significant transactions which may affect the decisions of users of financial reports: Note 53 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).

55. OPERATING SEGMENTS

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

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

b. Other noncore business.

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

The revenue, expenses and related information of the Company's reportable segments for the six months ended June 30, 2018 and 2017 are as follows:

	For the Six Months Ended June 30, 2018				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 16,720,673	$ 931,573	$ 17,652,246	$ -	$ 17,652,246
Net revenues and gains other than interest	4,658,559	8,683,809	13,342,368	(8,132,851)	5,209,517
Net revenues	21,379,232	9,615,382	30,994,614	(8,132,851)	22,861,763
Bad-debt expenses and provision for losses on commitment and guarantees	(1,714,150)	97,037	(1,617,113)	-	(1,617,113)
Net change in reserves for insurance liabilities	-	488,438	488,438	-	488,438
Operating expenses	(11,129,022)	(1,146,712)	(12,275,734)	90,319	(12,185,415)
Income before income tax	$ 8,536,060	$ 9,054,145	$ 17,590,205	$ (8,042,532)	$ 9,547,673

	For the Six Months Ended June 30, 2017				
	TCB Business	**Others**	**Total**	**Adjustment and Elimination**	**Total**
Net interest	$ 15,866,868	$ 894,343	$ 16,761,211	$ -	$ 16,761,211
Net revenues and gains other than interest	4,397,042	8,806,816	13,203,858	(7,471,662)	5,732,196
Net revenues	20,263,910	9,701,159	29,965,069	(7,471,662)	22,493,407
Bad-debt expenses and provision for losses on guarantees	(1,665,443)	83,352	(1,582,091)	-	(1,582,091)
Net change in reserves for insurance liabilities	-	(511,686)	(511,686)	-	(511,686)
Operating expenses	(10,927,513)	(1,031,153)	(11,958,666)	84,494	(11,874,172)
Income before income tax	$ 7,670,954	$ 8,241,672	$ 15,912,626	$ (7,387,168)	$ 8,525,458

TABLE 1

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				June 30, 2018	December 31, 2017	June 30, 2017	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life insurance	51.00	51.00	51.00	
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				June 30, 2018	December 31, 2017	June 30, 2017	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the six months ended June 30, 2018 and 2017 are not reviewed.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO
JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017

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

Unit: In Thousands of New Taiwan Dollars, %

Items / Company	June 30, 2018			December 31, 2017			June 30, 2017		
	Proportionate Share	**Group's Net Eligible Capital**	**Group's Statutory Capital Requirement**	**Proportionate Share**	**Group's Net Eligible Capital**	**Group's Statutory Capital Requirement**	**Proportionate Share**	**Group's Net Eligible Capital**	**Group's Statutory Capital Requirement**
Taiwan Cooperative Financial Holding Co., Ltd.		$ 201,764,505	$ 222,826,596		$ 201,151,570	$ 219,337,462		$ 194,481,594	$ 212,672,059
Taiwan Cooperative Bank, Ltd.	100	240,185,467	182,674,284	100	241,274,243	166,112,432	100	234,146,631	169,513,332
Taiwan Cooperative Bills Finance Co., Ltd.	100	5,956,868	2,851,384	100	5,200,175	2,690,843	100	5,005,347	2,715,805
Taiwan Cooperative Securities Co., Ltd.	100	4,718,079	2,119,343	100	4,952,985	2,266,812	100	4,685,616	2,232,893
Co-operative Assets Management Co., Ltd.	100	3,330,481	3,088,793	100	3,396,391	2,892,641	100	3,189,116	3,016,955
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51	4,330,296	745,012	51	4,074,968	707,267	51	3,837,365	697,419
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100	372,745	200,625	100	377,473	206,340	100	367,710	196,721
Taiwan Cooperative Venture Capital Co., Ltd.	100	984,121	494,863	100	966,797	486,012	100	995,791	499,146
Deduction		(238,163,958)	(222,683,392)		(236,542,904)	(219,327,236)		(229,430,958)	(212,532,663)
Total		223,478,604	192,317,508		224,851,698	175,372,573		217,278,212	179,011,667
Group capital adequacy ratio		116.20%			128.21%			121.38%	

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	June 30, 2018
Common stock	$ 125,687,847
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	6,451,448
Special reserve	996,026
Cumulative earnings	7,662,926
Equity adjustments	3,002,325
Less: Capital deduction	410
Total eligible capital	201,764,505

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	June 30, 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	7,631,729
Equity adjustments	843,671
Less: Capital deduction	879
Total eligible capital	194,481,594

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			June 30, 2018 Standalone	June 30, 2018 Consolidated
Eligible capital	Common equity		$ 185,865,026	$ 186,918,999
	Other Tier 1 capital		-	-
	Tier 2 capital		54,320,441	55,345,515
	Eligible capital		240,185,467	242,264,514
Risk-weighted assets	Credit risk	Standardized approach	1,758,536,734	1,761,172,267
		Internal ratings based approach	-	-
		Securitization	5,351,348	5,351,348
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	70,096,582	71,479,305
		Advanced measurement approach	-	-
	Market risk	Standardized approach	15,881,500	15,881,563
		Internal model approach	-	-
	Risk-weighted assets		1,849,866,164	1,853,884,483
Capital adequacy ratio			12.98	13.07
Ratio of the common equity to risk-weighted assets			10.05	10.08
Ratio of Tier 1 capital to risk-weighted assets			10.05	10.08
Ratio of leverage			5.35	5.37

(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			June 30, 2017 Standalone	June 30, 2017 Consolidated
Eligible capital	Common equity		$ 179,492,502	$ 180,475,152
	Other Tier 1 capital		-	-
	Tier 2 capital		54,654,129	55,750,948
	Eligible capital		234,146,631	236,226,100
Risk-weighted assets	Credit risk	Standardized approach	1,747,509,420	1,749,232,105
		Internal ratings based approach	-	-
		Securitization	4,096,158	4,096,158
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	67,055,930	68,376,295
		Advanced measurement approach	-	-
	Market risk	Standardized approach	13,915,053	13,924,466
		Internal model approach	-	-
	Risk-weighted assets		1,832,576,561	1,835,629,024
Capital adequacy ratio			12.78	12.87
Ratio of the common equity to risk-weighted assets			9.79	9.83
Ratio of Tier 1 capital to risk-weighted assets			9.79	9.83
Ratio of leverage			5.47	5.49

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

Note 2: Formulas used were as follows:

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

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

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

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

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

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

(Concluded)

TABLE 3

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period			June 30, 2018					June 30, 2017				
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		$ 3,596,719	$ 677,066,094	0.53	$ 6,925,529	192.55	$ 4,097,535	$ 682,804,759	0.60	$ 7,474,466	182.41
	Unsecured		1,187,627	619,666,565	0.19	7,258,191	611.15	1,816,802	524,737,547	0.35	6,276,581	345.47
Consumer banking	Housing mortgage (Note 4)		1,388,034	510,011,262	0.27	7,744,966	557.98	1,253,812	490,153,854	0.26	7,427,058	592.36
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		37,750	12,608,120	0.30	93,940	248.85	38,629	12,974,631	0.30	64,610	167.26
	Other (Note 6)	Secured	1,157,793	275,119,585	0.42	2,600,441	224.60	939,936	256,648,935	0.37	2,175,882	231.49
		Unsecured	31,560	8,802,305	0.36	142,362	451.08	37,302	8,348,098	0.45	95,628	256.36
Loan			7,399,483	2,103,273,931	0.35	24,765,429	334.69	8,184,016	1,975,667,824	0.41	23,514,225	287.32
			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			7,002	5,445,185	0.13	50,136	716.02	10,150	4,552,258	0.22	54,852	540.41
Accounts receivable factored without recourse (Note 7)			-	342,030	-	9,974	-	-	279,294	-	3,052	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			1,233					1,760				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			8,104					10,992				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			14,800					18,146				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			46,905					50,323				

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivable balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.
Coverage ratio of receivables: Allowance for credit losses for receivables ÷ Nonperforming receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit cards, and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and letter dated September 20, 2016 (Ref. No. 10500134790).

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	$ 49,113	$ 59,315	$ 34,777
Financial assets at fair value through other comprehensive income	25,000	-	-
Receivables	107,852	150	134,791
Current tax assets	1,775,155	1,680,272	2,118,160
Investments accounted for using equity method	222,683,392	219,327,236	212,532,663
Properties and equipment, net	2,351	2,291	906
Intangible assets	154	237	656
Deferred tax assets	256	233	223
Other assets	8,001	7,785	3,699
Total	$ 224,651,274	$ 221,077,519	$ 214,825,875

Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Liabilities			
Commercial paper issued, net	$ 11,750,306	$ 18,019,041	$ 9,166,154
Payables	9,308,717	198,827	9,009,771
Current tax liabilities	1,807,752	1,700,153	2,160,822
Other financial liabilities	1,404	353	751
Deferred tax liabilities	9,755	-	-
Other liabilities	8,425	7,105	5,904
Total liabilities	22,886,359	19,925,479	20,343,402
Equity			
Capital stock	125,687,847	122,027,036	122,027,036
Capital surplus	57,964,343	57,964,343	57,964,343
Retained earnings	15,110,400	20,393,446	13,647,423
Other equity	3,002,325	767,215	843,671
Total equity	201,764,915	201,152,040	194,482,473
Total	$ 224,651,274	$ 221,077,519	$ 214,825,875

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	$ 4,202,784	$ 3,887,781	$ 7,982,719	$ 7,335,038
Other revenues and gains	1,362	1,542	1,660	1,722
Total revenues and gains	4,204,146	3,889,323	7,984,379	7,336,760
Expenses and losses				
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	3,040	-	3,040	-
Operating expenses	48,447	42,892	94,742	95,176
Other expenses and losses	20,336	14,828	40,889	32,725
Total expenses and losses	71,823	57,720	138,671	127,901
Income before income tax	4,132,323	3,831,603	7,845,708	7,208,859
Income tax benefit	20,862	13,252	20,862	13,252
Net income	4,153,185	3,844,855	7,866,570	7,222,111
Other comprehensive income (loss)	682,300	1,221,817	(630,831)	1,467,827
Total comprehensive income	$ 4,835,485	$ 5,066,672	$ 7,235,739	$ 8,689,938
Earnings per share (New Taiwan dollars)				
Basic	$ 0.33	$ 0.31	$ 0.63	$ 0.57
Diluted	$ 0.33	$ 0.31	$ 0.63	$ 0.57

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity
(In Thousands of New Taiwan Dollars)

	Capital Stock				Retained Earnings			Other Equity					
	Shares (In Thousands)	Common Stock	Reserve for Capitalization	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	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	Other Comprehensive Income on Reclassification of Overlay Approach	Total Equity
BALANCE AT JANUARY 1, 2018	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
Effect of retrospective application	-	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	2,529,164
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	-	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	203,681,204
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,152,028)	-	-	-	-	-	(9,152,028)
Stock dividends	-	-	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	38,075	-	(38,075)	-	-		-
Total comprehensive income													
Net income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	-	-	-	-	-	7,866,570
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	817,927	(1,439,860)	-	14,334	(23,232)	(630,831)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	817,927	(1,439,860)	-	14,334	(23,232)	7,235,739
BALANCE AT JUNE 30, 2018	12,202,704	$ 122,027,036	$ 3,660,811	$ 57,964,343	$ 6,451,448	$ 996,026	$ 7,662,926	$ (360,007)	$ 3,185,957	$ -	$ 16,748	$ 159,627	$ 201,764,915
BALANCE AT JANUARY 1, 2017	11,847,285	$ 118,472,850	$ -	$ 57,964,343	$ 3,643,188	$ 996,026	$ 14,225,747	$ (9,285)	$ -	$ (649,369)	$ 34,498	$ -	$ 194,677,998
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	-	1,376,480	-	(1,376,480)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(8,885,463)	-	-	-	-	-	(8,885,463)
Stock dividends	-	-	3,554,186	-	-	-	(3,554,186)	-	-	-	-	-	-
Total comprehensive income													
Net income for the six months ended June 30, 2017	-	-	-	-	-	-	7,222,111	-	-	-	-	-	7,222,111
Other comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	-	-	(462,284)	-	1,949,506	(19,395)	-	1,467,827
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	-	7,222,111	(462,284)	-	1,949,506	(19,395)	-	8,689,938
BALANCE AT JUNE 30, 2017	11,847,285	$ 118,472,850	$ 3,554,186	$ 57,964,343	$ 5,019,668	$ 996,026	$ 7,631,729	$ (471,569)	$ -	$ 1,300,137	$ 15,103	$ -	$ 194,482,473

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Six Months Ended June 30	
	2018	**2017**
Cash flows from operating activities		
Income before income tax	$ 7,845,708	$ 7,208,859
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(7,979,679)	(7,335,038)
Depreciation and amortization expenses	439	2,440
Interest expense	40,889	32,725
Interest revenue	(25)	(27)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through other comprehensive income	(25,000)	-
Decrease (increase) in receivables	(107,702)	10
Decrease (increase) in other assets	(216)	35
Decrease in payables	(42,138)	(41,316)
Increase (decrease) in other liabilities	1,320	(1,257)
Cash used in operations	(266,404)	(133,569)
Interest receive	25	27
Dividends receive	7,521,856	9,483,039
Interest paid	(39,624)	(27,434)
Income tax return back	43,310	38,596
Net cash generated by operating activities	7,259,163	9,360,659
Cash flows from investing activities		
Acquired investment from investing under equity method	(1,000,000)	(5,000,048)
Acquisition of properties and equipment	(416)	-
Net cash used in investing activities	(1,000,416)	(5,000,048)
Cash flows from financing activities		
Decrease in commercial paper issued	(6,270,000)	(4,360,000)
Increase in other financial liabilities	1,051	555
Net cash used in financing activities	(6,268,949)	(4,359,445)
Net increase (decrease) in cash and cash equivalents	($10,202)	1,166
Cash and cash equivalents, beginning of the period	59,315	33,611
Cash and cash equivalents, end of the period	$ 49,113	$ 34,777

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
Cash and cash equivalents	$ 58,483,850	$ 63,562,455	$ 39,910,101
Due from the Central Bank and call loans to other banks	291,446,513	274,341,552	275,464,323
Financial assets at fair value through profit or loss	15,006,333	12,862,843	13,762,986
Financial assets at fair value through other comprehensive income	244,532,359	-	-
Investments in debt instruments at amortized cost	512,542,672	-	-
Securities purchased under resell agreements	-	249,463	740,160
Receivables, net	18,238,956	18,593,582	17,041,941
Current tax assets	1,564,446	1,402,132	1,325,462
Discounts and loans, net	2,078,052,400	1,993,819,434	1,951,745,057
Available-for-sale financial assets	-	154,441,496	143,591,280
Held-to-maturity financial assets	-	513,789,325	512,232,619
Investments accounted for using equity method	2,108,459	2,073,809	1,964,382
Other financial assets, net	25,087,654	107,002,789	104,605,902
Properties and equipment, net	33,993,716	33,926,763	37,840,840
Investment properties, net	6,979,441	6,984,409	2,973,715
Intangible assets	3,469,538	3,513,492	3,504,158
Deferred tax assets	1,440,644	1,282,022	1,129,634
Other assets, net	1,885,519	606,519	778,112
Total	$ 3,294,832,500	$ 3,188,452,085	$ 3,108,610,672

Liabilities and Equity	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
Liabilities			
Due to the Central Bank and other banks	$ 249,807,942	$ 212,300,065	$ 223,009,886
Financial liabilities at fair value through profit or loss	16,943,144	14,450,851	13,877,911
Securities sold under repurchase agreements	9,367,245	10,377,142	10,126,044
Payables	43,047,893	45,179,629	34,773,362
Current tax liabilities	1,078,478	1,185,896	1,218,626
Deposits and remittances	2,701,331,335	2,624,598,335	2,549,143,908
Bank debentures	54,610,000	64,610,000	66,610,000
Other financial liabilities	3,110,005	3,749,545	3,962,684
Provisions	7,713,920	7,624,197	7,316,360
Deferred tax liabilities	3,603,324	2,996,390	2,984,984
Other liabilities	1,082,923	1,119,382	1,174,507
Total liabilities	3,091,696,209	2,988,191,432	2,914,198,272
Equity			
Capital stock	90,310,300	88,081,300	88,081,300
Capital surplus	58,767,245	58,767,245	58,767,245
Retained earnings	51,209,364	52,986,510	47,033,299
Other equity	2,849,382	425,598	530,556
Total equity	203,136,291	200,260,653	194,412,400
Total	$ 3,294,832,500	$ 3,188,452,085	$ 3,108,610,672

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017	Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	$ 1,052,714	$ 4,167,558	$ 4,300,316	Liabilities			
Financial assets at fair value through profit or loss	37,035,119	30,168,918	20,588,149				
Financial assets at fair value through other				Call loans from banks	$ 14,385,000	$ 16,223,000	$ 11,190,000
comprehensive income	4,630,037	-	-	Securities sold under repurchase agreements	22,280,167	21,891,617	27,994,616
Available-for-sale financial assets, net	-	6,075,585	16,321,879	Payables	66,160	80,888	51,482
Receivables, net	91,437	134,318	186,196	Provisions	495,422	537,922	656,322
Held-to-maturity financial assets	-	2,401,826	2,535,965	Other liabilities	46,158	44,050	51,682
Current tax assets	54,333	83,285	62,424	Total liabilities	37,272,907	38,777,477	39,944,102
Other financial assets	240,200	649,477	549,477				
Properties and equipment, net	12,166	12,186	12,323	Equity			
Intangible assets	5,957	6,995	7,607				
Other assets, net	220,736	213,934	216,041	Capital stock	4,547,270	3,547,270	3,547,270
				Capital surplus	3,240	3,240	3,240
				Retained earnings	1,470,851	1,577,666	1,256,133
				Other equity	48,431	8,429	29,632
				Total equity	6,069,792	5,136,605	4,836,275
Total	$ 43,342,699	$ 43,914,082	$ 44,780,377	Total	$ 43,342,699	$ 43,914,082	$ 44,780,377

Taiwan Cooperative Securities Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017	Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 25,611,765	$ 27,362,506	$ 26,408,732	Liabilities			
Financial assets at fair value through other							
comprehensive income - noncurrent	46,985	-	-	Current liabilities	$ 20,944,113	$ 22,472,153	$ 21,714,148
Available-for-sale financial assets - noncurrent	-	31,734	31,874	Deferred tax liabilities	17,703	1,229	133
Financial assets carried at cost - noncurrent	-	16,845	16,845	Other liabilities	1,981	4,018	5,238
Properties and equipment, net	47,023	54,159	63,298	Total liabilities	20,963,797	22,477,400	21,719,519
Intangible assets	49,144	54,982	46,072				
Deferred tax assets	22,144	11,329	15,652	Equity			
Other noncurrent assets	429,409	418,849	415,250				
				Capital stock	4,724,200	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	222,951	453,386	239,345
				Other equity	1,082	978	20,186
				Total equity	5,242,673	5,473,004	5,278,171
Total	$ 26,206,470	$ 27,950,404	$ 26,997,690	Total	$ 26,206,470	$ 27,950,404	$ 26,997,690

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 23,607	$ 44,372	$ 35,207
Financial assets at fair value through other comprehensive income	25,000	-	-
Accounts receivable, net	2,141,594	1,910,908	2,485,645
Investments accounted for using the equity method	941,532	908,023	866,885
Properties and equipment, net	6,277	4,723	4,067
Investment properties, net	2,376,412	2,022,719	2,086,512
Intangible assets	2,445	3,052	3,286
Deferred tax assets	184,112	156,397	115,979
Long-term lease payment receivable	220,816	477,580	175,609
Other assets	257,118	257,506	261,466
Total	$ 6,178,913	$ 5,785,280	$ 6,034,656

Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Liabilities			
Current liabilities	$ 2,743,404	$ 2,336,557	$ 2,760,133
Deferred tax liabilities	21,643	17,157	9,300
Other liabilities	83,385	35,175	76,107
Total liabilities	2,848,432	2,388,889	2,845,540
Equity			
Capital stock	2,825,280	2,825,280	2,825,280
Capital surplus	2,553	2,553	2,553
Retained earnings	550,054	625,855	428,479
Other equity	(47,406)	(57,297)	(67,196)
Total equity	3,330,481	3,396,391	3,189,116
Total	$ 6,178,913	$ 5,785,280	$ 6,034,656

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	$ 2,109,692	$ 1,991,418	$ 3,274,190
Receivables	994,989	1,261,088	920,999
Current tax assets	34,231	34,231	74,939
Investments	46,500,203	47,081,185	46,731,243
Reinsurance assets	18,902	129,358	10,840
Equipment, net	79,475	85,412	72,995
Deferred tax assets	213,369	122,985	85,438
Other assets	1,350,043	1,048,128	977,680
Separate-account assets	94,215,260	95,247,471	91,336,457
Total	$ 145,516,164	$ 147,001,276	$ 143,484,781

Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Liabilities			
Payables	$ 590,871	$ 441,354	$ 587,131
Current tax liabilities	26,483	118,146	50,744
Financial liabilities at fair value through profit or loss	355,813	-	105,363
Insurance liabilities	30,248,476	30,914,740	31,171,764
Reserve for insurance contracts with financial instruments features	11,149,499	11,238,116	11,350,481
Reserve of foreign exchange variation	219,228	149,520	135,599
Deferred tax liabilities	4,862	19,093	15,696
Other liabilities	612,118	447,863	822,480
Separate-account liabilities	94,215,260	95,247,471	91,336,457
Total liabilities	137,422,610	138,576,303	135,575,715
Equity			
Capital stock	6,719,466	6,399,532	6,399,532
Capital surplus	9,310	9,310	9,310
Retained earnings	1,045,780	1,136,911	830,694
Other equity	318,998	879,220	669,530
Total equity	8,093,554	8,424,973	7,909,066
Total	$ 145,516,164	$ 147,001,276	$ 143,484,781

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 367,243	$ 379,965	$ 360,989
Financial assets carried at cost - noncurrent	-	2,274	3,000
Financial assets at fair value through profit or loss	2,022	-	-
Properties and equipment, net	3,133	1,374	456
Intangible assets	2,588	2,804	2,533
Prepaid equipment	-	-	200
Other assets	26,263	26,263	26,263
Total	$ 401,249	$ 412,680	$ 393,441

Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Liabilities			
Current liabilities	$ 25,507	$ 32,631	$ 23,403
Noncurrent liabilities	2,997	2,576	2,328
Total liabilities	28,504	35,207	25,731
Equity			
Capital stock	303,000	303,000	303,000
Capital surplus	72,860	72,860	72,860
Retained earnings (accumulated deficit)	(2,863)	1,613	(8,150)
Other equity	(252)	-	-
Total equity	372,745	377,473	367,710
Total	$ 401,249	$ 412,680	$ 393,441

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 987,709	$ 811,625	$ 805,719
Financial assets carried at cost - noncurrent	-	158,660	190,500
Properties and equipment, net	1,504	1,428	1,736
Intangible assets	39	67	94
Other assets	473	243	243
Total	$ 989,725	$ 972,023	$ 998,292

Liabilities and Equity	June 30, 2018	December 31, 2017	June 30, 2017
Liabilities			
Current liabilities	$ 4,858	$ 4,727	$ 2,145
Noncurrent liabilities	746	499	356
Total liabilities	5,604	5,226	2,501
Equity			
Capital stock	1,000,000	1,000,000	1,000,000
Retained earnings (accumulated deficit)	(4,278)	25,693	6,758
Other equity	(11,601)	(58,896)	(10,967)
Total equity	984,121	966,797	995,791
Total	$ 989,725	$ 972,023	$ 998,292

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018	2017
Interest revenues	$ 27,006,786	$ 24,886,639
Less: Interest expenses	(10,286,113)	(9,019,771)
Net interest	16,720,673	15,866,868
Net revenues and gains other than interest	4,658,559	4,397,042
Total net revenues	21,379,232	20,263,910
Bad-debt expenses and provision for losses on commitment and guarantees	(1,714,150)	(1,665,443)
Operating expenses	(11,129,022)	(10,927,513)
Income before income tax	8,536,060	7,670,954
Income tax expense	(1,357,569)	(1,073,934)
Net income	7,178,491	6,597,020
Other comprehensive income	(195,197)	1,280,260
Total comprehensive income	$ 6,983,294	$ 7,877,280
Earnings per share (NT$)		
Basic	$0.79	$0.75

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Net interest	$ 108,072	$ 134,322
Net revenues and gains other than interest	142,139	70,021
Total net revenues	250,211	204,343
Reversal of allowance for credit losses and provision	106,349	90,475
Operating expenses	(70,370)	(64,228)
Income before income tax	286,190	230,590
Income tax expense	(3,681)	(918)
Net income	282,509	229,672
Other comprehensive income	(60,961)	6,188
Total comprehensive income	$ 221,548	$ 235,860
Earnings per share (NT$)		
Basic	$0.80	$0.65

(Continued)

Taiwan Cooperative Securities Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Revenues	$ 511,216	$ 496,911
Service charge	(22,847)	(15,761)
Other operating costs	(95,685)	(55,519)
Employee benefits	(202,316)	(186,660)
Other operating expenses	(154,896)	(137,435)
Other gains and losses	249	24,538
Income before income tax	35,721	126,074
Income tax expense	(6,742)	(18,810)
Net income	28,979	107,264
Other comprehensive income	(7,737)	48,800
Total comprehensive income	$ 21,242	$ 156,064
Earnings per share (NT$)		
Basic	$0.06	$0.23

Co-operative Assets Management Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 354,571	$ 257,886
Operating expenses	(114,069)	(96,651)
Operating benefits	240,502	161,235
Non-operating gains and losses	13,123	8,510
Income before income tax	253,625	169,745
Income tax expenses	(25,693)	(29,640)
Net income	227,932	140,105
Other comprehensive income (loss)	9,891	(21,387)
Total comprehensive income	$ 237,823	$ 118,718
Earnings per share (NT$)		
Basic	$0.81	$0.50

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 10,200,504	$ 13,981,827
Operating costs	(9,311,201)	(13,245,764)
Operating expenses	(361,327)	(310,537)
Income before income tax	527,976	425,526
Income tax benefit (expenses)	(72,795)	48,262
Net income	455,181	473,788
Other comprehensive income (loss)	(747,226)	336,544
Total comprehensive income (loss)	$ (292,045)	$ 810,332
Earnings per share (NT$)		
Basic	$0.68	$0.71

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	$ 89,998	$ 107,192
Operating expenses	(94,360)	(95,700)
Operating gain (loss)	(4,362)	11,492
Non-operating gains and losses	1,322	1,201
Gain (loss) before income tax	(3,040)	12,693
Income tax expenses	-	-
Net income (loss)	(3,040)	12,693
Other comprehensive income (loss)	(413)	-
Total comprehensive income (loss)	$ (3,453)	$ 12,693
Earnings (loss) per share (NT$)		
Basic	$(0.10)	$0.42

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	**2017**
Operating revenues	$ 47,866	$ 13,635
Operating expenses	(15,506)	(7,795)
Operating income	32,360	5,840
Non-operating gains and losses	483	966
Income before income tax	32,843	6,806
Income tax expenses	(177)	(154)
Net income	32,666	6,652
Other comprehensive income (loss)	4,671	(17,671)
Total comprehensive income	$ 37,337	$ (11,019)
Earnings per share (NT$)		
Basic	$0.33	$0.07

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Business Segment / Items	For the Six Months Ended June 30, 2018				
	Banking	**Bill Finance**	**Insurance**	**Others**	**Consolidated**
Net interest	$ 16,782,220	$ (56,186)	$ 527,720	$ 398,492	$ 17,652,246
Net revenues and gains other than interest	4,281,883	367,726	162,388	397,520	5,209,517
Total net revenues	21,064,104	253,709	690,108	853,842	22,861,763
Bad-debt expenses and provision for losses on commitment and guarantees	(1,711,515)	106,349	-	(11,947)	(1,617,113)
Net change in reserves for insurance liabilities	-	-	488,438	-	488,438
Operating expenses	(11,152,368)	(66,012)	(335,692)	(631,343)	(12,185,415)
Income before income tax	8,200,221	294,046	842,854	210,552	9,547,673
Income tax benefit (expenses)	(1,357,568)	(3,681)	(72,795)	(19,685)	(1,453,729)
Net income	6,842,652	290,365	770,059	190,868	8,093,944

Business Segment / Items	For the Six Months Ended June 30, 2017				
	Banking	**Bill Finance**	**Insurance**	**Others**	**Consolidated**
Net interest	$ 15,925,706	$ 31,663	$ 499,060	$ 304,782	$ 16,761,211
Net revenues and gains other than interest	4,066,278	177,402	954,557	533,959	5,732,196
Total net revenues	19,991,984	209,065	1,453,617	838,741	22,493,407
Bad-debt expenses and provision for losses on guarantees	(1,660,741)	90,475	-	(11,825)	(1,582,091)
Net change in reserves for insurance liabilities	-	-	(511,686)	-	(511,686)
Operating expenses	(10,950,408)	(59,937)	(286,102)	(577,725)	(11,874,172)
Income before income tax	7,380,835	239,603	655,829	249,191	8,525,458
Income tax benefit (expenses)	(1,073,934)	(918)	48,262	(40,153)	(1,066,743)
Net income	6,306,901	238,685	704,091	209,038	7,458,715

TABLE 6

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT
JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

June 30, 2018

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)	$ 386,475,000	191.55
National Treasury Administration, ROC	212,526,542	105.33
Tai Power Co., Ltd.	97,039,567	48.10
Kaohsiung Financial Bureau	71,606,747	35.49
Taiwan High Speed Rail Corp.	42,903,600	21.26
CPC Corporation, Taiwan	23,485,643	11.64
Kaohsiung Rapid Transit Corp.	17,494,221	8.67
New Taipei City Government	10,000,000	4.96
Highwealth Construction Co., Ltd.	9,661,071	4.79
Taiwan Railways Administration	9,660,000	4.79
Government National Mortgage Association	8,855,014	4.39
Federal Home Loan Mortgage Corp.	8,827,612	4.38
Clevo Corp.	8,482,358	4.20
Federal National Mortgage Association	8,241,974	4.08
Yilan County Government	7,871,648	3.90
Yang Ming Marine Transport Corp.	6,953,310	3.45
Chiayi County Government	6,365,000	3.15
Taiwan Semiconductor Manufacturing Co., Ltd.	5,831,591	2.89
Da-Li Development Co, Ltd.	5,750,554	2.85
Eva Airways Corp.	5,386,783	2.67
AUO Co., Ltd.	5,079,259	2.52
Aerospace Industrial Development Corp.	4,843,337	2.40
Nantou County Government	4,820,025	2.39
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.38
Taiwan Water Corporation	4,700,000	2.33
Evergreen Marine Corp. (Taiwan) Ltd.	4,458,765	2.21
Micro Technology, Inc.	4,193,000	2.08
China Steel Corp.	3,893,629	1.93
Formosa Ha TINH (Cayman) Limited	3,821,875	1.89
Nan Ya Plastics Corporation	3,801,378	1.88

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Taiwan Land Development Corp.	$ 3,679,319	1.82
Formosa Group (Cayman) Limited	3,669,000	1.82
Evergreen Marine (Singapore) Pte. Ltd.	3,658,355	1.81
Client A	3,529,998	1.75
Nan Shan Life Insurance Company, Ltd.	3,528,335	1.75
Chungwha Construction Corp.	3,468,709	1.72
Yi Tai Fund Corp.	3,260,000	1.62
Yien United Steel Corp.	3,199,866	1.59
Fubon Financial Holding Co, Ltd.	3,090,704	1.53
China Man-Made Fiber Corp.	3,046,721	1.51
Tatung Co., Ltd.	3,036,680	1.51
Hon Hai Precision Co., Ltd.	3,027,884	1.50
Tainan City Government	3,000,000	1.49
2. Same related parties		
Client B	10,925,310	5.41
Client C	8,556,681	4.24
Client D	5,814,831	2.88
Client E	4,193,202	2.08
Client F	4,052,366	2.01
Client G	3,843,556	1.90
Client H	3,838,672	1.90
Client I	3,838,672	1.90
Client J	3,838,672	1.90
Client K	3,821,819	1.89
Client L	3,697,186	1.83
Client M	3,415,741	1.69
3. Same affiliate		
Evergreen Marine (Hong Kong) Limited	18,765,330	9.30
Reunited Industries Ltd.	15,974,176	7.92
Hui Hong Investment Management Co., Ltd.	15,944,176	7.90
Yi Tai Fund Corp.	15,944,176	7.90
Gogoro Energy Network (Cayman), Taiwan Branch	15,562,176	7.71
Evergreen Marine Corp. (Taiwan) Ltd.	15,091,975	7.48
Nan Shan Life Insurance Company, Ltd.	14,379,188	7.13
Formosa Ha TINH (Cayman) Limited	14,349,759	7.11
Ren Ying Enterprise Co., Ltd.	14,311,793	7.09
Clevo (Cayman Islands) Holding Company	13,410,124	6.65
Clevo Corp.	13,073,799	6.48
Eva Airways Corp.	12,763,798	6.33
Eva Cosmonautic Flight Precision Corp.	12,763,798	6.33
Evergreen Marine (UK) Limited	11,992,097	5.94

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Far Eastern International Leasing Corp.	$ 11,792,535	5.84
Formosa Plastics Corp.	11,678,150	5.79
Highwealth Construction Co., Ltd.	11,114,001	5.51
QiYu Construction Co., Ltd.	11,114,001	5.51
Ruen Long Construction Co., Ltd.	11,114,001	5.51
Ruentex Development Co., Ltd.	11,094,176	5.50
Ruen Chen Investment Holding Co., Ltd.	10,982,490	5.44
Far Eastern New Century Corporation	10,710,641	5.31
Formosa Chemical & Fibre Corp.	10,689,869	5.30
Buynow (Anshan) Corp.	10,685,772	5.30
Nan Ya Plastics Corporation	10,377,850	5.14
Formosa Petrochemical Corporation	10,297,972	5.10
Shantou Buynow Mall Co., Ltd.	10,161,691	5.04
Buynow (Zhengzhou) Corp.	10,158,531	5.03
Yi Hsiang Construction Co., Ltd.	9,864,800	4.89
Great Emperor Hotel Co., Ltd.	9,670,095	4.79
Buynow (Wuhan) Corp	9,605,112	4.76
EDA Hua Yue Hotel Corp.	9,286,885	4.60
Yieh Phui (Hong Kong) Holdings Limited	9,089,928	4.51
Yang Ming Marine Transport Corp.	8,977,701	4.45
Yang Ming Marine Transport (Liberia) Corp.	8,733,122	4.33
Far EasTone Telecommunications Co., Ltd.	8,710,998	4.32
China Steel Corp.	8,094,102	4.01
C.S.Aluminium Corporation.	8,094,102	4.01
China Steel Express Corporation	8,094,102	4.01
Chung Hung Steel Corp.	8,054,972	3.99
Yien United Steel Corp.	7,608,591	3.77
All Oceans Transportation Inc.	7,586,784	3.76
Kuang Ming Shipping Corp.	7,438,494	3.69
Kuang Ming (Liberia) Corp.	7,438,494	3.69
Kao Ming Container Terminal Corp.	7,427,746	3.68
AUO Co., Ltd.	7,121,997	3.53
Yes Logistics Corp.	6,983,310	3.46
Yieh Hsing Enterprise Co., Ltd.	6,974,372	3.46
UNI Airways Corp.	6,928,812	3.43
Nan Chung Petrochemical Corp.	6,848,698	3.39
General Interface Solution Limited	6,834,696	3.39
BenQ Materials Corp.	6,812,268	3.38
Taiwan Semiconductor Manufacturing Co., Ltd.	6,522,037	3.23
Dragon Steel Corp.	6,283,069	3.11
Da-Li Development Co, Ltd.	6,079,563	3.01
Da Li International LLC	6,079,563	3.01
Hon Hai Precision Co., Ltd.	6,078,719	3.01
Da Li Development LLC	5,961,849	2.95
Li Sheng Corporation	5,929,423	2.94

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Ya Tung Ready Mixed Concrete Co., Ltd.	$ 5,857,789	2.90
Feng Sheng Enterprise Co., Ltd.	5,606,357	2.78
AUO (Kunshan) Co., Ltd.	5,568,459	2.76
ASE Technology Holding Co., Ltd.	5,521,689	2.74
Kuan-Ho Refractories Corp.	5,481,186	2.72
CSRC China (Maanshan) Corporation P.R.C	5,481,186	2.72
Far Eastern Big City Department Stores Ltd.	5,343,493	2.65
Fubon Financial Holding Co, Ltd.	5,217,549	2.59
Chailease Consumer Finance Co., Ltd.	5,110,400	2.53
Asia Cement Corp.	5,004,330	2.48
Chailease Finance Co., Ltd.	4,966,950	2.46
Chailease Holding Co., Ltd.	4,963,456	2.46
Jhong-An Investment Co., Ltd.	4,950,634	2.45
Fortuna Development Corp.	4,866,417	2.41
Aerospace Industrial Development Corp.	4,843,337	2.40
Taiwan Mobile Corp.	4,840,780	2.40
Mercedes-Benz Taiwan Ltd	4,800,941	2.38
Capital Machinery Corp.	4,800,941	2.38
Chailease Rental Corp.	4,725,430	2.34
Tatung Co., Ltd.	4,672,509	2.32
Chunghwa Picture Tubes, Ltd.	4,555,408	2.26
Fina Finance & Trading Co., Ltd.	4,543,819	2.25
China Man-Made Fiber Corp.	4,445,921	2.20
Farglory Dome Co., Ltd.	4,445,842	2.20
China Steel Structure Co., Ltd.	4,295,165	2.13
United Steel Engineering & Construction Corp.	4,295,165	2.13
Chungwha Construction Corp.	4,200,941	2.08
Micro Technology, Inc.	4,193,000	2.08
Unimicron Technology Corp.	4,160,094	2.06
Yieh Phui Enterprise Co., Ltd.	4,133,293	2.05
China Steel Chemical Corp.	4,089,016	2.03
Shih Wei Navigation Co., Ltd.	4,085,816	2.03
WPG Holdings Ltd.	4,080,850	2.02
United Microelectronics Corp.	4,080,085	2.02
Tachung Bank Securities Corp	4,066,280	2.02
Genuine Crop.	4,022,443	1.99
China Steel Machinery Corp.	3,944,454	1.95
CHC Resources Corp.	3,932,758	1.95
Zhong Tai Hotel Co., Ltd.	3,907,530	1.94
Mandarin Oriental, Taipei	3,907,530	1.94
EDA Hospital Corp.	3,894,965	1.93
SHINKONG SYNTHETIC Fibers Corp.	3,884,326	1.93
Pan Asia Chemical Co.	3,856,369	1.91
Pfg Fiber Glass Corporation	3,814,953	1.89
Nan Ya Technology Corp.	3,814,297	1.89

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Farglory Land Development Co., Ltd.	$ 3,792,315	1.88
Everwiner Enterprise Co., Ltd.	3,782,100	1.87
Taiwan Land Development Corp.	3,729,319	1.85
Taiwan Innovation Development Corp.	3,729,319	1.85
Taiwan Commercial Development Corp.	3,729,319	1.85
Pacific Sogo Department Stores Co., Ltd.	3,722,500	1.84
Far Eastern Department Stores Ltd.	3,717,500	1.84
Frontek Technology Corporation	3,670,100	1.82
Formosa Industries (Ninbo) Co., Ltd.	3,660,352	1.81
Evergreen Marine (Singapore) Pte. Ltd.	3,658,355	1.81
Spinnaker Pescadores S.A. Panama	3,642,791	1.81
Advance Material Co., Ltd.	3,635,470	1.80
Dong Lien Maritime S.A. Panama	3,515,904	1.74
Taiwan Cement Co., Ltd.	3,502,576	1.74
G-Tech Optoelectronics Corporation	3,491,758	1.73
Fubon Insurance Co., Ltd.	3,433,419	1.70
TCC International Holdings Limited	3,414,189	1.69
TCC International Limited	3,414,189	1.69
Coreasia Co., Ltd.	3,375,948	1.67
Radium Life Tech Co., Ltd.	3,336,262	1.65
WPG Eletronic Co., Ltd	3,207,668	1.59
Supreme Electronics Co., Ltd.	3,158,350	1.57
Central Investment Corp.	3,138,740	1.56
Fubon Securities Investment Trust Co., Ltd.	3,124,435	1.55
Cal-Comp Precision (Philippine)	3,122,107	1.55
IBT Leasing Co., Ltd	3,094,736	1.53
IBT Tianjin International Leasing Co., Ltd.	3,094,736	1.53
Taipei Fubon Commercial Bank Co., Ltd.	3,091,028	1.53
Shan Chih Asset Development Co., Ltd.	3,082,280	1.53
Xinxing Tongtai (Kunshan)Technology Co., Ltd.	3,060,143	1.52
Inteplast Group Inc.	3,027,409	1.50
IBT International Leasing Co., Ltd.	3,007,844	1.49

(Continued)

June 30, 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)	$ 413,310,000	212.52
National Treasury Administration, ROC	170,403,771	87.62
Tai Power Co., Ltd.	79,574,573	40.92
Kaohsiung Financial Bureau	74,276,409	38.19
Taiwan High Speed Rail Corp.	45,975,340	23.64
CPC Corporation, Taiwan	25,060,829	12.89
Kaohsiung Rapid Transit Corp.	18,608,652	9.57
Highwealth Construction Co., Ltd.	11,058,107	5.69
Clevo Corp.	9,462,485	4.87
Government National Mortgage Association	8,943,848	4.60
Taiwan Semiconductor Manufacturing Co., Ltd.	7,937,276	4.08
AUO Co., Ltd.	7,481,746	3.85
China Steel Corp.	7,409,209	3.81
Far Eastern New Century Corp.	7,024,740	3.61
Chiayi County Government	6,890,000	3.54
Taiwan Railways Administration	6,870,000	3.53
Evergreen Marine Corp. (Taiwan) Ltd.	6,266,235	3.22
Eva Airways Corp.	6,224,790	3.20
Federal Home Loan Mortgage Corp.	6,188,533	3.18
Taiwan Water Corporation	6,054,550	3.11
Yilan County Government	5,821,942	2.99
Micro Technology, Inc.	5,600,000	2.88
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.47
Yang Ming Marine Transport Corp.	4,532,300	2.33
China Airlines Ltd.	4,260,998	2.19
Federal National Mortgage Corporation	4,131,654	2.12
Evergreen Marine Sin	4,007,010	2.06
Innolux Corp.	3,966,666	2.04
Taiwan Land Development Corp.	3,860,424	1.98
Aerospace Industrial Development Corp.	3,804,907	1.96
Formosa Ha Tinh (Cayman) Ltd.	3,802,500	1.96
Formosa Group Cayman	3,650,400	1.88
Fubon Financial Holding Co, Ltd.	3,648,822	1.88
Hon Hai Precision Co., Ltd.	3,642,344	1.87
Bank of America N.A.	3,565,749	1.83
Client A	3,495,997	1.80
Formosa Chemical & Fiber Corp.	3,294,767	1.69
Tatung Co., Ltd.	3,160,066	1.62
Dragon Steel Corp.	3,147,155	1.62

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
2. Same related parties		
Client B	$ 11,972,712	6.16
Client C	9,624,080	4.95
Client D	4,083,522	2.10
Client E	4,073,549	2.09
Client F	4,013,924	2.06
Client G	3,841,576	1.98
Client H	3,836,372	1.97
Client I	3,836,372	1.97
Client J	3,836,372	1.97
Client K	3,652,034	1.88
3. Same affiliate		
Far Eastern International Leasing Corp.	20,661,928	10.62
Far Eastern New Century Corp.	17,892,553	9.20
Evergreen Marine Corp. (Taiwan) Ltd.	16,810,326	8.64
Far Eastern Construction Corp.	15,968,227	8.21
Oriental Securities Corporation	15,511,529	7.98
Eva Airways Corp.	15,488,070	7.96
Eva Cosmonautic Flight Precision Corp.	15,488,070	7.96
Yuan Ding Investment Corp.	15,461,276	7.95
Far EasTone Telecommunications Co., Ltd.	15,461,276	7.95
Clevo Layman Islands	15,106,175	7.77
Clevo Corp.	14,725,925	7.57
Formosa Ha Tinh (Cayman) Ltd.	14,569,931	7.49
Evergreen Marine (UK) Ltd.	12,941,875	6.65
Hui Hong Investment Management Co., Ltd.	12,770,133	6.57
Global Mobile Corp.	12,770,133	6.57
Ruentex Industries Ltd.	12,770,133	6.57
Yi Tai Fund Corp.	12,638,234	6.50
Gogoro Energy Network (Cayman), Taiwan Branch	12,576,234	6.47
Chung Hung Steel Corp.	12,281,576	6.32
China Steel Corp.	12,281,576	6.32
C.S. Aluminium Corp.	12,281,576	6.32
China Steel Express Corp.	12,281,576	6.32
CSEI Transport	12,281,576	6.32
Kaohsiung Rapid Transit Corp.	12,254,198	6.30
Highwealth Construction Co., Ltd.	12,214,037	6.28
QiYu Construction Co., Ltd.	12,164,037	6.25
Buynow (Shantou) Corp.	11,799,600	6.07
Far Eastern Big City Department Stores Ltd.	11,493,020	5.91
Buynow (Zhengzhou) Corp.	11,382,923	5.85
Buynow (Anshan) Corp.	11,351,988	5.84
Ren Ying Enterprise Co., Ltd.	11,296,175	5.81

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Jin Jun Construction Co., Ltd.	$ 11,108,107	5.71
Nan Shan Life Insurance Company, Ltd.	10,830,885	5.57
Dragon Steel Corp.	10,556,364	5.43
Buynow (Wuhan) Corp.	10,438,382	5.37
Ruentex Development Co., Ltd.	9,183,477	4.72
Ruen Chen Investment Holding Co., Ltd.	8,986,128	4.62
AUO Co., Ltd.	8,717,182	4.48
Great Emperor Hotel Co., Ltd.	8,612,450	4.43
He Yao Construction Co., Ltd.	8,476,000	4.36
Oriental Petrochemical (Taiwan) Corp.	8,469,492	4.35
Forhouse Corp.	8,458,875	4.35
Yi Hsiang Construction Co., Ltd.	8,370,000	4.30
EDA Hua Yue Hotel Corp.	8,277,110	4.26
Formosa Synthetic Rubber (Ningbo) Industrial Co., Ltd.	8,223,559	4.23
Hon Hai Precision Co., Ltd.	8,193,796	4.21
Hung Li Steel Corp.	8,160,991	4.20
Taiwan Semiconductor Manufacturing Co., Ltd.	8,103,981	4.17
Qisda Corporation	8,057,975	4.14
BenQ Materials Corp.	8,057,875	4.14
Yieh Phui (Hong Kong) Holdings Co., Ltd.	8,038,443	4.13
China Steel Structure Co., Ltd.	8,032,190	4.13
AUO (Kunshan) Co., Ltd.	7,968,466	4.10
United Steel Engineering & Construction Corp.	7,832,221	4.03
Lextar Electronics Corp.	7,702,746	3.96
UNI Airways Corp.	7,502,856	3.86
China Steel Machinery Corp.	7,498,856	3.86
China Steel Chemical Corp.	7,436,587	3.82
China Ecotek Corp.	7,409,483	3.81
Oriental Resources Development Ltd.	7,321,368	3.76
Oriental Union Chemical (Yangzhou) Corp.	7,177,273	3.69
Li Sheng Corporation	7,142,331	3.67
Yien United Steel Corp.	6,673,979	3.43
Yang Ming Marine Transport Corp.	6,585,364	3.39
Asia Cement Corp.	6,525,240	3.36
Yang Ming Marine Transport (Liberia) Corp.	6,179,800	3.18
Yieh Hsing Enterprise Co., Ltd.	5,892,989	3.03
Micro Technology Inc.,	5,600,000	2.88
Feng Sheng Enterprise Co., Ltd.	5,589,343	2.87
Kuan-Ho Refractories Corp.	5,521,477	2.84
CSRC China (Maanshan) Corporation P.R.C	5,521,477	2.84
Taiwan Cement Co., Ltd.	5,298,397	2.72
Taiwan Fixed Network Co., Ltd.	5,245,774	2.70
Taiwan Mobile Corp.	5,245,774	2.70
All Oceans Transportation, Inc.	5,162,562	2.65
Farglory Dome Co., Ltd.	5,134,417	2.64

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
China Aviation Development Foundation	$ 5,064,998	2.60
China Airlines Ltd.	5,064,998	2.60
Kao Ming Container Terminal Corp.	5,049,275	2.60
Kuang Ming Shipping Corp.	5,037,864	2.59
Kuang Ming (Liberia)	5,037,864	2.59
Pou Chen Industry Corp.	4,926,282	2.53
Coreasia Co., Ltd.	4,861,217	2.50
Chung Kung Guard Corp.	4,850,717	2.49
Nan Chung Petrochemical Corp.	4,774,128	2.45
Formosa Chemical & Fibre Corp.	4,667,772	2.40
Mai-Liao Power Corp.	4,667,772	2.40
Nan Ya Plastic Co., Ltd.	4,566,207	2.35
Yes Logistics Corp.	4,533,300	2.33
Funbon Financial Holding Co., Ltd.	4,483,230	2.31
Pacific Sogo Department Stores Co., Ltd.	4,468,281	2.30
WPG Holdings Ltd.	4,467,716	2.30
Far Eastern Department Stores Ltd.	4,428,281	2.28
Nan Ya Technology Corp.	4,348,059	2.24
CHIAHUI Power Co., Ltd.	4,317,682	2.22
China Man-Made Fiber Corp.	4,173,538	2.15
Fubon Securities Co., Ltd.	4,166,217	2.14
G-Tech Optoelectronics Corp.	4,055,954	2.09
Fubon China Bank Corp.	4,046,169	2.08
Shih Wei Navigation Co., Ltd.	4,032,164	2.07
Chung Kung Building Management Corp.	4,013,032	2.06
Evergreen Marine (Singapore) Pte. Ltd.	4,007,010	2.06
Tatung Co., Ltd.	3,993,824	2.05
Innolux Corp.	3,966,666	2.04
United Microelectronics Corp.	3,960,039	2.04
Taiwan Land Development Corp.	3,935,424	2.02
Taiwan Innovation Development Corp.	3,935,424	2.02
Taiwan Commercial Development Corp.	3,935,424	2.02
Chailease Consumer Finance Co., Ltd.	3,871,723	1.99
Everwiner Enterprise Co., Ltd.	3,860,416	1.98
Farglory Land Development Co., Ltd.	3,859,002	1.98
EDA Hospital Corp.	3,837,626	1.97
Chunghwa Picture Tubes, Ltd.	3,821,413	1.96
Giantplus Technology Co., Ltd.	3,821,413	1.96
Aerospace Industrial Development Corp.	3,804,907	1.96
Yieh Phui Enterprise Co., Ltd.	3,803,955	1.96
Zhong Tai Hotel Co., Ltd.	3,772,954	1.94
Mandarin Oriental, Taipei	3,772,954	1.94
Frontek Technology Corp.	3,771,416	1.94
General Interface Solution (GIS) Holding Ltd.	3,770,108	1.94
Wan Hai Lines Ltd.	3,765,540	1.94

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Wan Hai Lines (Singapore) Pte. Ltd.	$ 3,765,540	1.94
Fubon Asset Management Co., Ltd.	3,748,796	1.93
Radium Life Tech. Co., Ltd.	3,666,497	1.89
Taipei Fubon Commercial Bank Co., Ltd.	3,650,709	1.88
Fubon Life Insurance Co., Ltd.	3,650,709	1.88
Spinnaker Pescadores S.A. Panama	3,635,106	1.87
Pan Asia Chemical Co.	3,633,905	1.87
Bank of America N.A.	3,565,749	1.83
Formosa PS (Ningbo) Co., Ltd.	3,565,038	1.83
TAYU-TAIWANGLASS CORP.	3,558,128	1.83
TJG-TAIWANGLASS CORP.	3,558,128	1.83
Taiwan Acetic Acid Chemical Co., Ltd.	3,513,532	1.81
Advance Material Co., Ltd.	3,506,824	1.80
Dong Lien Maritime S.A. Panama	3,465,141	1.78
TCC International Holdings Ltd.	3,465,049	1.78
TCC International Ltd.	3,465,049	1.78
Genuine Crop.	3,440,259	1.77
WPG Holdings Ltd.	3,431,359	1.76
Jhong-An Investment Co., Ltd.	3,344,023	1.72
Formosa Biomedical Technology Corp.	3,316,767	1.71
China Petrochemical Development Corporation	3,315,198	1.70
Central Investment Corp.	3,313,809	1.70
Formosa Chemicals Industries (Ningbo) Co., Ltd.	3,294,767	1.69
Capital Machinery Corp.	3,260,192	1.68
Chungwha Construction Corp.	3,260,192	1.68
Wan Da Tong Co., Ltd.	3,257,153	1.67
Chailease Finance Co., Ltd.	3,230,195	1.66
Shan Chih Asset Development Co., Ltd.	3,183,066	1.64
Asia Cement (China) Holdings Corp.	3,181,995	1.64
Chailease Rental Corp.	3,181,189	1.64
Chailease Holding Co Ltd.	3,181,189	1.64
Farglory Life Insurance Co., Ltd.	3,103,443	1.60
Runtex Materials Co., Ltd.	3,090,522	1.59
Jing-Jan Retail Business Co., Ltd.	3,026,900	1.56

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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.	Flagship Plaza Enterprise Co., Ltd.	Receivables on lending funds	No	$ 25,000	$ 22,365	$ 22,365	3-8	Short-term financing	$ -	Operating use	$ 224	Land	$ 101,380	$ 339,639 (Note 3)	$ 1,358,556 (Note 3)
		Xianghe Livestock Co., Ltd.	Receivables on lending funds	No	50,000	33,333	33,333	3-8	Short-term financing	-	Operating use	333	-	-	339,639 (Note 3)	1,358,556 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	50,000	44,731	44,731	3-8	Short-term financing	-	Operating use	447	Land	101,380	339,639 (Note 3)	1,358,556 (Note 3)
		Kuang Ming Shipping Co., Ltd.	Receivables on lending funds	No	150,000	140,606	140,606	3-8	Short-term financing	-	Operating use	1,406	Guarantee	30,000	339,639 (Note 3)	1,358,556 (Note 3)
		Sanlight Co., Ltd.	Receivables on lending funds	No	200,000	200,000	183,568	3-8	Short-term financing	-	Operating use	1,836	Stocks	200,000	339,639 (Note 3)	1,358,556 (Note 3)
		Taihui Trading Co, Ltd.	Receivables on lending funds	No	200,000	191,370	191,370	3-8	Short-term financing	-	Operating use	1,914	Real estate	386,976	339,639 (Note 3)	1,358,556 (Note 3)
		Hanky&Partnres (Taiwan) Ltd.	Receivables on lending funds	No	239,126	233,830	228,955	3-8	Short-term financing	-	Operating use	2,289	Real estate	305,671	339,639 (Note 3)	1,358,556 (Note 3)
2	Cooperative Financial International Lease Co., Ltd.	Makor Investment Group (Tianjin) Co., Ltd.	Entrusted loan	No	16,410	12,443	12,443	10.61	Short-term financing	-	Operating use	187	Real estate	51,026	137,701 (Note 4)	367,202 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	39,092	32,193	32,193	8	Business relationship	331,674	Operating use	483	Real estate	47,876	137,701 (Note 4)	367,202 (Note 4)

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

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

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

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on 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 $918,004 thousand (CNY199,609 thousand).

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2018
(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	June 30, 2018				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	2,176	$ 22,026	-	$ 22,026	
	Stock							
Co-operative Assets Management Co., Ltd.	Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	941,532	100.00	941,532	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	25,000	5.00	25,000	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	227	2,022	0.31	2,022	
Taiwan Cooperative Venture Capital Co., Ltd.	Pou Chen Corporation	-	Financial assets at fair value through profit or loss	672	23,789	0.02	23,789	
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	1,597	28,347	0.01	28,347	
	Lien Hwa Industrial Corporation	-	Financial assets at fair value through profit or loss	560	21,140	0.06	21,140	
	Fubon Financial Holdings Co., Ltd. Preferred Shares B	-	Financial assets at fair value through profit or loss	461	27,937	0.04	27,937	
	Chicony Electrics Co., Ltd.	-	Financial assets at fair value through profit or loss	115	7,900	0.02	7,900	
	Tanvex BioPharma, Inc.	-	Financial assets at fair value through profit or loss	200	20,500	0.09	20,500	
	SuperAlloy International Co., Ltd.	-	Financial assets at fair value through profit or loss	184	12,718	0.09	12,718	
	RiTdisplay Corporation	-	Financial assets at fair value through profit or loss	196	25,632	0.47	25,632	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	306	42,837	0.28	42,837	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	462	64,094	1.54	64,094	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	81,600	2.82	81,600	
	eLand Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	500	27,500	3.49	27,500	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	M2Communication Inc.	-	Financial assets at fair value through profit or loss	500	$ 8,000	1.14	$ 8,000	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	20,000	2.75	20,000	
	Zennan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	25,000	2.67	25,000	
	First Financial Holding Co., Ltd	-	Financial assets at fair value through other comprehensive income	1,568	32,306	0.01	32,306	
	Mega Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,600	43,040	0.01	43,040	
	Taiwan Mobile Corp.	-	Financial assets at fair value through other comprehensive income	239	26,410	0.01	26,410	
	China Motor Corporation	-	Financial assets at fair value through other comprehensive income	875	24,807	0.06	24,807	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through other comprehensive income	144	7,286	0.11	7,286	
	Taiwan Shin Kong Security Co., Ltd.	-	Financial assets at fair value through other comprehensive income	175	6,624	0.05	6,624	
	Chunghwa Telecom Co., Ltd.	-	Financial assets at fair value through other comprehensive income	240	26,400	-	26,400	
	MiTAC Holdings Corporation	-	Financial assets at fair value through other comprehensive income	650	21,481	0.08	21,481	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	23,060	2.45	23,060	

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bills Finance Corporation Ltd.	Investments accounted for using equity method	-	-	354,727	$ 5,136,605	69,061	$ 1,391,901 (Notes 1 and 2)	-	$ -	$ 458,714 (Notes 1 and 2)	$ -	423,788	$ 6,069,792 (Note 2)

Note 1: Acquisition consist if retrospective application of unrealized gain of $109,392 thousand on financial assets at fair value through other comprehensive income, $1,000,000 thousand from capital increase, $282,509 thousand from the share of subsidiaries accounted for using equity method, disposal consists $3,691 thousand from the share of retrospective application of losses of subsidiaries accounted for using equity method, retrospective application of unrealized loss of $8,429 thousand on available-for-sale financial assets, $385,633 thousand from cash dividends, unrealized loss of $60,961 thousand on financial assets at fair value through other comprehensive income.

Note 2: When Taiwan Cooperative Financial Holding Co., Ltd. prepared the consolidated financial statements, the related account and 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 SIX MONTHS ENDED JUNE 30, 2018
(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	$ 479,693	$ 253,879	$ 11,323	$ 8,152	2.36	3.21

TABLE 11

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

1. Sale of nonperforming loans

   Co-operative Assets Management Co., Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2018.3.20	Su Sir	Claims and its subordinate mortgage	$ 1,278	$ 2,500	$ 1,222	None	None

   Note: 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
JUNE 30, 2018
(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	$ 1,304,087	-	$ -	-	$ -	$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	486,679	-	-	-	-	-

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

PERCENTAGE SHARE IN INVESTEES AND RELATED INFORMATION
JUNE 30, 2018
(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	$ 202,555,868	$ 7,178,491	8,808,130	-	8,808,130	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,242,673	28,979	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	6,069,791	282,509	354,727	-	354,727	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,330,481	227,932	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	372,745	(3,040)	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	4,127,713	232,142	342,693	-	342,693	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	984,121	32,666	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.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					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)	$ 63,095	100	$ 63,095	$ 5,572,884	$ -
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)	(675)	100	(675)	3,092,199	-
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)	57,938	100	57,938	3,091,240	-
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)	40,749	100	40,749	2,707,603	-

Accumulated Investment in Mainland China as of June 30, 2018	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)	$ 122,013,700

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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					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)	$ 23,734	100	$ 23,734	$ 941,532	$ -

Accumulated Investment in Mainland China as of June 30, 2018	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)	$ 1,998,289 (Note 3)

(Continued)

Note 1: The currency was translated into New Taiwan dollars at the exchange rates on the date of each outflow of investment.

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

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

(Concluded)

TABLE 15

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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	$ 486,679	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	486,679	Note 4	0.01
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,304,087	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,304,087	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	586,437	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	586,437	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	6,917,664	Note 4	0.20
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	6,917,664	Note 4	0.20
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,078,312	Note 4	0.03
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,078,312	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	358,245	Note 4	1.57
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	358,245	Note 4	1.57
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	2,540,000	Note 4	0.07
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	2,540,000	Note 4	0.07
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Deposits and remittances	1,044,943	Note 4	0.03
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents	1,044,943	Note 4	0.03

(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 (%)
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	$ 163,717	Note 4	-
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	163,717	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	2.54
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	304,600	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	304,600	Note 4	0.01

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

a. Parent company is dented as 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary
b. From subsidiary to parent company
c. Between subsidiaries

Note 3: For calculating the percentages, the asset or liability account is divided by the consolidated total assets, and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transacting company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding NT$100 million.

(Concluded)