

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

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of Taiwan Cooperative Financial Holding Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

By

CHUNG-DAR LEI
Chairman

March 25, 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, International Financial Reporting Standards, International Accounting Standards, Interpretation of IFRS and Interpretations of IAS endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries for the year ended December 31, 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 year ended December 31, 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 December 31, 2018 were \$2,087,349,668 thousand, consisting 59% of the total assets. Therefore, the assessment on the impairment loss of discounts and loans may have significant impacts on the consolidated financial statements. The assessment on discounts and loans performed by the Company's management is based on 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.

Impairment Assessment on Goodwill

When the management of the Company determines whether goodwill is impaired, estimation of the value in use of the cash-generating units to which goodwill has been allocated is required. The calculation of value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Impairment assessment on goodwill was identified as a key audit matter due to the critical judgements and estimations involved. For the accounting policies and critical accounting judgements and estimations, refer to Note 4 and 5 to the consolidated financial statements. For impairment assessment on goodwill, refer to Note 20.

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

1. Evaluate the external expert on the basis of qualification, competency, and objectivity.
2. Evaluate the reasonableness of model and assumptions used by the external expert.
3. Obtain and evaluate the completeness and accuracy of the information used by the external expert.
4. Evaluate the reasonableness of the expected future cash flows arising from the cash-generating units allocated to goodwill.

Correctness of Recognized Loan Interest Income

The loan interest income of Taiwan Cooperative Bank, Ltd. and subsidiaries for the year ended December 31, 2018 was \$42,932,991 thousand, consisting 75% of total interest income. Of the amount, domestic loan interest income was \$37,005,309 thousand, consisting 86% 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 consolidated 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 includes discount rates, mortality rates, withdrawal rates and illness rates. All of the aforementioned insurance contracts should undergo liability adequacy test to assess whether the best current estimated amount of the future cash flows of the insurance contracts is higher than the carrying amounts of the insurance liabilities. A key assumption was that the discount rate of every year was based on the best estimated scenario as well as the rate of return on investments with current information. The assessment on the insurance liabilities and the liability adequacy test were complicated and related to the management's subjective judgment of the internal and external future events of the Company. Any changes in the assumptions will have significant impact on the assessment of insurance liabilities and the liability adequacy test. Therefore, the assessment of the insurance liabilities and the liability adequacy test were identified as a key audit matter. For accounting policies and critical accounting judgements and estimations, refer to Notes 4 and 5 to the consolidated financial statements. For provisions, refer to Note 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. Evaluate the reasonableness of the classification of the insurance products issued for the year ended December 31, 2018.

- b. Sample the assumptions for audit prepared by the Company to test whether the assumptions were in accordance with the Actuarial Standards of Practice of IFRS 4 - “Classification of Contracts and Liability Adequacy Test” issued by the Actuarial Institute of the Republic of China, and were consistent with the assumptions made in the liability adequacy test.
- c. Sample the insurance policies, recalculate the cash flow of the insurance policies to assess the reasonableness of the calculation results of the Company.
- d. Perform the comparative analysis against the result of that of the prior year and consider the impact of the current business development to assess the reasonableness of the calculation of the liability adequacy test.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiwan Cooperative Bank, Ltd. and its subsidiary's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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. and subsidiaries for the year ended December 31, 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

March 25, 2019

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 DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 57,203,098	2	\$ 64,849,640	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 41 and 42)	264,471,052	7	269,695,830	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 39)	58,462,230	2	53,150,130	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 42)	-	-	203,319,458	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10 and 42)	311,892,762	9	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 11 and 42)	558,505,884	16	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	1,886,314	-	1,580,366	-
RECEIVABLES, NET (Notes 4, 13 and 41)	31,292,805	1	34,360,303	1
CURRENT TAX ASSETS (Notes 4 and 38)	1,540,589	-	1,350,922	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 41 and 42)	2,060,487,809	59	2,002,883,548	59
REINSURANCE ASSETS, NET (Note 4)	46,975	-	129,358	-
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 15 and 42)	-	-	516,191,151	15
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 16)	127,094	-	124,346	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 17, 31 and 42)	110,358,805	3	213,472,900	6
INVESTMENT PROPERTIES, NET (Notes 4 and 18)	9,496,539	-	8,426,704	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 19)	33,824,507	1	34,096,069	1
INTANGIBLE ASSETS (Notes 4 and 20)	3,631,035	-	3,588,490	-
DEFERRED TAX ASSETS (Notes 4 and 38)	1,782,952	-	1,601,639	-
OTHER ASSETS, NET (Notes 4, 21 and 30)	<u>3,277,138</u>	-	<u>2,718,701</u>	-
TOTAL	<u>\$ 3,508,287,588</u>	<u>100</u>	<u>\$ 3,411,539,555</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 22 and 41)	\$ 226,264,806	6	\$ 227,797,431	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 27 and 41)	13,133,240	-	14,571,524	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10, 12, 15, 23 and 41)	44,369,293	1	42,299,838	1
COMMERCIAL PAPER ISSUED, NET (Note 24)	26,091,523	1	25,657,429	1
PAYABLES (Notes 4, 25 and 41)	51,166,336	2	51,332,672	2
CURRENT TAX LIABILITIES (Notes 4 and 38)	997,439	-	1,298,351	-
DEPOSITS AND REMITTANCES (Notes 26 and 41)	2,726,474,349	78	2,623,540,576	77
BONDS PAYABLE (Note 27)	55,000,000	2	64,610,000	2
OTHER BORROWINGS (Notes 24 and 28)	2,425,405	-	800,027	-
PROVISIONS (Notes 4, 29 and 30)	48,830,833	1	50,464,495	1
OTHER FINANCIAL LIABILITIES (Notes 4 and 31)	94,531,001	3	99,045,141	3
DEFERRED TAX LIABILITIES (Notes 4, 19 and 38)	3,334,447	-	3,033,870	-
OTHER LIABILITIES (Note 32)	<u>3,194,907</u>	-	<u>1,591,905</u>	-
Total liabilities	<u>3,295,813,579</u>	<u>94</u>	<u>3,206,043,259</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC				
Capital stock				
Common stock	<u>125,687,847</u>	<u>3</u>	<u>122,027,036</u>	<u>3</u>
Capital surplus	<u>57,964,343</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>
Retained earnings				
Legal reserve	6,451,448	-	5,019,668	-
Special reserve	996,026	-	996,026	-
Unappropriated earnings	<u>14,761,844</u>	<u>1</u>	<u>14,377,752</u>	<u>1</u>
Total retained earnings	<u>22,209,318</u>	<u>1</u>	<u>20,393,446</u>	<u>1</u>
Other equity	<u>2,412,696</u>	-	<u>767,215</u>	-
Total equity attributable to owners of TCFHC	208,274,204	6	201,152,040	6
NON-CONTROLLING INTERESTS	<u>4,199,805</u>	-	<u>4,344,256</u>	-
Total equity	<u>212,474,009</u>	<u>6</u>	<u>205,496,296</u>	<u>6</u>
TOTAL	<u>\$ 3,508,287,588</u>	<u>100</u>	<u>\$ 3,411,539,555</u>	<u>100</u>

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 33 and 41)	\$ 57,144,871	122	\$ 53,169,667	114	7
INTEREST EXPENSE (Notes 4, 33 and 41)	<u>(22,037,113)</u>	<u>(47)</u>	<u>(18,803,525)</u>	<u>(40)</u>	17
NET INTEREST	<u>35,107,758</u>	<u>75</u>	<u>34,366,142</u>	<u>74</u>	2
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 34 and 41)	6,471,835	14	6,373,267	14	2
Premium income, net (Notes 4, 31 and 35)	150,192	-	1,188,615	2	(87)
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 36 and 41)	3,247,591	7	(3,331)	-	97,596
Gains on disposal of investment properties (Note 4)	1,156	-	16,203	-	(93)
Realized gains on available-for-sale financial assets (Note 4)	-	-	1,311,991	3	(100)
Realized gains on financial assets at fair value through other comprehensive income (Note 4)	1,860,652	4	-	-	-
Foreign exchange gains (losses), net (Note 4)	(918,181)	(2)	3,185,054	7	(129)
Impairment losses (reversal of impairment losses) on assets (Notes 4, 15 and 17)	(18,363)	-	7,169	-	(356)
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 16)	11,346	-	4,998	-	127
Gains on reclassification of overlay approach (Notes 4 and 8)	381,215	1	-	-	-

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Gains on financial assets carried at cost, net (Note 4)	\$ -	-	\$ 283,233	-	(100)
Other noninterest gains (losses), net (Note 18 and 41)	<u>577,478</u>	<u>1</u>	<u>(104,941)</u>	<u>-</u>	650
Total net revenues and gains other than interest	<u>11,764,921</u>	<u>25</u>	<u>12,262,258</u>	<u>26</u>	(4)
TOTAL NET REVENUES	<u>46,872,679</u>	<u>100</u>	<u>46,628,400</u>	<u>100</u>	1
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 14)	<u>(4,355,258)</u>	<u>(9)</u>	<u>(5,220,930)</u>	<u>(11)</u>	(17)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 29)	<u>978,277</u>	<u>2</u>	<u>(340,273)</u>	<u>(1)</u>	387
OPERATING EXPENSES (Notes 4, 18, 19, 20, 30 and 37)					
Employee benefits	(16,334,966)	(35)	(15,758,217)	(34)	4
Depreciation and amortization	(1,339,269)	(3)	(1,158,484)	(2)	16
General and administrative	<u>(7,440,192)</u>	<u>(16)</u>	<u>(7,347,993)</u>	<u>(16)</u>	1
Total operating expenses	<u>(25,114,427)</u>	<u>(54)</u>	<u>(24,264,694)</u>	<u>(52)</u>	4
INCOME BEFORE INCOME TAX	18,381,271	39	16,802,503	36	9
INCOME TAX EXPENSE (Notes 4 and 38)	<u>(2,365,017)</u>	<u>(5)</u>	<u>(2,090,418)</u>	<u>(5)</u>	13
NET INCOME	<u>16,016,254</u>	<u>34</u>	<u>14,712,085</u>	<u>31</u>	9

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)					
Remeasurement of defined benefit plans	\$ (277,389)	(1)	\$ (349,664)	(1)	(21)
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	13,252	-	(32,084)	-	141
Unrealized losses on investments in equity instruments at fair value through other comprehensive income	<u>(971,964)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Items that will not be reclassified subsequently to profit or loss, net of income tax					
	<u>(1,236,101)</u>	<u>(3)</u>	<u>(381,748)</u>	<u>(1)</u>	224
Items that may be reclassified subsequently to profit or loss (Notes 4, 8, 16 and 38)					
Exchange differences on the translation of financial statements of foreign operations	1,067,178	3	(1,399,199)	(3)	176
Unrealized gains on available-for- sale financial assets	-	-	2,887,008	6	(100)
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	(3,034)	-	4,036	-	(175)
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(1,856,573)	(4)	-	-	-

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Other comprehensive income on reclassification of overlay approach	\$ (381,215)	(1)	\$ -	-	-
Income tax attributable to other comprehensive income	<u>13,370</u>	-	<u>208,076</u>	<u>1</u>	(94)
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(1,160,274)</u>	<u>(2)</u>	<u>1,699,921</u>	<u>4</u>	(168)
Other comprehensive income (losses), net of income tax	<u>(2,396,375)</u>	<u>(5)</u>	<u>1,318,173</u>	<u>3</u>	(282)
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,619,879</u>	<u>29</u>	<u>\$ 16,030,258</u>	<u>34</u>	(15)
NET INCOME ATTRIBUTABLE TO:					
Owners of TCFHC	\$ 15,618,243	33	\$ 14,317,798	31	9
Non-controlling interests	<u>398,011</u>	<u>1</u>	<u>394,287</u>	<u>1</u>	1
	<u>\$ 16,016,254</u>	<u>34</u>	<u>\$ 14,712,085</u>	<u>32</u>	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of TCFHC	\$ 13,745,028	29	\$ 15,359,505	33	(11)
Non-controlling interests	<u>(125,149)</u>	<u>-</u>	<u>670,753</u>	<u>1</u>	(119)
	<u>\$ 13,619,879</u>	<u>29</u>	<u>\$ 16,030,258</u>	<u>34</u>	(15)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	<u>\$1.24</u>		<u>\$1.14</u>		
Diluted	<u>\$1.24</u>		<u>\$1.14</u>		

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of TCFHC						Other Equity						Total Equity
	Capital Stock (Note 40)		Capital Surplus	Retained Earnings (Note 40)			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)	
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE, JANUARY 1, 2017	11,847,285	\$ 118,472,850	\$ 57,964,343	\$ 3,643,188	\$ 996,026	\$ 14,225,747	\$ (9,285)	\$ -	\$ (649,369)	\$ 34,498	\$ -	\$ 3,802,863	\$ 198,480,861
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	1,376,480	-	(1,376,480)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,885,463)	-	-	-	-	-	-	(8,885,463)
Stock dividends	355,419	3,554,186	-	-	-	(3,554,186)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(129,360)	(129,360)
Total comprehensive income													
Net income for the year ended December 31, 2017	-	-	-	-	-	14,317,798	-	-	-	-	-	394,287	14,712,085
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(349,664)	(1,168,649)	-	2,592,104	(32,084)	-	276,466	1,318,173
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	13,968,134	(1,168,649)	-	2,592,104	(32,084)	-	670,753	16,030,258
BALANCE, DECEMBER 31, 2017	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,377,752	(1,177,934)	-	1,942,735	2,414	-	4,344,256	205,496,296
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	366,081	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(103,480)	(103,480)
Losses on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(337,291)	-	337,291	-	-	-	-	-
Total comprehensive income													
Net income for the year ended December 31, 2018	-	-	-	-	-	15,618,243	-	-	-	-	-	398,011	16,016,254
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(277,389)	895,595	(2,311,151)	-	13,252	(193,522)	(523,160)	(2,396,375)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	15,340,854	895,595	(2,311,151)	-	13,252	(193,522)	(125,149)	13,619,879
BALANCE, DECEMBER 31, 2018	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,964,343</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 14,761,844</u>	<u>\$ (282,339)</u>	<u>\$ 2,690,032</u>	<u>\$ -</u>	<u>\$ 15,666</u>	<u>\$ (10,663)</u>	<u>\$ 4,199,805</u>	<u>\$ 212,474,009</u>

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 18,381,271	\$ 16,802,503
Adjustments for:		
Depreciation expenses	1,169,799	973,980
Amortization expenses	169,470	184,504
Expected credit losses/bad-debt expenses	4,350,285	5,209,778
Losses (gains) on financial assets and liabilities at fair value through profit or loss	(3,247,591)	3,331
Interest expense	22,037,113	18,803,525
Interest revenue	(57,144,871)	(53,169,667)
Dividend income	(664,050)	(608,269)
Net changes in reserves for insurance liabilities	(1,936,784)	(118,070)
Provision (reversal of provision) for losses on guarantees	(1,464)	11,152
Net changes in reserves for other liabilities	6,437	-
Share of gains of associates and joint ventures accounted for using equity method	(11,346)	(4,998)
Losses on reclassification of overlay approach	(379,318)	-
Losses on disposal of properties and equipment	3,790	1,823
Gains on disposal of investment properties	(1,156)	(16,203)
Gains on disposal of investments	(1,196,602)	(1,017,680)
Impairment losses on financial assets	21,344	-
Reversal of impairment losses on financial assets	(2,981)	(7,169)
Unrealized losses on foreign exchange	(674,895)	1,584,526
Gains on disposal of collaterals assumed	-	(3,174)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(24,051,635)	7,081,009
Decrease in financial assets at fair value through profit or loss	21,011,162	11,677,995
Increase in financial assets at fair value through other comprehensive income	(18,298,528)	-
Increase in investments in debt instruments at amortized cost	(41,160,449)	-
Increase in available-for-sale financial assets	-	(24,813,827)
Decrease (increase) in receivables	4,147,861	(5,451,797)
Increase in discounts and loans	(61,697,569)	(39,619,708)
Decrease (increase) in reinsurance assets	88,441	(117,449)
Increase in held-to-maturity financial assets	-	(4,265,952)
Decrease (increase) in other financial assets	1,998,039	(9,646,013)
Increase in other assets	(96,080)	(45,279)
Decrease in due to the Central Bank and other banks	(1,532,625)	(6,237,754)
Decrease in financial liabilities at fair value through profit or loss	(13,884,297)	(9,949,162)
Increase (decrease) in securities sold under repurchase agreements	2,069,455	(1,839,577)
Increase (decrease) in payables	(1,655,932)	144,089
Increase in deposits and remittances	102,933,773	60,952,800

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in provision for employee benefits	\$ (148,244)	\$ (114,986)
Increase (decrease) in other financial liabilities	(241,078)	629,175
Increase (decrease) in other liabilities	<u>1,607,928</u>	<u>(467,325)</u>
Cash used in operations	(48,031,327)	(33,453,869)
Interest received	57,936,631	53,546,472
Dividends received	848,789	712,679
Interest paid	(21,667,619)	(18,714,312)
Income tax paid	<u>(2,756,805)</u>	<u>(1,639,607)</u>
Net cash generated by (used in) operating activities	<u>(13,670,331)</u>	<u>451,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(1,067,542)	(1,739,472)
Proceeds of the disposal of properties and equipment	2	-
Increase in refundable deposits	(2,671,569)	(263,788)
Decrease in refundable deposits	2,202,405	375,443
Acquisition of intangible assets	(205,869)	(136,801)
Proceeds of the disposal of collaterals assumed	-	9,550
Acquisition of collaterals assumed	-	(1,190)
Acquisition of investment properties	(927,438)	(226)
Proceeds of the disposal of investment properties	2,971	180,917
Increase in other assets	(12,108)	(11,301)
Decrease in other assets	<u>-</u>	<u>6,198</u>
Net cash used in investing activities	<u>(2,679,148)</u>	<u>(1,580,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	92,270,000	99,418,000
Decrease in commercial paper issued	(91,830,000)	(90,273,000)
Proceeds of the issuance of bank debentures	5,000,000	2,000,000
Repayments of bank debentures	(14,610,000)	(12,000,000)
Increase in other borrowings	23,025,477	24,654,750
Decrease in other borrowings	(21,387,773)	(25,178,568)
Increase in guarantee deposits received	644,037	1,141,227
Decrease in guarantee deposits received	(911,948)	(639,566)
Increase in other liabilities	6,609	12,488
Dividends paid	(9,152,028)	(8,885,463)
Changes in non-controlling interests	<u>(103,480)</u>	<u>(129,360)</u>
Net cash used in financing activities	<u>(17,049,106)</u>	<u>(9,879,492)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>881,578</u>	<u>2,041,141</u>

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (32,517,007)	\$ (8,967,658)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>106,195,547</u>	<u>119,263,205</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 73,678,540</u>	<u>\$ 110,295,547</u>
Cash and cash equivalent reconciliations:		
	<u>December 31</u>	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	\$ 57,203,098	\$ 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”	14,589,128	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”	<u>1,886,314</u>	<u>1,580,366</u>
Cash and cash equivalents, end of the year	<u>\$ 73,678,540</u>	<u>\$ 110,295,547</u>

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 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, 7 overseas sub-branches and 2 representative office as of December 31, 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 December 31, 2018 and 2017, TCFHC and its subsidiaries (the Company) had 9,140 and 8,919 employees, respectively.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by TCFHC's board of directors on March 25, 2019.

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, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies:

IFRS 9 "Financial Instruments" and related amendments

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:

Financial Assets	IAS 39		IFRS 9	
	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
Financial assets at fair value through profit or loss	Fair value through profit or loss Designated at fair value through profit or loss	52,998,895 151,235	Fair value through profit or loss	4,100,000
			Fair value through profit or loss	52,998,895
			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
Securities purchased under resell agreements	Amortized cost	1,580,366	Amortized cost	3,576,817
			Amortized cost	1,580,366

(Continued)

Financial Assets	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	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 (other financial assets, net)	95,491,494	Amortized cost	20,913,136
			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)
Add: Reclassification from accounts receivable	-	-	775,508	775,508	-	-	-	(4)
Changes of financial assets through FVTPL	53,150,130	10,454,241	779,014	64,383,385	(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	-	(5)
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	-	(5)
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	(5)
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)	-	(6)
Add: Reclassification and remeasurement from held-to-maturity financial assets, net (IAS 39)	-	500,277,280	(31,437)	500,245,843	(31,437)	-	-	(7)
Add: Reclassification and remeasurement from debt investments with no active market (IAS 39)	-	14,037,271	(5,708)	14,031,563	(5,699)	-	-	(9)
Add: Reclassification from other financial assets - due from the bank	-	13,940	-	13,940	-	-	-	(8)
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	\$ 3,602,068	\$ 877,445,017	\$ (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) Acquired loans originally classified under IAS 39 as receivables have cash flows that not solely payments of principal amounts and interest on the outstanding principal amounts, hence, they were reclassified as financial assets at fair value through profit or loss under IFRS 9. Furthermore, the amounts of allowance for possible losses of the acquired loans on January 1, 2018 was estimated by discounting future cash flows. Thus, the application of IFRS 9 on acquired loans did not impact retained earnings and other equity.

- 5) 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).
- 6) 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.
- 7) 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.
- 8) 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 December 31, 2018, the fair value of the financial assets reclassified to amortized cost and the profit or loss of the financial assets if it were not reclassified were as follows:

Reclassified at Amortized Cost	December 31, 2018
Reclassified at amortized cost from available-for-sale (IAS 39)	\$ 3,656,358
At fair value on December 31, 2018	3,569,007
Unrealized gains or losses at FVTOCI if the FVTOCI was not reclassified in the current year	(40,827)

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	<u>16,902,450</u>	<u>-</u>	<u>(692,425)</u>	<u>16,210,025</u>
	<u>27,588,707</u>	<u>-</u>	<u>(619,485)</u>	<u>26,969,222</u>
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	<u>-</u>	<u>-</u>	<u>1,012</u>	<u>1,012</u>
	<u>-</u>	<u>-</u>	<u>70,090</u>	<u>70,090</u>
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	<u>-</u>	<u>-</u>	<u>4,960</u>	<u>4,960</u>
	<u>3,304</u>	<u>-</u>	<u>36,397</u>	<u>39,701</u>
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	<u>-</u>	<u>-</u>	<u>5,708</u>	<u>5,708</u>
	<u>-</u>	<u>-</u>	<u>32,811</u>	<u>32,811</u>

(Continued)

Category of Measurement	The Amount of Allowance for Impairment under IAS 39 and the Recognition under IAS 37	Reclassifications	Remeasurements	The Amount of Allowance for Impairment under IFRS 9
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	<u>878,946</u>	<u>-</u>	<u>(295,213)</u>	<u>583,733</u>
	<u>1,426,350</u>	<u>-</u>	<u>160,586</u>	<u>1,586,936</u>
Total	<u>\$ 29,018,361</u>	<u>\$ -</u>	<u>\$ (319,601)</u>	<u>\$ 28,698,760</u> (Concluded)

- 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, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and 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.

The Company as lessor

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.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Property, plant and equipment	\$ 33,824,507	\$ (21,298)	\$ 33,803,209
Right-of-use assets	-	1,607,660	1,607,660
Other assets	<u>3,277,138</u>	<u>(92,452)</u>	<u>3,184,686</u>
Total effect on assets	<u>\$ 37,101,645</u>	<u>\$ 1,493,910</u>	<u>\$ 38,595,555</u>
Lease liabilities	\$ -	\$ 1,528,139	\$ 1,528,139
Accounts payables	51,166,336	(12,368)	51,153,968
Lease payables	<u>21,861</u>	<u>(21,861)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 51,188,197</u>	<u>\$ 1,493,910</u>	<u>\$ 52,682,107</u>
Retained earnings	\$ 22,209,318	\$ -	\$ 22,209,318
Other equity	<u>2,412,696</u>	<u>-</u>	<u>2,412,696</u>
Total effect on equity	<u>\$ 24,622,014</u>	<u>\$ -</u>	<u>\$ 24,622,014</u>

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

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

New IFRSs	Effective Date Announced by IASB (Note1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note2)
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
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note3)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

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

Basis of Consolidation

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Foreign-currency Transactions

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

2018

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

1) 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.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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:

- a) 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
 - b) 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:

- a) 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
- b) 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.

4) 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.

2017

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

1) Financial assets at FVTPL

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

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

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

2) 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.

3) 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.

4) 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.

b. 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 be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss 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.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company 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.

2017

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.

Overdue Loans

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

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

Purchase on Margin and Short Sale

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

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

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

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Security Lending

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

Investment in Associates and Joint Ventures

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

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

When the Company subscribes for additional new shares of the associate or joint ventures at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate or joint ventures. The Company

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

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

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

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

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

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

Investment Properties

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

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

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

Reinsurance Contracts

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

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

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

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

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

Properties and Equipment

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

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

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

Leasing

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

The Company as a lessor

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

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

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

The Company as a lessee

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

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets Other Than Goodwill

Separate acquisition

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

Acquisition as part of a business combination

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

Derecognition

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

Investment-linked Products

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

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

Foreclosed Collaterals

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

Provisions

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

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

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

Life policy reserve

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

Unearned premium reserve

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

Claim reserve

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

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

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

- b. Injury insurance

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

Deficiency reserve

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

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

Reserve for liability adequacy

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

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

Insurance contract with financial instrument features

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

Reserve for foreign exchange valuation

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

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

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

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

Recognition of Revenue

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.

The Company recognizes revenue from insurance contracts in accordance with IFRS 4 "Insurance Contracts". Refer to premium income for information relating to the relevant accounting policies.

Premium Income and Policy Acquisition Cost

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

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

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

Government Grants

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

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

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

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

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

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

Preferential interest deposits for employees

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

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

Termination benefits

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

Share-based Payment

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

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

Business Combination

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

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

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

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

Classification of Insurance Contracts

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

- a. Impairment losses on loans

2018

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.

2017

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

assumptions of cash flow estimation regularly to eliminate the difference between expected and actual loss.

b. Fair values of financial instruments

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

For the fair value determination of financial instruments, refer to Note 44 to the consolidated financial statements.

c. Income tax

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

d. Employment benefits

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

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

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

e. Impairment of goodwill

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

f. Impairment assessment of available-for-sale equity investment - 2017

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

g. The valuation of provision for financial guarantee contracts

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

h. Insurance liability and liability adequacy test

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 22,726,112	\$ 22,460,001
Notes and checks in clearing	21,869,459	23,198,709
Due from banks	<u>12,607,527</u>	<u>19,190,930</u>
	<u>\$ 57,203,098</u>	<u>\$ 64,849,640</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2018 and 2017 are shown in the consolidated statements of cash flows.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Reserves for deposits - account A	\$ 62,508,712	\$ 36,817,723
Reserves for deposits - account B	71,549,801	68,849,178
Reserves for deposits - community financial institutions	58,185,258	56,667,002
Reserves for deposits - foreign-currency deposits	393,676	370,594
Deposits in the Central Bank	39,200,000	39,200,000
Time deposits in the Central Bank	-	4,100,000
Negotiable certificates of deposit in the Central Bank	-	800,000
Due from the Central Bank - others	12,494,330	10,732,126
Due from the Central Bank - central government agencies' deposits	4,211,689	2,498,012
Call loans to banks	<u>15,927,586</u>	<u>49,661,195</u>
	<u>\$ 264,471,052</u>	<u>\$ 269,695,830</u>

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

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

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Commercial paper	\$ 29,672,612	\$ -
Negotiable certificates of deposit	7,049,267	-
Beneficial certificates	4,892,193	-
Corporate bonds	3,783,583	-
Bank debentures	3,015,334	-
Government bonds	2,152,749	-
Stocks	2,018,437	-
Convertible bonds	1,141,636	-
Acquired loans	491,654	-
Commercial paper contracts with reference rate	1,987	-
Convertible bonds assets swap contracts	2,101,005	-
Currency swap contracts	1,668,499	-
Futures exchange margins	282,792	-
Foreign-currency margin contracts	145,684	-
Currency option contracts - buy	12,908	-
Forward contracts	11,509	-
Interest rate swap contracts	10,784	-
Cross-currency swap contracts	<u>9,597</u>	<u>-</u>
	<u>58,462,230</u>	<u>-</u>

(Continued)

	December 31	
	2018	2017
<u>Held-for-trading financial assets</u>		
Commercial paper	\$ -	\$ 34,724,323
Corporate bonds	-	4,073,847
Negotiable certificates of deposit	-	3,946,887
Bank debentures	-	3,297,370
Stocks	-	1,748,869
Convertible bonds	-	1,108,603
Beneficial certificates	-	1,024,957
Government bonds	-	150,148
Commercial paper contracts with reference rate	-	2,699
Currency swap contracts	-	2,257,064
Futures exchange margins	-	222,072
Interest rate swap contracts	-	166,405
Forward contracts	-	116,003
Foreign-currency margin contracts	-	112,946
Cross-currency swap contracts	-	27,341
Currency option contracts - buy	-	18,306
Stock warrants	-	1,055
	<u>-</u>	<u>52,998,895</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible bond asset swap contracts	<u>-</u>	<u>151,235</u>
Financial assets at fair value through profit or loss	<u>\$ 58,462,230</u>	<u>\$ 53,150,130</u>
<u>Held-for-trading financial liabilities</u>		
Securities purchased under resell agreements - short sale	\$ 100,256	\$ -
Payable - security borrowing	50,235	114,043
Currency swap contracts	916,402	2,654,764
Interest rate swap contracts	415,939	18,677
Forward contracts	127,435	10,907
Asset swap options	17,979	47,005
Currency option contracts - sell	13,050	18,304
Cross-currency swap contracts	7,989	15,108
Stock warrants issued liabilities, net	-	4,196
Foreign-currency margin contracts	-	229
	<u>1,649,285</u>	<u>2,883,233</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 27)	<u>11,483,955</u>	<u>11,688,291</u>
Financial liabilities at fair value through profit or loss	<u>\$ 13,133,240</u>	<u>\$ 14,571,524</u> (Concluded)

As of December 31, 2018 and 2017, financial assets at fair value through profit or loss amounting to \$25,558,693 thousand and \$28,100,388 thousand, respectively, had been sold under repurchase agreements.

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

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

	December 31	
	2018	2017
Currency swap contracts	\$ 468,620,179	\$ 385,254,620
Interest rate swap contracts	15,605,012	16,987,717
Forward contracts	9,483,058	10,061,815
Currency option contracts - sell	4,299,752	4,936,507
Currency option contracts - buy	4,299,752	4,936,507
Cross-currency swap contracts	2,150,028	1,910,603
Foreign-currency margin contracts	826,095	1,555,713

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

		December 31, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of	Amounts or	
			Contracts	Paid	
				(Charged)	
Futures contracts	TAIEX Futures 201901	Sell	50	\$ 97,552	\$ 96,690
	TAIEX Futures 201902	Sell	52	100,702	100,360
	10-Year U.S. Treasury	Sell	170	624,855	635,060
	Note Futures 201903				

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

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

		December 31, 2018			
Items	Products	Open Position		Contract Amounts or Premium Paid	Fair Values
		Buy/Sell	Number of Contracts	(Charged)	
Future contracts	W.I.S.E. Yuanta/P-shares CSI 300 ETF Futures 201901	Buy	3	\$ 442	\$ 428
	Fubon SISE 100 Index ETF Futures 201901	Buy	3	235	228
	Capital SZSE SME Price Index ETF Futures 201901	Buy	1	99	95
	Evergreen Marine-Corp Stock Futures 201901	Buy	36	1,138	1,134
	Taiwan Stock Exchange Electronic Sector Index Futures 201901	Buy	10	15,364	15,390
	TAIEX Futures 201901	Buy	20	38,646	38,676
	NYMEX Crude Futures 201902	Buy	38	51,727	53,001
	SGX FTSE China A50 Index Futures 201901	Buy	45	14,235	14,392
	E-mini S&P 500 Futures 201903	Buy	4	15,069	15,389
	E-mini NASDAQ-100 Futures 201903	Buy	15	56,899	58,358
	Fubon SSE 180 ETF Futures 201901	Sell	11	2,872	2,771
	Cathay FTSE China A50 ETF Futures 201901	Sell	26	4,494	4,277
	Taiwan Stock Exchange Electronic Sector Index Futures 201901	Sell	7	10,780	10,773
	Taiwan Stock Exchange Finance Sector Index Futures 201901	Sell	6	7,062	7,072
	TAIEX Futures 201901	Sell	6	11,557	11,603
	CUB ELECPARTS INC. Stock Futures 201901	Sell	7	3,408	3,353
	Brent Crude Oil Futures Contract 201903	Sell	2	3,474	3,305
	NYMEX Crude Futures 201902	Sell	7	9,746	9,763
	US Dollar Index Futures 201903	Sell	12	35,637	35,286
	E-mini S&P 500 Futures 201903	Sell	4	15,323	15,389
	Gold Futures 201902	Sell	5	19,287	19,678

(Continued)

December 31, 2018					
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of	Amounts or	
				Contracts	
				(Charged)	
	HG Copper Futures 201903	Sell	5	\$ 10,576	\$ 10,102
	Nifty 50 Index Futures 201901	Sell	18	11,995	12,077
	Soybean Futures 201903	Sell	17	23,961	23,366
	2-Year U.S. Treasury Note Futures 201903	Sell	142	920,030	926,007
	Ultra U.S. Treasury Bond Futures 201903	Sell	2	9,651	9,869
	VX-Cboe Volatility Index Futures 201901	Sell	38	29,229	28,216
	VX-Cboe Volatility Index Futures 201902	Sell	24	16,964	16,420
	E-mini Dow Index Futures 201903	Sell	9	30,974	32,161
	Japanese Yen Futures 201903	Sell	3	10,385	10,563
	SGX Nikkei 225 Index Future 201903	Sell	3	8,852	8,319
	H-shares Index Futures 201901	Sell	4	7,988	7,922
					(Concluded)

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

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

(Concluded)

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

	December 31	
	2018	2017
Asset swap contracts	\$ 223,400	\$ 408,500

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

	December 31	
	2018	2017
Currency swap contracts	\$ 421,807	\$ 792,669
Interest rate swap contracts	75,200,000	28,490,000

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
Stock warrants issued liabilities	\$ 333,058
Losses on changes in fair value of stock warrants issued liabilities	<u>(34,404)</u>
	298,654
Repurchase of stock warrants issued liabilities	313,427
Gains on changes in fair value of repurchased of stock warrants issued liabilities	<u>(18,969)</u>
	<u>294,458</u>
Stock warrants liabilities, net	<u>\$ 4,196</u>

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

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

	December 31	
	2018	2017
Currency swap contracts	\$ 12,976,054	\$ 13,736,581
Cross-currency swap contracts	-	593,600

BPCTLI has applied IFRS 9 since 2018, and choose to apply IFRS 4 “Insurance Contracts” the overlay approach to recognize in profit or loss. The financial assets designated for the overlay approach were as follows:

	December 31, 2018
<u>Financial assets at FVTPL</u>	
Beneficial securities	\$ 4,292,643
Stocks	550,978

From January 1 to December 31, 2018, for the financial assets designated for the overlay approach, the amount reclassified between profit or loss and other comprehensive income were as follows:

	December 31, 2018
Profit or loss on application of IFRS 9	\$ (39,652)
Less: Profit or loss from application of IAS 39	<u>341,563</u>
Gain or loss on reclassification by overlay approach	<u>\$ (381,215)</u>

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

	December 31, 2017
Government bonds	\$ 112,677,620
Corporate bonds	43,359,712
Bank debentures	37,111,531
Stocks	5,371,870
Beneficial certificates	<u>4,798,725</u>
	<u>\$ 203,319,458</u>

As of December 31, 2017, available-for-sale financial assets amounting to \$13,460,652 thousand had been sold under repurchase agreements.

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

	December 31, 2018
<u>Investment in equity instruments at FVTOCI</u>	
Listed shares and emerging market shares	\$ 7,026,779
Unlisted shares	<u>4,373,477</u>
	<u>11,400,256</u>
<u>Investments in debt instruments at FVTOCI</u>	
Government bonds	141,610,607
Corporate bonds	100,828,618
Bank debentures	<u>58,053,281</u>
	<u>300,492,506</u>
	<u>\$ 311,892,762</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes or for receiving dividends. 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 as of for the year ended December 31, 2018. The accumulated unrealized loss of financial assets at FVTOCI under other equity in the amount of \$337,291 thousand has been transferred to retained earnings.

As of December 31, 2018, the Company recognized dividends revenue \$664,050 thousand, also derecognized amounts related to investments \$162,357 thousand, compared with the amounts holding on December 31, 2018 were \$501,693 thousand.

As of December 31, 2018, allowance for possible losses of investment in debt instruments at FVTOCI recognized \$93,772 thousand through expected credit loss. Impairment loss recognized in profit or loss in 2018 was \$11,268 thousand.

As of December 31, 2018, financial assets at fair value through other comprehensive income amounting to \$18,985,764 thousand had been sold under repurchase agreements.

11. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	December 31, 2018
Negotiable certificates of deposit in the Central Bank	\$ 400,180,000
Government bonds	100,069,300
Corporate bonds	38,112,575
Bank debentures	19,807,229
Certificates of deposit	<u>385,836</u>
	558,554,940
Less: Allowance for impairment loss	<u>49,056</u>
	<u><u>\$ 558,505,884</u></u>

Impairment loss recognized in profit or loss in 2018 was \$3,412 thousand.

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,886,314 thousand and \$1,580,366 thousand under resell agreements as of December 31, 2018 and 2017, respectively, will subsequently be sold for \$1,886,999 thousand and \$1,582,469 thousand, respectively.

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

13. RECEIVABLES, NET

	December 31	
	2018	2017
Accrued interest	\$ 9,618,041	\$ 8,285,700
Margin loans receivable	3,955,680	5,698,466
Credit cards	3,654,314	3,214,061
Acceptances	3,533,576	4,119,715
Lease payment receivable	2,320,061	2,001,316
Settlement consideration	1,979,845	2,603,792
Settlement receivable	1,499,851	1,908,602
Receivable on securities	1,222,451	739,905
Receivables on lending funds	1,081,279	968,704
Receivables on merchant accounts in the credit card business	832,720	1,031,825
Accounts receivable	538,258	463,241
Credits receivable	459,866	463,578
Accounts receivable factored without recourse	456,346	1,843,856
Receivable - separated account	155,950	516,778
Refundable deposits receivable in leasehold agreements	183,993	183,993
Acquired loans	-	1,361,411
Others	<u>772,654</u>	<u>528,340</u>
	32,264,885	35,933,283
Less: Allowance for possible losses	817,010	1,433,695
Less: Unrealized interest revenue	<u>155,070</u>	<u>139,285</u>
	<u>\$ 31,292,805</u>	<u>\$ 34,360,303</u>

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

The 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	(18,479)	18,643	(164)	-
Credit-impaired financial assets	(9,738)	(7,192)	16,930	-
12-month ECL	13,661	(13,263)	(398)	-
New financial assets purchased or originated	45,371,893	128,368	175,648	45,675,909
Write-offs	-	-	(67,856)	(67,856)
Derecognition of financial assets in the current reporting period	(48,307,278)	(134,812)	(154,783)	(48,596,873)
Change in exchange rates and other changes	<u>1,112,842</u>	<u>1</u>	<u>34</u>	<u>1,112,877</u>
Balance at December 31, 2018	<u>\$ 20,357,759</u>	<u>\$ 44,951</u>	<u>\$ 154,180</u>	<u>\$ 20,556,890</u>

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	(408)	425	(17)	-	-	-
Credit-impaired financial assets	(251)	(639)	890	-	-	-
12-month ECL	2,484	(2,431)	(53)	-	-	-
Derecognition of financial assets in the current reporting period	(47,168)	(47,458)	(101,085)	(195,711)	-	(195,711)
Reversal from financial instruments recognized at the beginning of the current reporting period	76,055	5,141	41,943	123,139	-	123,139
New financial assets purchased or originated	49,155	43,552	38,543	131,250	-	131,250
Difference of impairment loss under regulations	-	-	-	-	8,398	8,398
Write-offs	-	-	(67,856)	(67,856)	-	(67,856)
Recovery of written-off receivables	-	-	68,020	68,020	-	68,020
Change in exchange rates and other changes	(79,204)	1	(5,679)	(84,882)	-	(84,882)
Balance at December 31, 2018	<u>\$ 47,086</u>	<u>\$ 11,458</u>	<u>\$ 36,154</u>	<u>\$ 94,698</u>	<u>\$ 105,414</u>	<u>\$ 200,112</u>

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 December 31, 2018, the amounts of impairment assessment of receivables and allowance for possible losses were \$11,707,995 thousand and \$616,898 thousand, respectively.

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

	December 31, 2018
Balance, January 1	\$ 601,913
Provision for possible losses	8,217
Recovery of written-off receivables	7,469
Effects of exchange rate changes	<u>(701)</u>
Balance, December 31	<u>\$ 616,898</u>

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

Items	December 31, 2017	
	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 1,417,185
	Assessment of collective impairment	116,033
With no objective evidence of impairment	Assessment of collective impairment	34,400,044
		562,873
Total		35,933,262
		1,433,695

The changes in allowance for possible losses are summarized below:

	December 31, 2017
Balance, January 1	\$ 1,618,858
Provision for possible losses	335,485
Write-offs	(563,160)
Recovery of written-off receivables	46,341
Effects of exchange rate changes	<u>(3,829)</u>
Balance, December 31	<u>\$ 1,433,695</u>

14. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Bills discounted	\$ 2,342,530	\$ 1,446,384
Overdraft		
Unsecured	116,491	136,988
Secured	67,220	63,885
Import and export negotiations	480,986	663,775
Short-term loans		
Unsecured	270,175,609	250,074,255
Accounts receivable financing	599,595	869,022
Secured	203,826,944	190,622,135
Medium-term loans		
Unsecured	305,619,561	304,022,529
Secured	291,276,124	299,685,728
Long-term loans		
Unsecured	27,650,364	27,915,371
Secured	979,349,185	946,289,312
Overdue loans	5,056,933	6,075,410
Life insurance loan	747,084	611,957
Temporary insurance paid	<u>41,042</u>	<u>25,987</u>
	2,087,349,668	2,028,502,738
Less: Allowance for possible losses	26,398,310	25,196,604
Less: Adjustment of discount	<u>463,549</u>	<u>422,586</u>
	<u>\$ 2,060,487,809</u>	<u>\$ 2,002,883,548</u>

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	(2,056,359)	2,108,509	(52,150)	-
Credit-impaired financial assets	(8,162,762)	(1,407,495)	9,570,257	-
12-month ECL	3,788,022	(3,577,292)	(210,730)	-
New financial assets purchased or originated	876,122,377	294,010	3,954,613	880,371,000
Write-offs	(319,050)	(148,252)	(3,641,155)	(4,108,457)
Derecognition of financial assets in the current reporting period	(813,770,824)	(903,980)	(7,434,652)	(822,109,456)
Change in exchanges and other changes	<u>4,724,947</u>	<u>(24,848)</u>	<u>(6,256)</u>	<u>4,693,843</u>
Balance at December 31, 2018	<u>\$ 2,051,978,195</u>	<u>\$ 2,960,372</u>	<u>\$ 32,411,101</u>	<u>\$ 2,087,349,668</u>

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	(1,322)	6,765	(5,443)	-	-	-
Credit-impaired financial assets	(92,599)	(8,114)	100,713	-	-	-
12-month ECL	41,052	(21,841)	(19,211)	-	-	-
Derecognition of financial assets in the current reporting period	(1,893,794)	(3,003)	(1,606,715)	(3,503,512)	-	(3,503,512)
Reversal from financial instruments recognized at the beginning of the current reporting period	211,204	144,565	2,356,094	2,711,863	-	2,711,863
New financial assets purchased or originated	2,368,976	1,694	738,311	3,108,981	-	3,108,981
Difference of impairment loss under regulations	-	-	-	-	1,920,076	1,920,076
Write-offs	(319,050)	(148,252)	(3,641,155)	(4,108,457)	-	(4,108,457)
Recovery of write-off credits	-	-	983,259	983,259	-	983,259
Change in exchange rates and other changes	<u>104,786</u>	<u>199</u>	<u>(10,032)</u>	<u>94,953</u>	<u>-</u>	<u>94,953</u>
Balance at December 31, 2018	<u>\$ 3,785,613</u>	<u>\$ 9,005</u>	<u>\$ 4,570,540</u>	<u>\$ 8,365,158</u>	<u>\$ 18,033,152</u>	<u>\$ 26,398,310</u>

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

Items		December 31, 2017	
		Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 19,302,813	\$ 3,832,312
	Assessment of collective impairment	11,295,185	1,910,062
With no objective evidence of impairment	Assessment of collective impairment	1,997,904,740	19,454,230
Total		2,028,502,738	25,196,604

The changes in allowance for possible losses are summarized below:

	December 31, 2017
Balance, January 1	\$ 23,554,791
Provision for possible losses	4,055,440
Write-offs	(3,569,009)
Recovery of written-off credits	1,398,189
Effects of exchange rate changes	<u>(242,807)</u>
Balance, December 31	<u>\$ 25,196,604</u>

The bad-debt expenses and provision for losses on commitment and guarantees as of December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Provision for possible losses on discounts and loans	\$ 4,237,408	\$ 4,055,440
Provision for possible losses on receivables	75,293	335,485
Provision for possible losses on overdue receivables	37,584	818,853
Provision (reversal of provision) for possible losses on guarantees	(1,464)	11,152
Reversal of provision for possible losses on loan commitment	(3,707)	-
Provision for possible losses on others	<u>10,144</u>	<u>-</u>
	<u>\$ 4,355,258</u>	<u>\$ 5,220,930</u>

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

As of December 31, 2018 and 2017, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$119,914 thousand and \$138,512 thousand for the year ended December 31, 2018 and 2017, respectively, based on the average loan interest rate for the year.

15. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Negotiable certificates of deposit in the Central Bank	\$ 402,675,000
Government bonds	76,495,807
Corporate bonds	30,841,989
Bank debentures	5,902,331
Certificates of deposit	<u>276,024</u>
	<u>\$ 516,191,151</u>

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

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2018		2017	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>				
United Real Estate Management Co., Ltd.	\$ <u>127,094</u>	30.00	\$ <u>124,346</u>	30.00

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Net income	\$ 11,346	\$ 4,998
Other comprehensive income	<u>(3,034)</u>	<u>4,036</u>
Total comprehensive income for the year	<u>\$ 8,312</u>	<u>\$ 9,034</u>

The Company received \$5,564 thousand and \$6,069 thousand dividends from United Real Estate Management Co., Ltd. for the years ended December 31, 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 years ended December 31, 2018 and 2017 were based on the associate's financial statements audited by the auditors for the same years.

17. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Overdue receivables	\$ 142,683	\$ 987,653
Less: Allowance for possible losses	<u>108,532</u>	<u>958,408</u>
Overdue receivables, net	34,151	29,245
Due from banks	18,980,261	21,313,136
Security borrowing margin	98,575	214,778
Debt instruments with no active market, net	-	92,388,831
Financial assets carried at cost	-	4,279,439
Separate-account assets (Note 31)	<u>91,245,818</u>	<u>95,247,471</u>
	<u>\$ 110,358,805</u>	<u>\$ 213,472,900</u>

Debt instruments with no active market are summarized as follows:

	December 31, 2017
Corporate bonds	\$ 75,664,544
Bank debentures	<u>16,724,287</u>
	<u>\$ 92,388,831</u>

Financial assets carried at cost are summarized as follows:

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

The above equity investments held by the Company on December 31, 2017 were measured at cost less impairment loss in accordance with IAS 39. The Company evaluated its financial assets carried at cost and recognized an impairment loss of \$726 thousand for the ended December 31, 2017, because of the operating loss of some of the investee companies.

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

18. INVESTMENT PROPERTIES, NET

	<u>December 31</u>		
		<u>2018</u>	<u>2017</u>
Land		\$ 7,207,192	\$ 6,532,839
Buildings		<u>2,289,347</u>	<u>1,893,865</u>
		<u>\$ 9,496,539</u>	<u>\$ 8,426,704</u>
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2018	\$ 6,532,839	\$ 2,610,676	\$ 9,143,515
Additions	501,850	425,588	927,438
Disposals	(1,451)	(530)	(1,981)
Transferred from properties and equipment	<u>173,954</u>	<u>71,083</u>	<u>245,037</u>
Balance, December 31, 2018	<u>\$ 7,207,192</u>	<u>\$ 3,106,817</u>	<u>\$ 10,314,009</u>
Balance, January 1, 2017	\$ 2,864,226	\$ 1,360,753	\$ 4,224,979
Additions	-	226	226
Disposals	(92,390)	(73,098)	(165,488)
Transferred from properties and equipment	<u>3,761,003</u>	<u>1,322,795</u>	<u>5,083,798</u>
Balance, December 31, 2017	<u>\$ 6,532,839</u>	<u>\$ 2,610,676</u>	<u>\$ 9,143,515</u>

(Continued)

	Land	Buildings	Total
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2018	\$ -	\$ 716,811	\$ 716,811
Disposals	-	(166)	(166)
Depreciation expenses	-	68,783	68,783
Transferred from properties and equipment	<u>-</u>	<u>32,042</u>	<u>32,042</u>
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ 817,470</u>	<u>\$ 817,470</u>
Balance, January 1, 2017	\$ -	\$ 485,195	\$ 485,195
Disposals	-	(774)	(774)
Depreciation expenses	-	39,081	39,081
Transferred from properties and equipment	<u>-</u>	<u>193,309</u>	<u>193,309</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 716,811</u>	<u>\$ 716,811</u>

(Concluded)

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, 2018 and 2017, the fair value of investment properties was \$24,204,429 thousand and \$23,487,950 thousand, respectively. The fair value was determined through calculations using the market value method and estimates based on market quotes.

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Rental income from investment properties (part of other noninterest gains, net)	\$ 407,846	\$ 198,088
Direct operating expenses for investment properties that generate rental income	<u>(132,773)</u>	<u>(80,368)</u>
	<u>\$ 275,073</u>	<u>\$ 117,720</u>

19. PROPERTIES AND EQUIPMENT, NET

	<u>December 31</u>	
	2018	2017
<u>Carrying amount</u>		
Land	\$ 20,933,668	\$ 21,107,531
Buildings	11,662,068	11,896,115
Machinery and equipment	440,852	581,097
Transportation equipment	79,383	95,126
Other equipment	233,601	181,053
Leasehold improvements	137,003	111,016
Leased assets	21,298	11,604
Prepayments for equipment, land and buildings and construction in progress	<u>316,634</u>	<u>112,527</u>
	<u>\$ 33,824,507</u>	<u>\$ 34,096,069</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
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	-	440,525	86,037	14,757	82,542	68,926	12,773	361,982	1,067,542
Disposals	-	-	(434,647)	(39,605)	(82,384)	(30,378)	-	-	(587,014)
Reclassification	-	18,095	60,697	-	47,076	9,544	-	(135,534)	(122)
Transferred to investment properties	(173,954)	(71,016)	-	-	-	-	-	(67)	(245,037)
Transferred to intangible assets	-	-	-	-	-	-	-	(22,302)	(22,302)
Effects of exchange rate changes	91	190	2,920	295	917	846	-	28	5,287
Balance, December 31, 2018	<u>\$ 20,948,845</u>	<u>\$ 19,063,052</u>	<u>\$ 4,307,593</u>	<u>\$ 623,596</u>	<u>\$ 1,360,114</u>	<u>\$ 953,168</u>	<u>\$ 26,125</u>	<u>\$ 316,634</u>	<u>\$ 47,599,127</u>
Balance, January 1, 2017	\$ 24,345,850	\$ 14,414,368	\$ 4,824,702	\$ 636,297	\$ 1,308,670	\$ 919,115	\$ -	\$ 4,874,792	\$ 51,323,794
Additions	98,254	145,607	122,891	29,325	73,826	37,223	13,352	1,218,994	1,739,472
Disposals	-	(8,672)	(395,536)	(16,225)	(73,348)	(39,923)	-	-	(533,704)
Reclassification	-	5,120,506	49,857	165	5,775	572	-	(5,193,604)	(16,729)
Transferred to investment properties	(3,321,179)	(996,091)	-	-	-	-	-	(766,528)	(5,083,798)
Transferred to intangible assets	-	-	-	-	-	-	-	(21,127)	(21,127)
Effects of exchange rate changes	(217)	(460)	(9,328)	(1,413)	(2,960)	(12,757)	-	-	(27,135)
Balance, December 31, 2017	<u>\$ 21,122,708</u>	<u>\$ 18,675,258</u>	<u>\$ 4,592,586</u>	<u>\$ 648,149</u>	<u>\$ 1,311,963</u>	<u>\$ 904,230</u>	<u>\$ 13,352</u>	<u>\$ 112,527</u>	<u>\$ 47,380,773</u>
Accumulated depreciation and impairment									
Balance, January 1, 2017	\$ 15,177	\$ 6,779,143	\$ 4,011,489	\$ 553,023	\$ 1,130,910	\$ 793,214	\$ 1,748	\$ -	\$ 13,284,704
Disposals	-	-	(432,685)	(39,602)	(82,252)	(28,683)	-	-	(583,222)
Depreciation expenses	-	653,734	285,396	30,634	77,161	51,012	3,079	-	1,101,016
Transferred to investment properties	-	(32,042)	-	-	-	-	-	-	(32,042)
Effects of exchange rate changes	-	149	2,541	158	694	622	-	-	4,164
Balance, December 31, 2017	<u>\$ 15,177</u>	<u>\$ 7,400,984</u>	<u>\$ 3,866,741</u>	<u>\$ 544,213</u>	<u>\$ 1,126,513</u>	<u>\$ 816,165</u>	<u>\$ 4,827</u>	<u>\$ -</u>	<u>\$ 13,774,620</u>
Balance, January 1, 2018	\$ 15,177	\$ 6,550,345	\$ 4,068,785	\$ 537,914	\$ 1,143,503	\$ 775,067	\$ -	\$ -	\$ 13,090,791
Disposals	-	(8,435)	(394,196)	(16,207)	(73,120)	(39,923)	-	-	(531,881)
Depreciation expenses	-	430,863	346,323	33,499	61,251	61,215	1,748	-	934,899
Transferred to investment properties	-	(193,309)	-	-	-	-	-	-	(193,309)
Effects of exchange rate changes	-	(321)	(9,423)	(2,183)	(724)	(3,145)	-	-	(15,796)
Balance, December 31, 2018	<u>\$ 15,177</u>	<u>\$ 6,779,143</u>	<u>\$ 4,011,489</u>	<u>\$ 553,023</u>	<u>\$ 1,130,910</u>	<u>\$ 793,214</u>	<u>\$ 1,748</u>	<u>\$ -</u>	<u>\$ 13,284,704</u>

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As December 31, 2018, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.

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

Buildings

Main buildings 37 to 50 years
Equipment installed in buildings 10 to 15 years

Machinery and equipment 3 to 10 years

Transportation equipment 4 to 10 years

Other equipment 2 to 20 years

Leasehold Improvements 2 to 10 years

Leased Assets 7 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 the properties and equipment. The discount rates for the CGUs' value in use were 8.69% and 9.34% as of December 31, 2018 and 2017, respectively.

20. INTANGIBLE ASSETS

	December 31		
		2018	2017
Goodwill		\$ 3,170,005	\$ 3,170,005
Computer software		<u>461,030</u>	<u>418,485</u>
		<u>\$ 3,631,035</u>	<u>\$ 3,588,490</u>
		Computer Software	Total
	Goodwill		
Balance, January 1, 2018	\$ 3,170,005	\$ 418,485	\$ 3,588,490
Separate acquisition	-	205,869	205,869
Amortization expenses	-	(169,447)	(169,447)
Transferred from properties and equipment	-	22,302	22,302
Effect of exchange rate changes	<u>-</u>	<u>(16,179)</u>	<u>(16,179)</u>
Balance, December 31, 2018	<u>\$ 3,170,005</u>	<u>\$ 461,030</u>	<u>\$ 3,631,035</u>
Balance, January 1, 2017	\$ 3,170,005	\$ 446,838	\$ 3,616,843
Separate acquisition	-	136,801	136,801
Amortization expenses	-	(184,474)	(184,474)
Transferred from properties and equipment	-	21,127	21,127
Effect of exchange rate changes	<u>-</u>	<u>(1,807)</u>	<u>(1,807)</u>
Balance, December 31, 2017	<u>\$ 3,170,005</u>	<u>\$ 418,485</u>	<u>\$ 3,588,490</u>

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

In testing assets for impairment, the Bank defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for the goodwill impairment test. The discount rates for the CGUs' value in use were 8.69% and 9.34% as of December 31, 2018 and 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 December 31, 2018 and 2017.

21. OTHER ASSETS, NET

	December 31	
	2018	2017
Refundable deposits	\$ 1,862,013	\$ 1,351,040
Operating deposits and settlement funds	699,596	656,122
Prepaid expenses	339,299	290,452
Collaterals assumed, net	255,144	255,144
Others	<u>121,086</u>	<u>165,943</u>
	<u>\$ 3,277,138</u>	<u>\$ 2,718,701</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Due to banks	\$ 138,794,751	\$ 123,644,372
Call loans from banks	84,072,185	94,450,481
Bank overdraft	1,569,412	5,355,483
Deposits from Chunghwa Post Co., Ltd.	1,474,134	3,920,100
Due to the Central Bank	<u>354,324</u>	<u>426,995</u>
	<u>\$ 226,264,806</u>	<u>\$ 227,797,431</u>

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$44,369,293 thousand and \$42,299,838 thousand under repurchase agreements as of December 31, 2018 and 2017, respectively, would subsequently be purchased for \$44,391,054 thousand and \$42,313,248 thousand, respectively.

24. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$26,110,000 thousand and \$25,670,000 thousand and the annual discount rates were from 0.658% to 1.088% and from 0.518% to 0.878% as of December 31, 2018 and 2017, respectively, and the commercial paper will mature by March 5, 2019 and March 5, 2018, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of December 31, 2018, the Company had not used the amount of \$54,481,558 thousand, the sum of the amount of the commercial paper issued and the credit.

25. PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Checks for clearing	\$ 21,869,459	\$ 23,198,709
Accrued expenses	5,316,528	4,907,434
Accrued interest	5,390,930	4,400,473
Collections payable	4,382,105	4,250,682
Acceptances	3,678,990	4,147,242
Payable on securities	2,239,059	143,746
Settlement consideration	1,666,905	2,161,587
Settlement payable	1,605,380	2,225,066
Collections of notes and checks for various financial institutions in other cities	733,967	627,378
Tax payable	493,974	515,888
Payables on notes and checks collected for others	368,090	257,935
Payables for short-sale transactions	339,992	353,844
Deposits on short-sale transactions	313,676	326,490
Dividends payable	305,577	274,604
Insurance claims and benefits payable	206,161	83,934
Factored accounts payable	125,071	107,321
Others	<u>2,130,472</u>	<u>3,350,339</u>
	<u>\$ 51,166,336</u>	<u>\$ 51,332,672</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	\$ 48,864,458	\$ 46,902,524
Demand	512,077,364	525,366,293
Savings - demand	839,919,122	805,892,649
Time	556,156,837	490,573,073
Negotiable certificates of deposit	48,351,856	12,392,500
Savings - time	628,015,834	647,817,790
Treasury	92,894,432	93,750,404
Remittances	<u>194,446</u>	<u>845,343</u>
	<u>\$ 2,726,474,349</u>	<u>\$ 2,623,540,576</u>

27. BONDS PAYABLE

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

	December 31	
	2018	2017
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
First subordinated bonds in 2011, Type B: Fixed rate of 1.65%; maturity - May 25, 2018	\$ -	\$ 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
Second subordinated bonds in 2011, Type B: Fixed rate of 1.70%; maturity - July 28, 2018	-	3,410,000
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	11,650,000	11,650,000
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	1,000,000	1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	4,000,000	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	3,500,000	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	900,000	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000

	December 31	
	2018	2017
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	\$ 2,700,000	\$ 2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000
First non-cumulative perpetual subordinated bonds in 2018: Fixed rate of 2.28%; TCB may exercise its redemption rights after 5 years and 2 months	<u>5,000,000</u>	-
	<u>\$ 55,000,000</u>	<u>\$ 64,610,000</u> (Concluded)

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

	December 31	
	2018	2017
Unsecured bank debentures bonds issued in 2015, Type A	\$ 8,613,482	\$ 8,766,846
Unsecured bank debentures bonds issued in 2015, Type B	<u>2,870,473</u>	<u>2,921,445</u>
	<u>\$ 11,483,955</u>	<u>\$ 11,688,291</u>

28. OTHER BORROWINGS

	December 31			
	2018		2017	
	Amount	Rate (%)	Amount	Rate (%)
Short-term borrowings (Note 24)	<u>\$ 2,425,405</u>	0.860-5.938	<u>\$ 800,027</u>	0.870-5.438

29. PROVISIONS

	December 31	
	2018	2017
Reserve for life insurance liabilities	\$ 29,414,070	\$ 30,664,563
Reserve for insurance contracts with financial instrument features	10,434,066	11,238,116
Provision for employee benefits	6,864,774	6,735,769
Provision for losses on guarantees	1,425,121	1,426,350
Provision for losses on loan commitment	142,335	-
Provision for losses on others	26,721	-
Other provision for losses on insurance	<u>523,746</u>	<u>399,697</u>
	<u>\$ 48,830,833</u>	<u>\$ 50,464,495</u>

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

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,761,660	\$ 6,195,170	\$ 17,956,830
Health insurance	484,010	-	484,010
Annuity insurance	-	10,901,113	10,901,113
Investment insurance	<u>71,886</u>	<u>-</u>	<u>71,886</u>
	12,317,556	17,096,283	29,413,839
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,317,556</u>	<u>\$ 17,096,283</u>	<u>\$ 29,413,839</u>
	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,016,350	\$ 7,255,847	\$ 18,272,197
Health insurance	373,446	-	373,446
Annuity insurance	-	11,956,092	11,956,092
Investment insurance	<u>62,828</u>	<u>-</u>	<u>62,828</u>
	11,452,624	19,211,939	30,664,563
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,452,624</u>	<u>\$ 19,211,939</u>	<u>\$ 30,664,563</u>

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

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	\$ 11,452,624	\$ 19,211,939	\$ 30,664,563
Provision	1,972,377	407,107	2,379,484
Recovery	(1,107,445)	(2,522,763)	(3,630,208)
Ending balance	12,317,556	17,096,283	29,413,839
Less: Ceded life insurance liability reserve	-	-	-
Balance, December 31	<u>\$ 12,317,556</u>	<u>\$ 17,096,283</u>	<u>\$ 29,413,839</u>

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

As of December 31, 2018, total life policy reserve carrying amounts (including reserve of policyholders payables) of \$29,414,070 thousand.

b. Details of liability adequacy reserves are as follows:

	Insurance Contract and Financial Instruments with Discretionary Participation Features	
	December 31	
	2018	2017
Life policy reserve	\$ 29,413,839	\$ 30,664,563
Unearned premium reserve	233,941	182,508
Deficiency reserve	6,289	24,456
Claims reserve	<u>44,076</u>	<u>43,213</u>
Book value of insurance reserve	<u>\$ 29,698,145</u>	<u>\$ 30,914,740</u>
Present value of discounted cash flows	<u>\$ 26,008,338</u>	<u>\$ 27,550,841</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

December 31, 2018 and 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:

	December 31	
	2018	2017
Life insurance	<u>\$ 10,434,066</u>	<u>\$ 11,238,116</u>
	For the Year Ended December 31	
	2018	2017
Balance, January 1	\$ 11,238,116	\$ 11,511,953
Insurance claim payments for the year	(958,507)	(458,343)
Reserve for insurance contract with financial instrument features	<u>154,457</u>	<u>184,506</u>
Balance, December 31	<u>\$ 10,434,066</u>	<u>\$ 11,238,116</u>

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve of foreign exchange variation

	For the Year Ended December 31	
	2018	2017
Balance, January 1	<u>\$ 149,520</u>	<u>\$ 145,987</u>
Provisions		
Compulsory provisions	9,042	8,263
Additional provisions	<u>108,482</u>	<u>67,552</u>
	<u>117,524</u>	<u>75,815</u>
Recovery	<u>(27,604)</u>	<u>(72,282)</u>
Balance, December 31	<u>\$ 239,440</u>	<u>\$ 149,520</u>

3) Impact of the reserve of foreign exchange variation

For the year ended December 31, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 16,088,190	\$ 16,016,254	\$ (71,936)
Earnings per share (NT\$)	1.25	1.24	(0.01)
Reserve of foreign exchange variation	-	239,440	239,440
Equity	212,641,513	212,474,009	(167,504)

For the year ended December 31, 2017

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 14,715,017	\$ 14,712,085	\$ (2,932)
Earnings per share (NT\$)	1.14	1.14	-
Reserve of foreign exchange variation	-	149,520	149,520
Equity	205,645,215	205,496,296	(148,919)

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

	For the Year Ended December 31	
	2018	2017
Life policy reserve, net of release	\$ (1,250,724)	\$ 110,055
Reserve for insurance contract with financial instrument features, net of release	154,457	184,506
Others, net of release	<u>117,990</u>	<u>45,712</u>
	<u>\$ (978,277)</u>	<u>\$ 340,273</u>

f. Provisions for employee benefits are summarized below:

	December 31	
	2018	2017
Net defined benefit liabilities	\$ 2,822,786	\$ 2,727,448
Present value of retired employees' preferential interest deposit obligation	<u>4,041,988</u>	<u>4,008,321</u>
	<u>\$ 6,864,774</u>	<u>\$ 6,735,769</u>

- g. The changes in the provision for losses on guarantees, provision for losses on loan commitment and provision for losses on others 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	(25)	25	-	-	-	-
Credit-impaired financial assets	(89)	-	89	-	-	-
12-month ECL	-	-	-	-	-	-
Derecognition of financial assets in the current reporting period	(174,552)	(2,605)	(18,886)	(196,043)	-	(196,043)
Reversal from financial instruments recognized at the beginning of the current reporting period	(23,107)	(84,691)	7,380	(100,418)	-	(100,418)
New financial assets purchased or originated	241,095	-	15	241,110	-	241,110
Difference of impairment loss under regulations	-	-	-	-	60,324	60,324
Change in exchange rates and other changes	2,275	(7)	-	2,268	-	2,268
Balance at December 31, 2018	<u>\$ 713,131</u>	<u>\$ 207,387</u>	<u>\$ 18,827</u>	<u>\$ 939,345</u>	<u>\$ 654,832</u>	<u>\$ 1,594,177</u>

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

	For the Year Ended December 31, 2017
Balance, January 1	\$ 1,415,708
Provision for losses on guarantees	11,152
Effects of exchange rate changes	<u>(510)</u>
Balance, December 31	<u>\$ 1,426,350</u>

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 \$188,727 thousand and \$167,672 thousand in the consolidated statement of comprehensive income in 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. The Company contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy. Pension contributions are deposited in the Company of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 13,182,777	\$ 12,736,738
Fair value of plan assets	<u>(10,365,506)</u>	<u>(10,014,951)</u>
Deficit	2,817,271	2,721,787
Net defined benefit asset (part of other assets)	<u>5,515</u>	<u>5,661</u>
Net defined benefit liability (part of provisions)	<u>\$ 2,822,786</u>	<u>\$ 2,727,448</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	\$ <u>12,376,091</u>	\$ <u>(9,850,773)</u>	\$ <u>2,525,318</u>
Service cost			
Current service cost	820,345	-	820,345
Net interest expense (income)	<u>148,279</u>	<u>(120,844)</u>	<u>27,435</u>
Recognized in profit or loss	<u>968,624</u>	<u>(120,844)</u>	<u>847,780</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	26,718	26,718
Actuarial loss - changes in financial assumptions	256,438	-	256,438
Actuarial loss - experience adjustments	<u>66,508</u>	-	<u>66,508</u>
Recognized in other comprehensive income	<u>322,946</u>	<u>26,718</u>	<u>349,664</u>
Contributions from the employer	-	(1,000,975)	(1,000,975)
Benefits paid	<u>(930,923)</u>	<u>930,923</u>	<u>-</u>
Balance at December 31, 2017	<u>12,736,738</u>	<u>(10,014,951)</u>	<u>2,721,787</u>
Service cost			
Current service cost	790,653	-	790,653
Net interest expense (income)	<u>134,682</u>	<u>(109,202)</u>	<u>25,480</u>
Recognized in profit or loss	<u>925,335</u>	<u>(109,202)</u>	<u>816,133</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (295,053)	\$ (295,053)
Actuarial loss - changes in financial assumptions	130,709	-	130,709
Actuarial loss - experience adjustments	<u>441,733</u>	<u>-</u>	<u>441,733</u>
Recognized in other comprehensive income	572,442	(295,053)	277,389
Contributions from the employer	-	(998,038)	(998,038)
Benefits paid	<u>(1,051,738)</u>	<u>1,051,738</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 13,182,777</u>	<u>\$ (10,365,506)</u>	<u>\$ 2,817,271</u> (Concluded)

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

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

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

	December 31	
	2018	2017
Discount rate(s)	1.00%-1.10%	1.10%
Expected rate(s) of salary increase	2.00%	2.00%
Expected rate(s) of return on plan asset	1.00%-1.10%	1.10%

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

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (321,705)</u>	<u>\$ (319,331)</u>
0.25% decrease	<u>\$ 333,988</u>	<u>\$ 331,855</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 315,686</u>	<u>\$ 314,425</u>
0.25% decrease	<u>\$ (305,895)</u>	<u>\$ (304,358)</u>

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

As of December 31, 2018 and 2017, the expected contributions to the plan for the next year were \$1,000,000 thousand and \$987,973 thousand, respectively. As of December 31, 2018 and 2017, the average duration of defined benefit obligation were 10.01 to 12.59 years and 10.29 to 11.25 years, respectively.

c. Employees' preferential deposit plan

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

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

	December 31	
	2018	2017
Present value of retired employees' preferential interest deposits obligation (part of provisions)	<u>\$ 4,041,988</u>	<u>\$ 4,008,321</u>

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

	For the Year Ended December 31	
	2018	2017
Present value of retired employees' preferential interest deposits obligation, January 1	\$ 4,008,321	\$ 3,970,127
Interest expense	155,711	154,647
Actuarial losses	715,807	707,934
Benefits paid	<u>(837,851)</u>	<u>(824,387)</u>
Present value of retired employees' preferential interest deposits obligation, December 31	<u>\$ 4,041,988</u>	<u>\$ 4,008,321</u>

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

	For the Year Ended December 31	
	2018	2017
Interest expense	\$ 155,711	\$ 154,647
Actuarial losses	<u>715,807</u>	<u>707,934</u>
Excessive interest of retired employees' preferential interest deposits	<u>\$ 871,518</u>	<u>\$ 862,581</u>

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

	December 31	
	2018	2017
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Account balance diminishing rate per year	1.00%	1.00%
Rate of probability of change in the preferential deposit system	50.00%	50.00%

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

	December 31	
	2018	2017
Discount rate(s)		
1% increase	\$ (284,051)	\$ (284,568)
1% decrease	<u>\$ 326,681</u>	<u>\$ 327,672</u>
Return on deposit		
1% increase	\$ (926,392)	\$ (837,761)
1% decrease	<u>\$ 926,392</u>	<u>\$ 837,761</u>
Account balance diminishing rate per year		
1% increase	\$ (300,225)	\$ (300,762)
1% decrease	<u>\$ 340,755</u>	<u>\$ 341,798</u>
Rate of probability of change in the preferential deposit system		
20% increase	\$ (1,616,795)	\$ (1,603,328)
20% decrease	<u>\$ 1,616,795</u>	<u>\$ 1,603,328</u>

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

31. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Structured products - host contracts	\$ 1,905,310	\$ 2,133,279
Guarantee deposits received	1,334,404	1,605,813
Appropriation for loans	23,608	46,770
Lease payables	21,861	11,808
Separate-account liabilities	<u>91,245,818</u>	<u>95,247,471</u>
	<u>\$ 94,531,001</u>	<u>\$ 99,045,141</u>

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

	December 31	
	2018	2017
Separate-account assets (part of other financial assets)		
Demand deposits	\$ 2,476,651	\$ 394,362
Financial assets at FVTPL	88,282,280	94,096,991
Other receivables	<u>486,887</u>	<u>756,118</u>
	<u>\$ 91,245,818</u>	<u>\$ 95,247,471</u>

	December 31	
	2018	2017
Separate-account liabilities (part of other financial liabilities)		
Reserve for separate account - insurance contract	\$ 81,551,911	\$ 89,617,053
Reserve for separate account - investment contract	9,537,957	5,113,640
Other payables	<u>155,950</u>	<u>516,778</u>
	<u>\$ 91,245,818</u>	<u>\$ 95,247,471</u>

	For the Year Ended December 31	
	2018	2017
Separate-account revenue		
Premium income	\$ 12,596,351	\$ 17,391,960
Gain (loss) on financial assets at FVTPL	(11,994,271)	669,265
Loss on foreign exchange	(1,818,873)	(2,299,626)
Interest income	<u>1,966</u>	<u>1,361</u>
	<u>\$ (1,214,827)</u>	<u>\$ 15,762,960</u>
Separate-account expense		
Insurance claims and benefits	\$ 6,927,906	\$ 6,003,428
Reserves for separate accounts, net of releases - insurance contract	(8,922,057)	9,116,011
Administrative expenses	<u>779,324</u>	<u>643,521</u>
	<u>\$ (1,214,827)</u>	<u>\$ 15,762,960</u>

Income from and expense for separate-account were recognized under premium income, net.

32. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Advance receipts	\$ 3,103,752	\$ 1,501,857
Others	<u>91,155</u>	<u>90,048</u>
	<u>\$ 3,194,907</u>	<u>\$ 1,591,905</u>

33. NET INTEREST

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Interest revenue		
From discounts and loans	\$ 42,985,618	\$ 39,683,343
From investments	10,224,343	9,486,195
From due from banks and call loans to other banks	2,844,662	2,301,295
Others	<u>1,090,248</u>	<u>1,698,834</u>
	<u>57,144,871</u>	<u>53,169,667</u>
Interest expense		
From deposits	(18,031,070)	(15,765,927)
From funds borrowing from the Central Bank and other banks	(2,155,975)	(1,360,635)
From subordinated bank debentures	(800,742)	(940,562)
From due to the Central Bank and other banks	(646,742)	(426,043)
From securities sold under repurchase agreements	(279,376)	(198,902)
From structure products	(40,683)	(41,303)
Others	<u>(82,525)</u>	<u>(70,153)</u>
	<u>(22,037,113)</u>	<u>(18,803,525)</u>
	<u>\$ 35,107,758</u>	<u>\$ 34,366,142</u>

34. SERVICE FEE AND COMMISSION INCOME, NET

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Service fee and commission income		
Trust business	\$ 1,477,299	\$ 1,450,706
Insurance service	1,049,402	1,114,428
Loans	854,849	768,770
Guarantees	798,337	750,124
Credit cards	558,681	547,394
Investment-linked products	556,694	545,221
Brokerage service	433,571	365,578
Remittance	321,706	311,440
Cross-bank transactions	272,793	267,929
Trust affiliated business	258,911	221,703
Management fees	194,366	197,368
Management fees of investment-linked products	178,033	197,310

(Continued)

	For the Year Ended December 31	
	2018	2017
Import/export service	\$ 115,319	\$ 107,998
Underwriting	106,063	138,785
Others	<u>528,155</u>	<u>570,671</u>
	<u>7,704,179</u>	<u>7,555,425</u>
Service charge and commission expenses		
Cross-bank transactions	(331,523)	(306,334)
Insurance commission	(295,390)	(284,504)
Credit cards	(219,723)	(205,054)
Credit cards billing collections	(118,814)	(132,709)
Others	<u>(266,894)</u>	<u>(253,557)</u>
	<u>(1,232,344)</u>	<u>(1,182,158)</u>
	<u>\$ 6,471,835</u>	<u>\$ 6,373,267</u>

(Concluded)

35. PREMIUM INCOME (LOSSES), NET

	For the Year Ended December 31	
	2018	2017
Separate-account revenue (Note 31)	\$ (1,214,827)	\$ 15,762,960
Premium income	<u>4,304,332</u>	<u>5,031,328</u>
	<u>3,089,505</u>	<u>20,794,288</u>
Separate-account expense (Note 31)	1,214,827	(15,762,960)
Insurance claims and benefits	(3,942,075)	(3,655,622)
Reinsurance premium ceded	(160,400)	(129,567)
Others	<u>(51,665)</u>	<u>(57,524)</u>
	<u>(2,939,313)</u>	<u>(19,605,673)</u>
	<u>\$ 150,192</u>	<u>\$ 1,188,615</u>

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

	For the Year Ended December 31, 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	\$ 581,736	\$ 15,800,046	\$ (1,301,912)	\$ 179,665	\$ 15,259,535
Held-for-trading financial liabilities	-	(13,342,103)	1,283,627	-	(12,058,476)
Financial liabilities designated as at fair value through profit or loss	<u>(566,552)</u>	<u>-</u>	<u>613,084</u>	<u>-</u>	<u>46,532</u>
	<u>\$ 15,184</u>	<u>\$ 2,457,943</u>	<u>\$ 594,799</u>	<u>\$ 179,665</u>	<u>\$ 3,247,591</u>

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

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Salaries	\$ 8,501,570	\$ 8,250,823
Bonuses	2,913,557	2,869,465
Excessive interest from preferential interest deposits	1,286,602	1,283,477
Post-employment benefits, termination benefits and compensation	1,215,570	1,171,675
Overtime	432,076	407,131
Others	<u>1,985,591</u>	<u>1,775,646</u>
	<u>\$ 16,334,966</u>	<u>\$ 15,758,217</u>

Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the years ended December 31, 2018 and 2017, employees' compensation were estimated at \$2,301 thousand and \$2,183 thousand and the remuneration of directors were estimated at \$86,104 thousand and \$78,996 thousand, respectively, based on the amended Articles and past experiences.

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

The appropriations of employee's compensation and remuneration of directors for 2018 and 2017 approved by the board of directors on March 25, 2019 and March 23, 2018, respectively, were as follows:

	For the Year Ended December 31	
	2018	2017
Employees' compensation - cash	\$ 2,301	\$ 2,183
Remuneration of directors - cash	86,104	78,996

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

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

b. Depreciation and amortization expenses

	For the Year Ended December 31	
	2018	2017
Depreciation expenses	\$ 1,169,799	\$ 973,980
Amortization expenses	<u>169,470</u>	<u>184,504</u>
	<u>\$ 1,339,269</u>	<u>\$ 1,158,484</u>

38. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Current year	\$ 2,340,480	\$ 2,652,033
Additional 10% income tax on unappropriated earnings	-	1
Additional income tax under the Alternative Minimum Tax Act	8,416	-
Prior year's adjustments	(80,689)	(2,249)
Land revaluation increment tax	<u>194</u>	<u>60</u>
	2,268,401	2,649,845
Deferred tax		
Current year	251,605	(559,427)
Effect of change in tax rate	(141,013)	-
Prior year's adjustment	<u>(13,976)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 2,365,017</u>	<u>\$ 2,090,418</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Income before income tax	\$ <u>18,381,271</u>	\$ <u>16,802,503</u>
Income tax expense at the statutory rate	\$ 3,676,254	\$ 2,856,426
Nondeductible expenses in determining taxable income	27,104	16,013
Tax-exempt income	(1,045,758)	(873,069)
Additional income tax under the Alternative Minimum Tax Act	8,416	-
Additional 10% income tax on unappropriated earnings	-	1
Land revaluation increment tax	194	60
Unrecognized deductible temporary differences	(139,713)	(159,229)
Effect of different tax rate of overseas branches operating in other jurisdictions	74,198	252,465
Adjustments for prior year's tax	(94,665)	(2,249)
Effect of change in tax rate	<u>(141,013)</u>	<u>-</u>
Income tax expense recognized in profit or loss	\$ <u>2,365,017</u>	\$ <u>2,090,418</u>

In 2017, the applicable corporate income tax rate used by the Company in the ROC was 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Deferred tax</u>		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	\$ 213,777	\$ (239,362)
Unrealized gains on financial assets at fair value through other comprehensive income	(194,282)	-
Other comprehensive income on reclassification of overlay approach	(1,897)	-
Unrealized gains (losses) on available-for-sale financial assets	-	31,286
Effect of change in tax rate	<u>(30,968)</u>	<u>-</u>
Total income tax benefit recognized in other comprehensive income	\$ <u>(13,370)</u>	\$ <u>(208,076)</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	\$ 1,364,019	\$ 1,020,116
Others	<u>176,570</u>	<u>330,806</u>
	<u>\$ 1,540,589</u>	<u>\$ 1,350,922</u>
Current tax liabilities		
Tax payable	\$ 861,522	\$ 1,099,624
Others	<u>135,917</u>	<u>198,727</u>
	<u>\$ 997,439</u>	<u>\$ 1,298,351</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through other comprehensive income	\$ -	\$ -	\$ 167,572	\$ -	\$ (32,542)	\$ 135,030
Available-for-sale financial assets	2,957	-	-	-	(2,957)	-
Properties and equipment	8,921	905	-	-	-	9,826
Payable for annual leave	70,741	30,303	-	-	-	101,044
Defined benefit obligation	29	(29)	-	-	-	-
Employee's preferential interest deposit obligation	681,415	126,983	-	-	-	808,398
Other liabilities	4,955	928	-	-	-	5,883
Exchange differences on foreign operations	229,400	-	(173,050)	-	-	56,350
Allowance for possible losses	77,976	(7,304)	-	(519)	-	70,153
Collaterals assumed	316	56	-	-	-	372
Financial instruments at fair value through profit or loss	40,905	(33,370)	-	-	-	7,535
Pension liabilities	488	(140)	-	-	-	348
Employee benefit	1,020	(1,020)	-	-	-	-
Unrealized interest expense	387,778	27,290	-	-	-	415,068
Unrealized foreign exchange losses	-	26,590	-	-	-	26,590
Revenue from disposal of acquired loans	<u>94,738</u>	<u>51,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,355</u>
	<u>\$ 1,601,639</u>	<u>\$ 222,809</u>	<u>\$ (5,478)</u>	<u>\$ (519)</u>	<u>\$ (35,499)</u>	<u>\$ 1,782,952</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 1,229	\$ 188,338	\$ -	\$ -	\$ -	\$ 189,567
Financial instruments at fair value through other comprehensive income	-	-	(19,093)	-	19,093	-
Available-for-sale financial assets	19,093	-	-	-	(19,093)	-
Intangible assets	364,322	64,292	-	-	-	428,614
The reserve for land revaluation increment tax	2,596,230	-	-	-	-	2,596,230
Exchange differences on foreign operations	-	-	245	-	-	245
Defined benefit obligation	-	36,348	-	-	-	36,348
Investments accounted for using equity method	32,884	27,265	-	-	-	60,149
Collaterals assumed	397	69	-	-	-	466
Lease incentive	5,528	3,891	-	-	-	9,419
Unrealized foreign exchange gains	-	6,667	-	-	-	6,667
Others	14,187	(7,445)	-	-	-	6,742
	<u>\$ 3,033,870</u>	<u>\$ 319,425</u>	<u>\$ (18,848)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,334,447</u>

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Available-for-sale financial assets	\$ 15,215	\$ -	\$ (12,258)	\$ -	\$ 2,957
Properties and equipment	9,447	(528)	-	2	8,921
Payable for annual leave	73,043	(2,298)	-	(4)	70,741
Defined benefit obligation	26,069	(26,040)	-	-	29
Employee's preferential interest deposit obligation	674,922	6,493	-	-	681,415
Other liabilities	5,220	(265)	-	-	4,955
Exchange differences on foreign operations	9,382	-	220,018	-	229,400
Allowance for possible losses	75,485	2,953	-	(462)	77,976
Collaterals assumed	316	-	-	-	316
Financial instruments at fair value through profit or loss	3,968	36,937	-	-	40,905
Pension liabilities	898	(410)	-	-	488
Employee benefit	2,040	(1,020)	-	-	1,020
Unrealized interest expense	163,696	224,082	-	-	387,778
Revenue from disposal of acquired loans	54,821	39,917	-	-	94,738
	<u>\$ 1,114,522</u>	<u>\$ 279,821</u>	<u>\$ 207,760</u>	<u>\$ (464)</u>	<u>\$ 1,601,639</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at fair value through profit or loss	\$ 267,748	\$ (266,519)	\$ -	\$ -	\$ 1,229
Available-for-sale financial assets	65	-	19,028	-	19,093
Intangible assets	364,322	-	-	-	364,322
The reserve for land revaluation increment tax	2,596,230	-	-	-	2,596,230
Exchange differences on foreign operations	19,344	-	(19,344)	-	-
Investments accounted for using equity method	6,930	25,954	-	-	32,884
Collaterals assumed	397	-	-	-	397
Lease incentive	4,908	620	-	-	5,528
Properties and equipment	89	(89)	-	-	-
Unrealized foreign exchange gains	43,416	(43,416)	-	-	-
Others	10,343	3,844	-	-	14,187
	<u>\$ 3,313,792</u>	<u>\$ (279,606)</u>	<u>\$ (316)</u>	<u>\$ -</u>	<u>\$ 3,033,870</u>

(Concluded)

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

	<u>December 31</u>	
	2018	2017
Deductible temporary differences	<u>\$ 1,695,127</u>	<u>\$ 1,484,306</u>
Loss carryforwards	<u>\$ 481,732</u>	<u>\$ 881,482</u>

- f. The years for which TCFHC and other subsidiaries' income tax returns had been examined by tax authorities were as follows:

TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT	TCVC
2013	2013	2013	2013	2013	2016	2014	2015

39. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2018</u>			
Basic earnings per share (EPS)	\$ 15,618,243	12,568,785	<u>\$ 1.24</u>
Effect of dilutive common stock:			
Employees' compensation	-	158	
Diluted EPS	<u>\$ 15,618,243</u>	<u>12,568,943</u>	<u>\$ 1.24</u>

(Continued)

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2017</u>			
Basic earnings per share (EPS)	\$ 14,317,798	12,568,785	<u>\$ 1.14</u>
Effect of dilutive common stock:			
Employees' compensation	<u> -</u>	<u> 165</u>	
Diluted EPS	<u>\$ 14,317,798</u>	<u>12,568,950</u>	<u>\$ 1.14</u> (Concluded)

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

	<u>For the Year Ended December 31, 2017</u>	
	<u>Before Adjusted Retrospectively</u>	<u>After Adjusted Retrospectively</u>
Basic EPS (NT\$)	<u>\$ 1.17</u>	<u>\$ 1.14</u>
Diluted EPS (NT\$)	<u>\$ 1.17</u>	<u>\$ 1.14</u>

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

40. EQUITY

a. Capital stock

Common stocks

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares authorized (in thousands)	<u>15,000,000</u>	<u>15,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>12,568,785</u>	<u>12,202,704</u>
Common stocks issued	<u>\$ 125,687,847</u>	<u>\$ 122,027,036</u>

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

On June 16, 2017, the board of directors of TCFHC resolved to issue 355,419 thousand shares, which included the 2016 earnings amounting to \$3,554,186 thousand. This issuance was approved by FSC and MOEA.

On June 22, 2018, the board of directors of TCFHC resolved to issue 366,081 thousand shares, which included the 2017 earnings amounting to \$3,660,811 thousand. This issuance was approved by FSC and MOEA.

b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. But capital surplus from the issuance of shares in excess of par value (including additional paid-in capital from the issuance of common shares and capital surplus from mergers and treasury stock transactions) and donations 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 December 31, 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	<u>10,410,804</u>
	54,189,783
Additional paid-in capital from TCFHC's share issuance in excess of par value	3,861,434
Cash dividends from TCFHC received by subsidiary	148,857
Additional paid-in capital from TCFHC's share issuance in excess of par value	12,642,000
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	<u>618,750</u>
	71,460,824

Uses

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

c. Special reserve

For the first-time adoption of IFRSs, TCFHC should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company's use of exemptions under IFRS 1. However, or the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as

above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated for the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate a special reserve is not eliminated.

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

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

	<u>For the Year Ended December 31</u>	
	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	<u> -</u>	<u> -</u>
Balance on December 31	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

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

The appropriations of earnings for 2018 had been proposed by TCFHC's board of directors on March 25, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,476,184	
Cash dividends	9,426,589	\$0.75
Stock dividends	3,770,635	\$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 Year Ended December 31	
	2018	2017
Balance on January 1	\$ 4,344,256	\$ 3,802,863
Effect of retrospective application	<u>84,178</u>	<u>-</u>
Balance of retrospective application at beginning	4,428,434	3,802,863
Attributable to non-controlling interests		
Net income	398,011	394,287
Exchange differences on the translation of financial statements of foreign operations	(1,713)	8,812
Unrealized losses on financial assets at FVTOCI	(335,514)	-
Other comprehensive income reclassification of overlay approach	(185,933)	-
Unrealized gains on available for sale financial assets	-	267,654
Cash dividends distributed by subsidiary	<u>(103,480)</u>	<u>(129,360)</u>
Balance on December 31	<u>\$ 4,199,805</u>	<u>\$ 4,344,256</u>

41. RELATED-PARTY TRANSACTIONS

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

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

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
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.
TCB 6 Year Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company’s director.
Others	Main management of the parent company and other related parties

b. Significant transactions between the Company and related parties:

1) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Others	\$ 4,542,750	\$ -	\$ 30,046	0.350-4.150
For the year ended <u>December 31, 2017</u>				
Others	\$ 7,500,000	\$ 3,454,900	\$ 16,373	0.270-4.150

2) Due to banks

	For the Year Ended December 31			
	2018		2017	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 285,207	\$ 1,479	\$ 240,738	\$ 1,237
Others				
Tamshui First Credit				
Bank	21,426,256	235,290	25,245,826	251,236
Others	<u>17,413</u>	<u>9</u>	<u>5,417</u>	<u>-</u>
	<u>\$ 21,728,876</u>	<u>\$ 236,778</u>	<u>\$ 25,491,981</u>	<u>\$ 252,473</u>

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Others	<u>\$ 1,844,100</u>	<u>\$ -</u>	<u>\$ 216</u>	0.180-1.830
For the year ended <u>December 31, 2017</u>				
Others	<u>\$ 4,484,000</u>	<u>\$ -</u>	<u>\$ 864</u>	0.170-1.240

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Main management	\$ 303,302	\$ 241,364	\$ 2,594	1.245-1.790
Others	<u>141,496</u>	<u>129,400</u>	<u>1,104</u>	1.137-2.465
	<u>\$ 444,798</u>	<u>\$ 370,764</u>	<u>\$ 3,698</u>	
For the year ended <u>December 31, 2017</u>				
Main management	\$ 170,998	\$ 125,007	\$ 1,469	1.245-2.428
Others	<u>81,033</u>	<u>55,375</u>	<u>836</u>	1.137-2.465
	<u>\$ 252,031</u>	<u>\$ 180,382</u>	<u>\$ 2,305</u>	

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

5) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2018</u>			
Others	\$ <u> -</u>	\$ <u> 57</u>	0.380-0.540
<u>For the year ended December 31, 2017</u>			
Others	\$ <u> 49,910</u>	\$ <u> 374</u>	0.315-0.400

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2018</u>			
Associates	\$ 64,677	\$ 365	0-0.775
Main management	718,088	3,695	0-13.000
Others	<u>12,607,764</u>	<u>109,421</u>	0-13.000
	<u>\$ 13,390,529</u>	<u>\$ 113,481</u>	
<u>For the year ended December 31, 2017</u>			
Associates	\$ 232,996	\$ 452	0-0.775
Main management	525,325	9,900	0-13.000
Others	<u>9,508,635</u>	<u>25,482</u>	0-13.000
	<u>\$ 10,266,956</u>	<u>\$ 35,834</u>	

December 31	
2018	2017

7) Accrued income (part of receivables)

Others	\$ <u> 20,900</u>	\$ <u> 14,224</u>
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8) Accrued interest (part of receivables)

Others	\$ <u> -</u>	\$ <u> 7,154</u>
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9) Receivable on securities (part of receivables)

Others	\$ <u> 470</u>	\$ <u> -</u>
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10) Accrued interest (part of payables)

Others	\$ <u> -</u>	\$ <u> 3</u>
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11) Payable on securities (part of payables)

Others	\$ <u> -</u>	\$ <u> 1,475</u>
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	<u>For the Year Ended December 31</u>	
	2018	2017
12) Service fee income (part of service fee and commission income, net)		
Associates	\$ 106	\$ 55
Main management	352	223
Others	<u>194,134</u>	<u>197,546</u>
	<u>\$ 194,592</u>	<u>\$ 197,824</u>
13) Service charge (part of service fee and commission income, net)		
Main management	\$ 56	\$ 34
Others	<u>4</u>	<u>4</u>
	<u>\$ 60</u>	<u>\$ 38</u>
14) Other income (part of other noninterest gain, net)		
Others	<u>\$ 4,477</u>	<u>\$ 3,919</u>
15) Donation (part of other noninterest gain, net)		
Main management	\$ 2,000	\$ 3,700
Others	<u>900</u>	<u>-</u>
	<u>\$ 2,900</u>	<u>\$ 3,700</u>

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

16) Purchases and sales of securities

	<u>For the Year Ended December 31, 2018</u>			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Others	<u>\$ 150,050</u>	<u>\$ 100,287</u>	<u>\$ 463,930</u>	<u>\$ -</u>
	<u>For the Year Ended December 31, 2017</u>			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,418,066</u>	<u>\$ -</u>

17) Derivatives

For the Year Ended December 31, 2018						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.12.03-2019.01.14	US\$ 2,750	\$ (42)	Financial liabilities at fair value through profit or loss	\$ (42)
	Currency swap	2018.12.03-2019.01.14	US\$ 5,550	(85)	Financial liabilities at fair value through profit or loss	(85)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.12.06-2019.01.10	US\$ 3,250	(453)	Financial liabilities at fair value through profit or loss	(453)
	Currency swap	2018.12.11-2019.01.14	US\$ 4,000	(557)	Financial liabilities at fair value through profit or loss	(557)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.12.13-2019.01.17	US\$ 2,000	(184)	Financial liabilities at fair value through profit or loss	(184)
	Currency swap	2018.12.13-2019.01.17	US\$ 5,000	(460)	Financial liabilities at fair value through profit or loss	(460)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2018.12.05-2019.01.07	US\$ 20,000	1,048	Financial assets at fair value through profit or loss	1,048
	Currency swap	2018.12.13-2019.03.18	US\$ 850	(72)	Financial liabilities at fair value through profit or loss	(72)
For the Year Ended December 31, 2017						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.12.13-2018.03.13	US\$ 7,000	\$ (2,116)	Financial liabilities at fair value through profit or loss	\$ (2,116)
	Currency swap	2017.12.13-2018.03.13	US\$ 1,000	(302)	Financial liabilities at fair value through profit or loss	(302)
Other - TCB Global High Yield Bond Fund	Currency swap	2017.12.13-2018.03.13	US\$ 4,000	(1,209)	Financial liabilities at fair value through profit or loss	(1,209)
	Currency swap	2017.12.13-2018.03.13	US\$ 3,000	(907)	Financial liabilities at fair value through profit or loss	(907)
	Currency swap	2017.12.13-2018.03.13	US\$ 9,500	(2,871)	Financial liabilities at fair value through profit or loss	(2,871)
	Currency swap	2017.12.04-2018.01.10	US\$ 5,550	(1,587)	Financial liabilities at fair value through profit or loss	(1,587)
	Currency swap	2017.12.06-2018.03.06	US\$15,250	(5,011)	Financial liabilities at fair value through profit or loss	(5,011)
	Currency swap	2017.12.06-2018.01.08	US\$ 2,500	(833)	Financial liabilities at fair value through profit or loss	(833)
	Currency swap	2017.12.06-2018.01.08	US\$ 4,000	(1,332)	Financial liabilities at fair value through profit or loss	(1,332)
	Currency swap	2017.12.18-2018.03.19	US\$ 4,100	(1,197)	Financial liabilities at fair value through profit or loss	(1,197)

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

For the Year Ended December 31
2018 **2017**

Financial assets and liabilities at fair value through profit or loss
Others

\$ 66,272 \$ (30,115)

18) Loans

December 31, 2018

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2018 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	67	\$ 166,643	\$ 138,550	\$ 138,550	\$ -	Note 2	None
Self-used housing mortgage loans	47	278,155	232,214	232,214	-	Land and buildings	None

December 31, 2017

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2017 (Note)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	40	\$ 70,662	\$ 49,598	\$ 49,598	\$ -	Note 2	None
Self-used housing mortgage loans	44	181,369	130,784	130,784	-	Land and buildings	None

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

Note 2: In addition to the line of consumer loans, real estate guarantees are provided.

c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand as of and for the years ended December 31, 2018 and 2017

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	December 31	
	2018	2017
Subsidiary	<u>\$ 573,442</u>	<u>\$ 573,480</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Subsidiary	\$ 10,400,488	\$ 7,412,225	\$ 67,388	0.001-3.180
Sister companies	4,500,000	-	9,830	0.350-0.550
Others	<u>4,542,750</u>	<u>-</u>	<u>30,046</u>	0.350-4.150
	<u>\$ 19,443,238</u>	<u>\$ 7,412,225</u>	<u>\$ 107,264</u>	
For the year ended <u>December 31, 2017</u>				
Subsidiaries	\$ 10,937,782	\$ 6,645,722	\$ 37,631	0.001-2.700
Sister companies	3,500,000	2,100,000	3,223	0.330-0.560
Others	<u>7,500,000</u>	<u>3,454,900</u>	<u>16,373</u>	0.270-4.150
	<u>\$ 21,937,782</u>	<u>\$ 12,200,622</u>	<u>\$ 57,227</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Sister company TCS	<u>\$ 311,010</u>	<u>\$ 307,350</u>	<u>\$ 7,212</u>	1.750-3.200
For the year ended <u>December 31, 2017</u>				
Sister company TCS	<u>\$ 300,000</u>	<u>\$ 296,800</u>	<u>\$ 3,533</u>	1.100-2.300

d) Due to banks

	For the Year Ended December 31			
	2018		2017	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 1,325	\$ -	\$ 3,618	\$ -
Main management	285,207	1,479	240,738	1,237
Others				
Tamshui First Credit Bank	21,426,256	235,290	25,245,826	251,236
Others	<u>17,413</u>	<u>9</u>	<u>5,417</u>	<u>-</u>
	<u>\$ 21,730,201</u>	<u>\$ 236,778</u>	<u>\$ 25,495,599</u>	<u>\$ 252,473</u>

e) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Others	\$ <u>1,844,100</u>	\$ <u>-</u>	\$ <u>216</u>	0.180-1.830
For the year ended <u>December 31, 2017</u>				
Others	\$ <u>4,484,000</u>	\$ <u>-</u>	\$ <u>864</u>	0.170-1.240

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2018</u>				
Sister companies	\$ 512,000	\$ -	\$ 34	2.265
Main management	303,302	241,364	2,594	1.245-1.790
Others	<u>141,496</u>	<u>129,400</u>	<u>1,104</u>	1.137-2.465
	\$ <u>956,798</u>	\$ <u>370,764</u>	\$ <u>3,732</u>	
For the year ended <u>December 31, 2017</u>				
Sister companies	\$ 280,333	\$ -	\$ 43	2.265
Main management	170,998	125,007	1,469	1.245-2.428
Others	<u>81,033</u>	<u>55,375</u>	<u>836</u>	1.137-2.465
	\$ <u>532,364</u>	\$ <u>180,382</u>	\$ <u>2,348</u>	

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

g) Securities purchased under resell agreements

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2018</u>			
Sister company TCBF	\$ <u>3,320,000</u>	\$ <u>336</u>	0.425-0.480
For the year ended <u>December 31, 2017</u>			
Sister company TCBF	\$ 199,521	\$ 1,145	0.350-0.450
Others	<u>-</u>	<u>2</u>	0-0.300
	<u>\$ 199,521</u>	<u>\$ 1,147</u>	

h) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2018</u>			
Parent company	\$ 25,293	\$ 58	0-0.080
Sister companies	4,727,583	8,790	0-1.065
Associates	64,677	365	0-0.775
Main management	718,088	3,695	0-13.000
Others	<u>12,607,764</u>	<u>109,421</u>	0-13.000
	<u>\$ 18,143,405</u>	<u>\$ 122,329</u>	
For the year ended <u>December 31, 2017</u>			
Parent company	\$ 59,315	\$ 95	0-0.080
Sister companies	1,533,971	7,564	0-2.900
Associates	232,996	452	0-0.775
Main management	525,325	9,900	0-13.000
Others	<u>9,508,635</u>	<u>25,482</u>	0-13.000
	<u>\$ 11,860,242</u>	<u>\$ 43,493</u>	

i) Receivable accrued income (part of receivables)

	December 31	
	2018	2017
Sister company		
BPCTLI	\$ 153,027	\$ 46,373
Others	<u>1,430</u>	<u>2,032</u>
	<u>\$ 154,637</u>	<u>\$ 48,405</u>

j) Receivable on securities (part of receivables)

	December 31	
	2018	2017
Sister company		
TCS	<u>\$ 147,499</u>	<u>\$ 153,075</u>

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

	December 31	
	2018	2017
Parent company	<u>\$ 1,297,856</u>	<u>\$ 1,071,039</u>

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

	December 31	
	2018	2017
Parent company	<u>\$ 547,923</u>	<u>\$ 560,958</u>

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

	For the Year Ended December 31	
	2018	2017
Sister companies		
BPCTLI	\$ 1,019,949	\$ 751,688
Others	26,146	23,680
Associates	106	55
Main management	352	223
Others	<u>208</u>	<u>1,242</u>
	<u>\$ 1,046,761</u>	<u>\$ 776,888</u>

n) Purchases and sales of securities

For the Year Ended December 31, 2018				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ 150,009	\$ 199,617	\$ -	\$ 3,519,521
Others	<u>150,050</u>	<u>100,287</u>	<u>-</u>	<u>-</u>
	<u>\$ 300,059</u>	<u>\$ 299,904</u>	<u>\$ -</u>	<u>\$ 3,519,521</u>

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

o) Derivatives

For the Year Ended December 31, 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	2018.09.28-2019.03.04	US\$ 5,351	\$ 1,954	Financial assets at fair value through profit or loss	\$ 1,954	
	Currency swap	2018.12.17-2019.02.19	US\$ 9,681	(1,001)	Financial liabilities at fair value through profit or loss		(1,001)
	Currency swap	2018.12.20-2019.03.25	US\$ 5,116	(415)	Financial liabilities at fair value through profit or loss		(415)
	Currency swap	2018.12.20-2019.03.25	US\$ 10,443	(846)	Financial liabilities at fair value through profit or loss		(846)
	Currency swap	2018.12.20-2019.03.25	US\$ 5,102	(413)	Financial liabilities at fair value through profit or loss		(413)
	Currency swap	2018.12.20-2019.03.25	US\$ 5,254	(426)	Financial liabilities at fair value through profit or loss		(426)
	Currency swap	2018.12.20-2019.03.25	US\$ 5,116	(415)	Financial liabilities at fair value through profit or loss		(415)
	Currency swap	2018.12.20-2019.03.25	US\$ 5,141	(417)	Financial liabilities at fair value through profit or loss		(417)
	Currency swap	2018.12.20-2019.02.25	US\$ 5,012	(404)	Financial liabilities at fair value through profit or loss		(404)
	Currency swap	2018.12.20-2019.02.25	US\$ 5,112	(412)	Financial liabilities at fair value through profit or loss		(412)
	Currency swap	2018.12.20-2019.02.25	US\$ 1,011	(82)	Financial liabilities at fair value through profit or loss		(82)
	Currency swap	2018.12.20-2019.03.25	US\$ 10,259	(831)	Financial liabilities at fair value through profit or loss		(831)
	Currency swap	2018.12.20-2019.03.25	US\$ 20,579	(1,668)	Financial liabilities at fair value through profit or loss		(1,668)

(Continued)

For the Year Ended December 31, 2018

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
	Currency swap	2018.12.20-2019.03.25	US\$ 8,274	\$ (670)	Financial liabilities at fair value through profit or loss	\$ (670)
	Currency swap	2018.12.20-2019.03.25	US\$ 4,935	(400)	Financial liabilities at fair value through profit or loss	(400)
	Currency swap	2018.12.20-2019.03.25	US\$ 10,033	(813)	Financial liabilities at fair value through profit or loss	(813)
	Currency swap	2018.12.20-2019.03.25	US\$ 13,000	(1,053)	Financial liabilities at fair value through profit or loss	(1,053)
	Currency swap	2018.12.24-2019.03.26	US\$ 2,870	(206)	Financial liabilities at fair value through profit or loss	(206)
	Currency swap	2018.12.24-2019.03.26	US\$ 10,000	(716)	Financial liabilities at fair value through profit or loss	(716)
	Currency swap	2018.12.24-2019.03.26	US\$ 2,000	(143)	Financial liabilities at fair value through profit or loss	(143)
	Currency swap	2018.12.24-2019.03.26	US\$ 10,418	(746)	Financial liabilities at fair value through profit or loss	(746)
	Currency swap	2018.12.24-2019.03.26	US\$ 7,042	(504)	Financial liabilities at fair value through profit or loss	(504)
	Currency swap	2018.12.26-2019.03.29	US\$ 10,028	(515)	Financial liabilities at fair value through profit or loss	(515)
	Currency swap	2018.12.26-2019.03.29	US\$ 3,780	(194)	Financial liabilities at fair value through profit or loss	(194)
	Currency swap	2018.12.26-2019.03.29	US\$ 9,956	(512)	Financial liabilities at fair value through profit or loss	(512)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.12.03-2019.01.14	US\$ 2,750	(42)	Financial liabilities at fair value through profit or loss	(42)
	Currency swap	2018.12.03-2019.01.14	US\$ 5,550	(85)	Financial liabilities at fair value through profit or loss	(85)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.12.06-2019.01.10	US\$ 3,250	(453)	Financial liabilities at fair value through profit or loss	(453)
	Currency swap	2018.12.11-2019.01.14	US\$ 4,000	(557)	Financial liabilities at fair value through profit or loss	(557)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.12.13-2019.01.17	US\$ 2,000	(184)	Financial liabilities at fair value through profit or loss	(184)
	Currency swap	2018.12.13-2019.01.17	US\$ 5,000	(460)	Financial liabilities at fair value through profit or loss	(460)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2018.12.05-2019.01.07	US\$ 20,000	1,048	Financial assets at fair value through profit or loss	1,048
	Currency swap	2018.12.13-2019.03.18	US\$ 850	(72)	Financial liabilities at fair value through profit or loss	(72)

(Concluded)

For the Year Ended December 31, 2017

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Loss	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2017.12.22-2018.01.22	US\$ 4,935	\$ (1,559)	Financial liabilities at fair value through profit or loss	\$ (1,559)
	Currency swap	2017.12.22-2018.01.22	US\$ 10,033	(3,169)	Financial liabilities at fair value through profit or loss	(3,169)
	Currency swap	2017.12.22-2018.01.22	US\$ 13,000	(4,107)	Financial liabilities at fair value through profit or loss	(4,107)
	Currency swap	2017.12.08-2018.01.08	US\$ 3,187	(1,030)	Financial liabilities at fair value through profit or loss	(1,030)
	Currency swap	2017.09.19-2018.03.19	US\$ 1,699	(559)	Financial liabilities at fair value through profit or loss	(559)
	Currency swap	2017.09.19-2018.03.19	US\$ 3,129	(1,029)	Financial liabilities at fair value through profit or loss	(1,029)
	Currency swap	2017.09.19-2018.03.19	US\$ 3,129	(1,029)	Financial liabilities at fair value through profit or loss	(1,029)
	Currency swap	2017.09.19-2018.03.19	US\$ 4,850	(1,595)	Financial liabilities at fair value through profit or loss	(1,595)
	Currency swap	2017.09.19-2018.03.19	US\$ 10,488	(3,450)	Financial liabilities at fair value through profit or loss	(3,450)
	Currency swap	2017.10.16-2018.01.16	US\$ 5,030	(2,230)	Financial liabilities at fair value through profit or loss	(2,230)
	Currency swap	2017.10.16-2018.01.16	US\$ 5,001	(2,218)	Financial liabilities at fair value through profit or loss	(2,218)
	Currency swap	2017.10.16-2018.01.16	US\$ 10,012	(4,439)	Financial liabilities at fair value through profit or loss	(4,439)
	Currency swap	2017.10.16-2018.01.16	US\$ 9,989	(4,429)	Financial liabilities at fair value through profit or loss	(4,429)
	Currency swap	2017.10.16-2018.01.16	US\$ 5,006	(2,220)	Financial liabilities at fair value through profit or loss	(2,220)
	Currency swap	2017.10.16-2018.01.16	US\$ 10,483	(4,648)	Financial liabilities at fair value through profit or loss	(4,648)
	Currency swap	2017.10.16-2018.01.16	US\$ 1,920	(851)	Financial liabilities at fair value through profit or loss	(851)
	Currency swap	2017.10.13-2018.01.16	US\$ 3,299	(1,582)	Financial liabilities at fair value through profit or loss	(1,582)
	Currency swap	2017.12.08-2018.01.08	US\$ 2,002	(647)	Financial liabilities at fair value through profit or loss	(647)
	Currency swap	2017.12.08-2018.01.08	US\$ 9,977	(3,224)	Financial liabilities at fair value through profit or loss	(3,224)
	Currency swap	2017.09.19-2018.03.19	US\$ 5,165	(1,699)	Financial liabilities at fair value through profit or loss	(1,699)
Currency swap	2017.09.19-2018.03.19	US\$ 4,814	(1,584)	Financial liabilities at fair value through profit or loss	(1,584)	
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2017.12.13-2018.03.13	US\$ 7,000	(2,116)	Financial liabilities at fair value through profit or loss	(2,116)
	Currency swap	2017.12.13-2018.03.13	US\$ 1,000	(302)	Financial liabilities at fair value through profit or loss	(302)

(Continued)

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

(Concluded)

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

For the Year Ended December 31		
	2018	2017
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ 48,330	\$ (200,452)
Others	1,470	-
Others	<u>66,272</u>	<u>(30,115)</u>
	<u>\$ 116,072</u>	<u>\$ (230,567)</u>

p) Loans

December 31, 2018

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2018 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	67	\$ 166,643	\$ 138,550	\$ 138,550	\$ -	Note 2	None
Self-used housing mortgage loans	47	278,155	232,214	232,214	-	Land and buildings	None
Other	TCS	512,000	-	-	-	Bonds	None

December 31, 2017

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2017 (Note 1)	Ending Balance	Loan Classification			Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans	Collaterals	
Consumer loans	44	\$ 70,662	\$ 49,598	\$ 49,598	\$ -	Note 2	None
Self-used housing mortgage loans	40	181,369	130,784	130,784	-	Land and buildings	None
Other	TCS	280,333	-	-	-	Bonds	None

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

Note 2: In addition to the line of consumer loans, real estate guarantees are provided.

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

a) Settlement payable (part of payables)

	December 31	
	2018	2017
Financial assets and liabilities at fair value through profit or loss		
Sister companies	\$ 224,482	\$ 127,818
Others	-	1,475
	<u>\$ 224,482</u>	<u>\$ 129,293</u>

b) Purchases and sales of securities

Related Party	For the Year Ended December 31, 2018			
	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 199,617</u>	<u>\$ 150,009</u>	<u>\$ -</u>	<u>\$ -</u>

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

c) Call loans

To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of December 31, 2018 and 2017, TCS had no borrowing and overdraft.

The overdraft for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31, 2018			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister company	\$ <u>512,000</u>	\$ <u>-</u>	\$ <u>34</u>	2.265

	For the Year Ended December 31, 2017			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister company	\$ <u>280,333</u>	\$ <u>-</u>	\$ <u>43</u>	2.265

- d) TCS applied to TCB for call loans. The balance for the year ended December 31, 2018 and 2017 were as follows:

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2018</u>				

Sister company TCB	\$ <u>309,550</u>	\$ <u>307,150</u>	\$ <u>7,232</u>	1.750-3.200
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	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
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For the year ended December 31, 2017

Sister company TCB	\$ <u>300,120</u>	\$ <u>297,600</u>	\$ <u>3,514</u>	1.100-2.300
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- 3) Taiwan Cooperative Bills Finance Corporation Ltd.

- a) Cash in bank

	Highest Balance	Ending Balance	Interest Rate (%)	Interest Revenue
<u>December 31, 2018</u>				
Sister companies	\$ 1,049,646	\$ 81,703	0.010-1.065	\$ 22
<u>December 31, 2017</u>				
Sister companies	291,658	64,328	0.010-1.065	19

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
<u>December 31, 2018</u>				
Sister companies	\$ 4,500,000	\$ -	0.350-0.550	\$ 9,830
<u>December 31, 2017</u>				
Sister companies	3,500,000	2,100,000	0.330-0.560	3,223

c) Securities sold under repurchase agreement

	Accumulated Amount	Interest Rate (%)	Interest Expense
<u>December 31, 2018</u>			
Parent company	\$ -	0.500	\$ 14
Sister companies	3,860,387	0.360-0.610	1,416
Others	-	0.380-0.540	57
<u>December 31, 2017</u>			
Sister companies	262,476	0.310-0.560	2,992
Others	49,910	0.315-0.400	374

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)

	December 31			
	2018		2017	
	Amount	%	Amount	%
Sister company				
TCB	<u>\$ 4,500,423</u>	<u>55</u>	<u>\$ 1,355,653</u>	<u>57</u>

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

	For the Year Ended December 31, 2018		
	Ending Balance	Securities Purchased Under Resell Agreements	
		Accumulated Amount (Note)	Rate (%)
Sister company			
TCBF	\$ 540,387	\$ 4,465,584	0.360-0.610

For the Year Ended December 31, 2017

	Ending Balance	Securities Purchased Under Resell Agreements	
		Accumulated Amount (Note)	Rate (%)
Sister company TCBF	\$ 62,955	\$ 7,851,289	0.310-0.560

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the year ended December 31, 2018

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister companies - TCB	2018.12.19-20 19.3.29	US\$180,612	\$ 13,802	Financial assets at fair value through profit or loss	\$ 13,802
		2018.10.02-20 19.03.04	US\$5,351	(1,954)	Financial liabilities at fair value through profit or loss	(1,954)
	Associates - Banque Nationale De Paris, Taipei Branch	2018.12.17-20 19.02.27	US\$84,845	(6,214)	Financial liabilities at fair value through profit or loss	(6,214)
		2018.09.17-20 19.01.17	US\$71,179	(11,839)	Financial liabilities at fair value through profit or loss	(11,839)
		2018.10.30-20 19.01.30	EUR4,845	437	Financial assets at fair value through profit or loss	437
		2018.11.16-20 19.01.16	EUR4,827	(1,287)	Financial liabilities at fair value through profit or loss	(1,287)

For the year ended December 31, 2017

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

In 2018 and 2017, the realized losses on cross-currency swaps and currency swaps with sister companies were \$48,330 thousand losses and \$200,452 thousand gains, respectively. Besides, the realized losses on cross-currency swaps and currency swaps with affiliates were \$400,585 thousand losses and \$360,945 thousand gains, respectively.

d) Accounts payables

	<u>December 31</u>	
	2018	2017
Sister company		
TCB	<u>\$ 136,340</u>	<u>\$ 52,900</u>

e) Operating expenses

	<u>For the Year Ended December 31</u>	
	2018	2017
Insurance contract expenses		
Sister company		
TCB	<u>\$ 942,546</u>	<u>\$ 789,559</u>

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

f) Consulting and advisory contract

	<u>For the Year Ended December 31</u>	
	2018	2017
Associates		
Paris Management Consultant Co., Ltd (Note)	<u>\$ 152,597</u>	<u>\$ 144,278</u>

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

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

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

	<u>December 31</u>	
	2018	2017
Other payables		
Parent company	<u>\$ 44,194</u>	<u>\$ 111,657</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Management fee income		
Sister company	\$ 991	\$ 1,002
Others	<u>193,303</u>	<u>195,818</u>
	<u>\$ 194,294</u>	<u>\$ 196,820</u>

d. Salaries, bonuses and remunerations to main management

	For the Year Ended December 31	
	2018	2017
Salaries and other short-term employment benefits	\$ 164,241	\$ 147,411
Post-employment benefits	7,268	6,377
Interest arising from the employees' preferential rate in excess of normal rates	<u>1,816</u>	<u>1,532</u>
	<u>\$ 173,325</u>	<u>\$ 155,320</u>

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:

	December 31	
	2018	2017
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000
Collaterals for domestic overdraft	31,610,000	31,510,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	1,430,080	1,455,680
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,049,300	1,440,700
Guarantee deposits for the insurance operation	1,010,000	960,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000
Overseas branches' capital adequate reserve	376,667	362,859
Guarantee deposits for securities operation	355,000	355,000
Guarantee deposits for the bills finance business	262,000	227,400
Guarantee deposits for the trust business compensation reserve	240,000	220,000
Collaterals for overseas branch U.S. dollar settlement	130,931	31,786
Overseas branches' guarantee deposits for operation	6,147	5,936
Others	<u>90,000</u>	<u>90,200</u>
	<u>\$ 88,060,125</u>	<u>\$ 88,159,561</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousand as collateral for day-term overdraft as of December 31, 2018 and 2017. The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as TCB's liquidity reserve.

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

(In Thousands of U.S. Dollars)

Date	<u>Outstanding Balance Loan</u>	<u>Collateral Value</u>
December 31, 2018	<u>\$ 234,446</u>	<u>\$ 165,192</u>
December 31, 2017	<u>\$ 308,429</u>	<u>\$ 230,474</u>

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

As of December 31, 2018, TCFHC's outstanding major construction and procurement contracts amounted to \$138,078 thousand, of which \$97,253 thousand was still unpaid.

- b. Taiwan Cooperative Bank, Ltd

- 1) Lease agreements on premises occupied by TCB's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2018, refundable deposits on these leases totaled \$132,657 thousand. Minimum future annual rentals are as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Within one year	\$ 574,983	\$ 588,831
One to five years	1,184,871	1,192,276
Over five years	<u>128,407</u>	<u>127,766</u>
	<u>\$ 1,888,261</u>	<u>\$ 1,908,873</u>

The lease payments recognized as expenses are as follows:

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Minimum lease payments	\$ 626,677	\$ 658,626
Contingent rentals	<u>1,040</u>	<u>1,274</u>
	<u>\$ 627,717</u>	<u>\$ 659,900</u>

- 2) Lease agreements on investment properties owned by TCB and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2018, guarantee deposits on these leases totaled \$69,204 thousand. Minimum future annual rentals are as follows:

	December 31	
	2018	2017
Within one year	\$ 345,219	\$ 186,858
One to five years	966,857	497,804
Over five years	<u>143,414</u>	<u>12,195</u>
	<u>\$ 1,455,490</u>	<u>\$ 696,857</u>

- 3) As of December 31, 2018, TCB's outstanding major construction and procurement contracts amounted to \$5,790,567 thousand, of which \$323,334 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. (BPCTLI) 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. Since TCB merged with the CIB on June 24, 2016, TCB signed a two-party agreement with BPCTLI on March 30, 2018 to replace the original tri-party agreement, the rights and obligations of the CIB were assumed by TCB.

c. United Taiwan Bank S.A.

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

	December 31	
	2018	2017
Within one year	\$ 2,286	\$ 2,688
One to five years	9,143	11,987
Over five years	<u>4,762</u>	<u>10,773</u>
	<u>\$ 16,191</u>	<u>\$ 25,448</u>

d. Taiwan Cooperative Bills Finance Corporation Ltd.

As of December 31, 2018, the commitments or contingencies were as follows:

	December 31, 2017
Guarantees of commercial paper	<u>\$ 25,791,600</u>
Purchase of reference-rate commercial paper	<u>\$ 4,500,000</u>

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

- 1) As of December 31, 2018, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$8,623 thousand, of which \$4,539 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 \$1,973 thousand loss.

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

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

As of December 31, 2018, guarantee deposits on these leases to totaled \$15,500 thousand. Minimum future annual rentals are as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Within one year	\$ 71,926	\$ 40,535
One to five years	270,782	156,689
Over five years	<u>689,749</u>	<u>556,706</u>
	<u>\$ 1,032,457</u>	<u>\$ 753,930</u>

44. FINANCIAL INSTRUMENTS

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

	<u>December 31</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 558,505,884	\$ 561,239,159	\$ -	\$ -
Held-to-maturity financial assets	-	-	516,191,151	517,935,433
Debt instruments with no active market	-	-	92,388,831	94,399,621
<u>Financial liabilities</u>				
Bonds payable	55,000,000	56,204,741	64,610,000	65,621,526

Fair value hierarchy as at December 31, 2018

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 561,239,159	\$ 8,868,287	\$ 552,370,872	\$ -
<u>Financial liabilities</u>				
Bonds payable	56,204,741	-	56,204,741	-

Fair value hierarchy as at December 31, 2017

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
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	-
<u>Financial liabilities</u>				
Bonds payable	65,621,526	-	65,621,526	-

In addition to those listed above, the management level consider other financial instruments which are not measured at fair value closed to their fair value.

- 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 TPEX; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.6707% and 1.3055%, between 0.7211% and 1.1545% as of December 31, 2018 and 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, adjusted net asset method, and income approach for domestic unlisted equity investment. Under the market approach, the company selects similar industries with the target company. The main business model is similar and 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. Under the adjusted net asset method, the overall value of a company or business is evaluated by the total market value of individual assets and individual liabilities of the target company with the consideration of the discount for lack of marketability and for minority interest. Acquired loans are evaluated by the income approach. The estimated income was estimated by discounting future cash flows. The significant unobservable input used is discount for lack of marketability and discount for minority interest. A decrease in discount for lack of marketability and for minority interest used in isolation would result in increases in fair value. The Company adopts the discount for lack of marketability at 10% to 30% and for minority interest at 10% on December 31, 2018. With other input values remaining and a change in discount for lack of marketability or for minority interest input value to reflect reasonable assumptions, the amount of fair value of investment in equity instruments will increase (decrease) as follows:

	December 31, 2018
Discount for lack of marketability	
Increase 10%	<u>\$ (621,461)</u>
Decrease 10%	<u>\$ 621,461</u>
Discount for minority interest	
Increase 10%	<u>\$ (239)</u>
Decrease 10%	<u>\$ 239</u>

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

1) Fair value hierarchy

Financial Instruments Measured at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Stocks	\$ 2,018,437	\$ 1,535,555	\$ 2,564	\$ 480,318
Debt instruments	10,093,302	4,863,056	5,230,246	-
Others	42,107,713	4,892,193	36,723,866	491,654
Financial assets at FVTOCI				
Stocks	11,400,256	7,026,779	-	4,373,477
Debt instruments	300,492,506	23,448,095	277,044,411	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(11,634,446)	(150,491)	(11,483,955)	-

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	\$ 4,242,778	\$ 282,792	\$ 3,959,986	\$ -
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,498,794)	-	(1,498,794)	- (Concluded)

Financial Instruments Measured at Fair Value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	\$ 1,748,869	\$ 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	-	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(11,802,334)	(114,043)	(11,688,291)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,921,192	223,127	2,698,065	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(2,769,190)	(4,196)	(2,764,994)	-

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	Total
Balance at January 1, 2018	\$ 937,184	\$ 5,521,358	\$ 6,458,542
Recognized in profit (financial assets and liabilities at FVTPL)	464,942	-	464,942
Recognized in OCI (investment in equity instruments at FVTOCI)	-	(784,435)	(784,435)
Purchases	276,520	86,554	363,074
Disposal	<u>(706,674)</u>	<u>(450,000)</u>	<u>(1,156,674)</u>
Balance at December 31, 2018	<u>\$ 971,972</u>	<u>\$ 4,373,477</u>	<u>\$ 5,345,449</u>

The change in unrealized gains or losses for period included in profit or loss for assets held at the end of the reporting period was \$91,518 thousand.

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

	<u>December 31</u>	
	2018	2017
Difference between carrying amount and contractual amount at maturity		
Fair value	\$ 11,483,955	\$ 11,688,291
Amount payable at maturity	<u>12,294,000</u>	<u>11,872,000</u>
	<u>\$ (810,045)</u>	<u>\$ (183,709)</u>
		Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the year		
2018		<u>\$ 13,252</u>
2017		<u>\$ (32,084)</u>
Accumulated amount of change		
As of December 31, 2018		<u>\$ 15,666</u>
As of December 31, 2017		<u>\$ 2,414</u>

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

e. Information on financial risk management:

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

Each subsidiary' 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, which are reviewed and set 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:

Loans business

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.

Bonds and bills business

i) Quantitative benchmark

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

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) 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.

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, 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 December 31, 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 December 31, 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 were as follows:

	Cross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
<u>Impaired financial assets</u>				
Discount and loans	\$ 19,588,630	\$ 1,827,359	\$ 17,761,271	\$ 56,820,950

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary was \$597,213 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	December 31			
	2018		2017	
	Amount	%	Amount	%
Natural person	\$ 843,564,027	41	\$ 819,375,254	41
Manufacturing	387,603,437	19	383,995,457	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:

	December 31, 2018
Financial assets at fair value through profit or loss - debt instrument	\$ 2,561,635

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

	December 31	
	2018	2017
Irrevocable loan commitments issued	\$ 67,524,099	\$ 94,377,275
Irrevocable credit card commitments	48,522,934	45,082,276
Letters of credit issued yet unused	19,554,443	18,727,577
Other guarantees	86,626,693	79,802,266

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

	December 31, 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	\$ 2,051,190,069	\$ 2,960,372	\$ 32,411,101	\$ -	\$ 2,086,561,542
Allowance for possible losses	(3,785,613)	(9,005)	(4,570,540)	-	(8,365,158)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(18,033,152)	(18,033,152)
	<u>\$ 2,047,404,456</u>	<u>\$ 2,951,367</u>	<u>\$ 27,840,561</u>	<u>(\$18,033,152)</u>	<u>\$ 2,060,163,232</u>

December 31, 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	\$ 15,705,978	\$ 44,951	\$ 154,180	\$ 3,270,952	\$ -	\$ 19,176,061
Allowance for possible losses	(46,043)	(11,458)	(36,154)	(514,986)	-	(608,641)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(105,414)	(105,414)
	<u>\$ 15,659,935</u>	<u>\$ 33,493</u>	<u>\$ 118,026</u>	<u>\$ 2,755,966</u>	<u>\$ (105,414)</u>	<u>\$ 18,462,006</u>

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)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
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

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

Items	December 31, 2017
Loans	
Secured	\$ 1,409,682,987
Unsecured	575,046,010
Total	1,984,728,997

c) Credit quality analysis of securities

	December 31, 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 246,048,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,048,663</u>
Investments in debt instruments at amortized cost	\$ 556,203,943	\$ -	\$ -	\$ 556,203,943
Less: Allowance for possible losses	<u>(48,378)</u>	<u>-</u>	<u>-</u>	<u>(48,378)</u>
	<u>\$ 556,155,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,155,565</u>

(Concluded)

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

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	-	-	-

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	December 31, 2018	December 31, 2017
Interest rate risk	Interest rate curve increased 100 basis points	\$ (72,019)	\$ (39,258)
	Interest rate curve fell 100 basis points	78,211	39,988
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(319,033)	(195,579)
	USD/NT\$, EUR/NT\$ fell 3%	319,033	195,579
	Others (RMB, AUD etc.)/NT\$ increased 5%	16,140	(9,514)
	Others (RMB, AUD etc.)/NT\$ fell 5%	(16,140)	9,514
Equity security price risk	Equity security price increased by 15%	66,851	165,096
	Equity security price fell by 15%	(66,751)	(162,501)

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

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

a) Taiwan Cooperative Bank, Ltd.

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets - due from banks	\$ 37,825,166	2.60	\$ 30,526,712	2.23
Due from the Central Bank	167,184,471	0.36	163,470,160	0.36
Call loans to banks and other financial assets - call loans to security firms	65,671,062	2.02	70,515,192	1.48

(Continued)

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Financial assets mandatorily classified as at fair value through profit or loss	\$ 7,260,659	0.71	\$ 12,765,648	0.63
Financial assets at fair value through other comprehensive income	235,733,976	1.97	-	-
Investments in debt instruments at amortized cost	520,374,185	0.85	-	-
Securities purchased under resell agreements	86,695	0.47	610,384	0.32
Discounts and loans	2,073,393,711	2.06	1,970,325,763	2.01
Available-for-sale financial assets	-	-	136,654,032	1.92
Held-to-maturity financial assets	-	-	514,022,532	0.73
Debt instruments with no active market	-	-	81,465,943	2.31
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	237,763,051	1.09	224,358,551	0.73
Financial liabilities designated as at fair value through profit or loss	12,068,071	4.69	12,120,592	4.50
Securities sold under repurchase agreements	10,130,301	0.27	10,337,481	0.23
Demand deposits	509,712,425	0.16	489,195,961	0.12
Savings - demand deposits	832,136,846	0.28	811,456,768	0.27
Time deposits	536,322,601	1.39	468,497,554	1.15
Time savings deposits	636,379,825	1.05	658,949,831	1.06
Treasury deposits	91,156,594	0.64	84,055,258	0.65
Negotiable certificates of deposits	36,917,476	0.62	5,392,127	0.35
Structured products	1,745,888	2.25	2,720,350	1.46
Bank debentures	57,090,685	1.40	70,144,247	1.34

(Concluded)

b) United Taiwan Bank S.A.

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks	\$ 55,489	0.88	\$ 89,259	0.22
Due from the Central Bank	199,768	-	247,716	-
Discounts and loans	8,663,140	2.27	7,979,886	2.15
Investments in debt instruments at amortized cost	1,411,976	0.81	-	-
Debt instruments with no active market	-	-	1,546,605	0.78
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	7,827,322	1.09	7,548,337	0.73
Demand deposits	44,703	-	51,967	-
Time deposits	99,230	1.78	85,909	1.29

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

(In Thousands)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 10,946,982	30.7350	\$ 336,455,478
RMB	13,363,480	4.4690	59,721,393
AUD	1,185,705	21.6550	25,676,436
EUR	344,076	35.1800	12,104,593
JPY	31,781,201	0.2774	8,816,105
HKD	1,899,701	3.9230	7,452,528
ZAR	1,782,296	2.1200	3,778,468
GBP	67,028	38.9000	2,607,381
KHR	199,256,927	0.0076	1,514,353
NZD	26,147	20.6300	539,418
SEK	45,460	3.4200	155,474
CAD	2,249	22.5800	50,791
SGD	1,801	22.4400	40,406
CHF	1,254	31.1650	39,070
THB	5,987	0.9525	5,702
PHP	2,846	0.5849	1,665
<u>Financial liabilities</u>			
USD	11,192,821	30.7350	344,011,342
RMB	14,057,062	4.4690	62,821,011
AUD	981,007	21.6550	21,243,706
JPY	50,111,918	0.2774	13,901,046
ZAR	3,549,060	2.1200	7,524,006
EUR	200,780	35.1800	7,063,428
HKD	1,209,520	3.9230	4,744,948
NZD	122,131	20.6300	2,519,567
GBP	44,302	38.9000	1,723,331
CAD	63,674	22.5800	1,437,760
CHF	14,478	31.1650	451,213
SEK	92,327	3.4200	315,759
SGD	8,508	22.4400	190,918
THB	11,604	0.9525	11,052
KHR	714,996	0.0076	5,434
PHP	1,993	0.5849	1,166
MYR	-	7.3930	2

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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

4) Liquidity risk

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

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

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

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

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

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

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

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

TCB's liquidity reserve ratios were 27.17% in December 2018 and 24.49% in December 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.

December 31, 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	\$ 145,728,697	\$ 56,171,885	\$ 11,769,771	\$ -	\$ -	\$ 213,670,353
Financial liabilities at fair value through profit or loss	-	-	-	-	12,294,000	12,294,000
Securities sold under repurchase agreements	5,173,426	2,719,554	1,584,396	124,765	-	9,602,141
Payables	31,427,161	2,473,878	5,388,363	2,437,105	1,709,136	43,435,643
Deposits and remittances	258,518,459	420,909,708	371,997,188	602,229,795	1,075,096,880	2,728,752,030
Bank debentures	-	-	-	1,000,000	54,000,000	55,000,000
Other items of cash outflow on maturity	2,264,251	19,562	1,670	861,149	20,342	3,166,974

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

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of December 31, 2018 and 2017 must be repaid soon, the capital expenditure will be increased by \$1,409,026,262 thousand and \$1,382,433,220 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

December 31, 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						
Interest	\$ (317)	\$ (209)	\$ (1,062)	\$ (2,324)	\$ (2,759)	\$ (6,671)

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)

b) Derivative financial liabilities to be settled at gross amounts

December 31, 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	\$ 73,424,124	\$ 57,472,834	\$ 48,578,031	\$ 13,840,882	\$ 907,428	\$ 194,223,299
Cash inflow	73,721,292	57,705,688	48,779,153	13,901,740	960,294	195,068,167
Interest derivatives						
Cash outflow	-	-	726,620	244,294	20,988,364	21,959,278
Cash inflow	-	-	749,467	438,134	27,631,514	28,819,115
Total cash outflow	73,424,124	57,472,834	49,304,651	14,085,176	21,895,792	216,182,577
Total cash inflow	73,721,292	57,705,688	49,528,620	14,339,874	28,591,808	223,887,282
Net cash flow	297,168	232,854	223,969	254,698	6,696,016	7,704,705

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)

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

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,561,477	\$ 3,712,593	\$ 7,688,341	\$ 12,998,339	\$ 41,563,349	\$ 67,524,099
Irrevocable credit card commitments	592,453	78,113	878,661	2,455,939	44,517,768	48,522,934
Letters of credit issued yet unused	4,534,271	11,233,039	2,345,089	495,742	946,302	19,554,443
Other guarantees	6,245,643	3,563,123	5,816,588	6,304,614	64,696,725	86,626,693

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

BNP Paribas Cardiff 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 \$469,775 thousand and \$451,595 thousand as of December 31, 2018 and 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 December 31, 2018 and 2017 the fair values of financial assets would have decreased by \$23,876 thousand and \$21,328 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 December 31, 2018 and 2017, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$17,476 thousand and \$18,542 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the years ended December 31, 2018 and 2017, the income before income tax would have decreased \$192,483 thousand and \$188,684 thousand, respectively.

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

December 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 48,214	30.74	\$ 1,482,159
ZAR	314,236	2.124	667,281
AUD	83,815	4.473	374,905
Receivables			
USD	5,676	30.74	174,501
RMB	3,387	4.473	15,149
Financial assets at FVTPL assets			
USD	1,544	30.74	47,475
Financial assets at FVTOCI			
USD	565,282	30.74	17,377,329
RMB	311,195	4.473	1,391,977
Financial assets at amortized cost			
USD	5,429	30.74	166,879
EUR	9,574	35.22	337,201

December 31, 2017

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

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 U.S. 10 year Treasury yield increased 1% as of December 31, 2018 and 2017, the losses on financial assets of the BPCTLI would have been \$913,618 thousand and \$817,879 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

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

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

ii. Stress testing

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

iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

	December 31, 2018		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 17,044,308	\$ 17,047,981	44
Domestic investment - corporate bonds (twAAA - twAA)	2,139,321	2,139,321	6
Overseas investment - government bonds	1,306,393	1,301,999	3
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,621,639	15,621,518	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,345,353</u>	<u>2,345,353</u>	<u>6</u>
	<u>\$ 38,457,014</u>	<u>\$ 38,456,172</u>	<u>100</u>
	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)	<u>2,077,898</u>	<u>2,081,877</u>	<u>5</u>
	<u>\$ 41,993,231</u>	<u>\$ 42,199,002</u>	<u>100</u>

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

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

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

	December 31, 2018			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 19,171	\$ -	\$ -	\$ -
	December 31, 2017			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Cross-currency swap contracts	\$ 5,067	\$ -	\$ -	\$ -
Currency swap contracts	208,275	-	-	-
	<u>\$ 213,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

f. Insurance contracts

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

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

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

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

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

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

2) Concentration of insurance risk and the development of claims

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

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

a) Development of direct business loss

	Development Ages									Claim Reserve		
	1	2	3	4	5	6	7	8	9			
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -	
2011	4,170	7,263	7,785	7,853	7,853	8,033	8,033	8,033	8,033	8,033	-	
2012	12,365	20,155	21,176	21,069	21,110	21,112	21,112	21,112	21,112	21,112	-	
2013	19,585	27,530	27,761	28,665	28,555	28,551	28,551	28,551	28,551	28,551	-	
2014	25,861	28,357	28,976	31,011	31,016	31,016	31,016	31,016	31,016	31,016	-	
2015	35,899	42,079	42,346	42,353	42,360	42,360	42,360	42,360	42,360	42,360	7	
2016	26,485	31,218	31,407	31,742	31,749	31,749	31,749	31,749	31,749	31,749	342	
2017	53,250	63,055	64,524	66,799	66,810	66,810	66,810	66,810	66,810	66,810	3,756	
2018	36,187	43,031	43,718	44,059	44,068	44,068	44,068	44,068	44,068	44,068	7,881	
											Incurred but not reported	11,986
											Reported but not paid	32,090
											Balance of claim reserve	<u>\$ 44,076</u>

b) Development of retained business

	Development Ages										Claim Reserve
	1	2	3	4	5	6	7	8	9		
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,785	7,853	7,853	8,033	8,033	8,033	8,033	8,033	-
2012	10,306	18,107	19,129	19,022	19,063	19,064	19,064	19,064	19,064	19,064	-
2013	19,497	26,841	27,070	27,974	27,864	27,860	27,860	27,860	27,860	27,860	-
2014	25,173	27,658	28,278	30,312	30,317	30,317	30,317	30,317	30,317	30,317	-
2015	31,538	37,711	37,977	37,985	37,992	37,992	37,992	37,992	37,992	37,992	7
2016	25,930	30,589	30,778	31,097	31,104	31,104	31,104	31,104	31,104	31,104	326
2017	51,120	58,886	60,131	61,770	61,781	61,781	61,781	61,781	61,781	61,781	2,895
2018	35,431	42,134	42,807	43,143	43,152	43,152	43,152	43,152	43,152	43,152	7,721
											Incurring but not reported
											Reported but not paid
											10,949
											<u>24,520</u>
											Balance of claim reserve
											<u>\$ 35,469</u>

3) Sensitivity analysis of insurance risk

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

Insurance contracts and investment contracts with a discretionary participation feature.

	December 31, 2018		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 66,370	\$ 53,096
Discount rate	(0.25%)	(66,518)	(53,214)
Mortality rate	10.00%	(22,780)	(18,224)
Mortality rate	(10.00%)	22,780	18,224
Withdrawal rate	30.00%	9,059	7,247
Withdrawal rate	(30.00%)	(9,174)	(7,339)
Illness rate/loss rate	15.00%	(16,005)	(12,804)
Expense rate	10.00%	(74,587)	(59,669)

	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)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

BPCTLI has reinsurance on the insurance products it sells. BPCTLI evaluates the creditworthiness of the related reinsurance companies for any impairment. The biggest credit risk amount is equal to the book value of the reinsurance assets.

c) Liquidity risk

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

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

g. Transfers of financial assets

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

December 31, 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	\$ 25,558,693	\$ 25,329,301	\$ 25,558,693	\$ 25,329,301	\$ 229,392
Financial assets at FVTOCI - securities sold under repurchase agreements	18,985,764	19,039,992	18,985,764	19,039,992	(54,228)

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

h. Offsetting financial assets and financial liabilities

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

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

December 31, 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	\$ 1,886,314	\$ -	\$ 1,886,314	\$ (1,786,051)	\$ -	\$ 100,263

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 44,369,293	\$ -	\$ 44,369,293	\$ (43,878,913)	\$ -	\$ 490,380

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

45. CAPITAL MANAGEMENT

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

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

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

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%. The CARs of TCBF were 15.18% and 15.46% as of December 31, 2018 and 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 325% and 328% as of December 31, 2018 and 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 1,097.71% and 1,152.31% as of December 31, 2018 and 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)	December 31, 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	\$ 40,485,293	19.30
2	Group B Harbor services	16,327,744	7.78
3	Group C Petroleum and coal products manufacturing	14,983,456	7.14
4	Group D Computers and computing peripheral equipment manufacturing	12,069,134	5.75
5	Group E Cotton and textile	11,403,628	5.44
6	Group F Real estate development	11,107,510	5.30
7	Group G Shipping agency	9,956,059	4.75
8	Group H Computers manufacturing	9,538,253	4.55
9	Group I Iron and steel smelting	8,891,512	4.24
10	Group J Real estate development	8,208,265	3.91

(In Thousands of New Taiwan Dollars, %)

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

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 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	23.34
2	Group B Real estate development	953,000	15.23
3	Group C Real estate development	818,000	13.08
4	Group D Iron and steel rolls over extends and crowding	730,500	11.68
5	Group E Real estate development	716,000	11.45
6	Group F Shipping agency	700,000	11.19
7	Group G Manmade fiber manufacturing	680,000	10.87
8	Group H Iron and steel rolls over extends and crowding	650,000	10.39
9	Group I Real estate development	606,100	9.69
10	Group J Pulp manufacturing	590,000	9.43

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

c. Interest rate sensitivity information

1) Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
December 31, 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	2,234,040,644	99,477,577	17,281,989	282,450,708	\$ 2,633,250,918
Interest rate-sensitive liabilities	927,589,418	1,338,861,650	108,225,728	49,652,666	2,424,329,462
Interest rate sensitivity gap	1,306,451,226	(1,239,384,073)	(90,943,739)	232,798,042	208,921,456
Net worth					188,701,358
Ratio of interest rate-sensitive assets to liabilities					108.62
Ratio of interest rate sensitivity gap to net worth					110.72

**Interest Rate Sensitivity
December 31, 2017**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,214,760,305	\$ 84,152,971	\$ 27,194,085	\$ 242,089,018	\$ 2,568,196,379
Interest rate-sensitive liabilities	900,687,788	1,294,547,469	108,676,697	47,908,620	2,351,820,574
Interest rate sensitivity gap	1,314,072,517	(1,210,394,498)	(81,482,612)	194,180,398	216,375,805
Net worth					183,339,996
Ratio of interest rate-sensitive assets to liabilities					109.20
Ratio of interest rate sensitivity gap to net worth					118.02

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

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

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

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

**Interest Rate Sensitivity
December 31, 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	\$ 12,740,523	\$ 455,543	\$ 189,696	\$ 1,530,735	\$ 14,916,497
Interest rate-sensitive liabilities	14,198,638	1,019,242	766,580	-	15,984,460
Interest rate sensitivity gap	(1,458,115)	(563,699)	(576,884)	1,530,735	(1,067,963)
Net worth					684,330
Ratio of interest rate-sensitive assets to liabilities					93.32
Ratio of interest rate sensitivity gap to net worth					(156.06)

**Interest Rate Sensitivity
December 31, 2017**

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

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

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

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

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

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

2) United Taiwan Bank S.A.

**Interest Rate Sensitivity
December 31, 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	\$ 279,749	\$ 134,541	\$ -	\$ -	\$ 414,290
Interest rate-sensitive liabilities	232,381	103,900	540	-	336,821
Interest rate sensitivity gap	47,368	30,641	(540)	-	77,469
Net worth					71,930
Ratio of interest rate-sensitive assets to liabilities					123.00
Ratio of interest rate sensitivity gap to net worth					107.70

**Interest Rate Sensitivity
December 31, 2017**

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

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

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

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

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

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

d. Profitability

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

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.53	0.50
	After income tax	0.46	0.44
Return on equity	Before income tax	8.80	8.32
	After income tax	7.66	7.28
Net income ratio		34.17	31.55

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	6.88	6.63
	After income tax	6.91	6.65
Return on equity	Before income tax	7.60	7.22
	After income tax	7.63	7.23
Net income ratio		99.01	98.79

3) Taiwan Cooperative Bank, Ltd. (TCB)

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.52	0.47
	After income tax	0.46	0.41
Return on equity	Before income tax	8.27	7.62
	After income tax	7.20	6.61
Net income ratio		33.30	30.45

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	1.00	1.32
	After income tax	1.00	1.30
Return on equity	Before income tax	8.17	11.05
	After income tax	8.14	10.93
Net income ratio		105.83	117.17

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	(0.32)	1.51
	After income tax	(0.37)	1.34
Return on equity	Before income tax	(1.61)	6.77
	After income tax	(1.87)	6.01
Net income ratio		(16.33)	29.76

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

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.65	0.55
	After income tax	0.55	0.55
Return on equity	Before income tax	11.36	10.02
	After income tax	9.67	9.88
Net income ratio		47.44	52.58

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

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

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

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

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
December 31, 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	\$ 3,082,215,120	\$ 436,034,109	\$ 367,537,346	\$ 173,545,077	\$ 262,960,766	\$ 285,566,636	\$ 1,556,571,186
Main capital outflow on maturity	3,556,701,553	234,259,197	172,973,297	470,507,744	417,718,511	653,383,898	1,607,858,906
Gap	(474,486,433)	201,774,912	194,564,049	(296,962,667)	(154,757,745)	(367,817,262)	(51,287,720)

Maturity Analysis of Assets and Liabilities
December 31, 2017

(In Thousands of New Taiwan Dollars)

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

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

**Maturity Analysis of Assets and Liabilities
December 31, 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	\$ 24,362,709	\$ 7,741,135	\$ 5,073,454	\$ 2,570,755	\$ 1,700,446	\$ 7,276,919
Main capital outflow on maturity	28,430,760	11,966,865	7,133,317	2,734,534	3,387,928	3,208,116
Gap	(4,068,051)	(4,225,730)	(2,059,863)	(163,779)	(1,687,482)	4,068,803

**Maturity Analysis of Assets and Liabilities
December 31, 2017**

(In Thousands of U.S. Dollars)

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

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

2) United Taiwan Bank S.A.

**Maturity Analysis of Assets and Liabilities
December 31, 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	\$ 414,290	\$ 65,391	\$ 110	\$ 15,000	\$ -	\$ 333,789
Main capital outflow on maturity	342,360	91,976	140,405	103,900	540	5,539
Gap	71,930	(26,585)	(140,295)	(88,900)	(540)	328,250

**Maturity Analysis of Assets and Liabilities
December 31, 2017**

(In Thousands of U.S. Dollars)

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

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

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

December 31, 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	\$ 17,324,416	\$ 13,538,033	\$ 897,705	\$ 402,621	\$ -
	Bonds	100,000	100,000	-	206,708	12,778,880
	Cash in bank	263,142	-	200	70,000	-
	Total	17,687,558	13,638,033	897,905	679,329	12,778,880
Source of funds	Borrowings	12,180,000	-	-	-	-
	Securities sold under repurchase agreements	29,005,398	883,956	50,049	-	-
	Total	41,185,398	883,956	50,049	-	-
Net flows		(23,497,840)	12,754,077	847,856	679,329	12,778,880
Accumulated capital net flows		(23,497,840)	(10,743,763)	(9,895,907)	(9,216,578)	3,562,302

December 31, 2017

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

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 December 31, 2018 and 2017

Trust Assets	2018	2017	Trust Liabilities	2018	2017
Cash in banks	\$ 5,038,852	\$ 3,319,755	Payables		
Short-term investments			Accrued expense	\$ 2,661	\$ 2,785
Mutual funds	168,601,296	161,531,937	Others	2,294	2,290
Stocks	1,045,199	1,294,138	Mutual funds	200	-
Debt instruments	3,976,219	2,698,757		5,155	5,075
Structured products	165,591	243,571	Accounts payable on securities under custody	115,683,741	112,915,054
	173,788,305	165,768,403	Trust capital		
Securities lending	278,417	304,154	Cash	176,013,465	166,811,638
Receivables	5,669	6,337	Real estate	73,184,329	62,103,419
Real estate			Leasehold	60,940	-
Land	56,391,821	49,423,289	Securities	1,324,259	1,443,645
Buildings	8,523	8,523	Others	119,350	110,521
Construction in process	15,137,667	11,784,267		250,702,343	230,469,223
	71,538,011	61,216,079	Reserves and retained earnings		
Intangible assets			Net income	11,725	158,119
Leasehold	60,940	-	Appropriation	(248,802)	(200,645)
Securities under custody	115,683,741	112,915,054	Retained earnings	239,773	182,956
				2,696	140,430
Total	\$ 366,393,935	\$ 343,529,782	Total	\$ 366,393,935	\$ 343,529,782

Trust Property List
December 31, 2018 and 2017

Investment Items	2018	2017
Cash in banks	\$ 5,038,852	\$ 3,319,755
Short-term investments		
Mutual funds	168,601,296	161,531,937
Stocks	1,045,199	1,294,138
Debt instruments	3,976,219	2,698,757
Structured products	165,591	243,571
Securities lending	278,417	304,154
Receivables		
Accrued interest	3,857	4,972
Receivable on the sale of securities	200	-
Others	1,612	1,365
Real estate		
Land	56,391,821	49,423,289
Buildings	8,523	8,523
Construction in process	15,137,667	11,784,267
Intangible assets		
Leasehold	60,940	-
Securities under custody	<u>115,683,741</u>	<u>112,915,054</u>
Total	<u>\$ 366,393,935</u>	<u>\$ 343,529,782</u>

Statements of Income on Trust Accounts
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Interest revenue	\$ 5,287	\$ 6,221
Cash dividends	61,018	54,478
Realized gain on investment - stocks	7,462	12,205
Unrealized gain on investment - stocks	145,510	188,628
Realized gain on investment - mutual funds	51	299
Rentals	5,316	15,198
Others	<u>326</u>	<u>120</u>
Total revenues	<u>224,970</u>	<u>277,149</u>
Expenses		
Management fees	3,923	6,434
Taxes	17	-
Service charge	269	483
Postage	26	26
Unrealized loss on investment - stocks	207,674	110,305
Realized loss on investment - mutual funds	308	669
Others	<u>1,028</u>	<u>1,113</u>
Total expenses	<u>213,245</u>	<u>119,030</u>
Income before income tax	11,725	158,119
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 11,725</u>	<u>\$ 158,119</u>

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 December 31, 2018 and 2017, TCB's accrued receivables were \$3,168 thousand and \$3,144 thousand, respectively. TCB's revenues from cross-selling transactions were \$11,428 thousand and \$8,394 thousand, in 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 December 31, 2018 and 2017, TCB's accrued receivables were \$2,541 thousand and \$2,499 thousand, respectively. TCB's revenues from cross-selling transactions were \$38,106 thousand and \$36,295 thousand in 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. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Table 6 (attached).

52. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by stockholders' meetings are \$305,577 thousand and \$274,604 thousand as of December 31, 2018 and 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: Table 10 (attached).
- 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 11 (attached).
- 9) Sale of nonperforming loans by subsidiaries: Table 12 (attached).
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 13 (attached).
- 11) Percentage share in investees and related information: Table 14 (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 15 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 16 (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 are as follows:

	For the Year Ended December 31, 2018				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 33,825,304	\$ 1,282,454	\$ 35,107,758	\$ -	\$ 35,107,758
Net revenues and gains other than interest	<u>10,503,148</u>	<u>17,410,502</u>	<u>27,913,650</u>	<u>(16,148,729)</u>	<u>11,764,921</u>
Net revenues	44,328,452	18,692,956	63,021,408	(16,148,729)	46,872,679
Bad-debt expenses and provision for losses on commitment and guarantees	(4,403,869)	48,611	(4,355,258)	-	(4,355,258)
Net change in reserves for insurance liabilities	-	978,277	978,277	-	978,277
Operating expenses	<u>(22,971,602)</u>	<u>(2,323,587)</u>	<u>(25,295,189)</u>	<u>180,762</u>	<u>(25,114,427)</u>
Income before income tax	<u>\$ 16,952,981</u>	<u>\$ 17,396,257</u>	<u>\$ 34,349,238</u>	<u>\$(15,967,967)</u>	<u>\$ 18,381,271</u>

For the Year Ended December 31, 2017

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED ENTITIES
DECEMBER 31, 2018 AND 2017**

Subsidiaries included in the consolidated financial statements

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

Subsidiaries not included in the consolidated financial statements

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

TABLE 2

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO DECEMBER 31, 2018 AND 2017

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

Unit: In Thousands of New Taiwan Dollars, %

Items Company	December 31, 2018			December 31, 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
Taiwan Cooperative Financial Holding Co., Ltd.		\$ 208,273,676	\$ 229,358,179		\$ 201,151,570	\$ 219,337,462
Taiwan Cooperative Bank, Ltd.	100	249,973,633	181,705,128	100	241,274,243	166,112,432
Taiwan Cooperative Bills Finance Co., Ltd.	100	6,166,389	3,250,494	100	5,200,175	2,690,843
Taiwan Cooperative Securities Co., Ltd.	100	4,470,084	2,066,295	100	4,952,985	2,266,812
Co-operative Assets Management Co., Ltd.	100	3,381,451	3,333,610	100	3,396,391	2,892,641
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51	4,431,770	807,459	51	4,074,968	707,267
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100	382,201	208,217	100	377,473	206,340
Taiwan Cooperative Venture Capital Co., Ltd.	100	952,982	479,898	100	966,797	486,012
Deduction		(243,504,400)	(229,324,491)		(236,542,905)	(219,327,236)
Total		234,527,786	191,884,789		224,851,697	175,372,573
Group capital adequacy ratio		122.22%			128.21%	

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

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

(Continued)

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

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2018	December 31, 2017
Common stock	\$ 125,687,847	\$ 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	57,964,343
Legal reserve	6,451,448	5,019,668
Special reserve	996,026	996,026
Cumulative earnings	14,761,844	14,377,752
Equity adjustments	2,412,696	767,215
Less: Capital deduction	528	470
Total eligible capital	208,273,676	201,151,570

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

(Continued)

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

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

Items		Year	December 31, 2018		December 31, 2017	
			Standalone	Consolidated	Standalone	Consolidated
Eligible capital	Common equity		\$ 194,470,387	\$ 195,037,708	\$ 185,317,810	186,356,482
	Other Tier 1 capital		3,140,831	3,638,224	-	-
	Tier 2 capital		52,362,415	53,392,127	55,956,433	56,994,138
	Eligible capital		249,973,633	252,068,059	241,274,243	243,350,620
Risk-weighted assets	Credit risk	Standardized approach	1,744,538,363	1,747,332,385	1,699,983,398	1,703,971,927
		Internal ratings based approach	-	-	-	-
		Securitization	5,234,468	5,234,468	4,869,832	4,869,832
	Operational risk	Basic indicator approach	-	-	-	-
		Standardized approach/alternative standardized approach	72,451,460	72,588,477	70,096,582	71,479,305
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	17,827,638	17,834,038	20,860,263	20,860,338
		Internal model approach	-	-	-	-
		Risk-weighted assets	1,840,051,929	1,842,989,368	1,795,810,075	1,801,181,402
		Capital adequacy ratio		13.59	13.68	13.44
	Ratio of the common equity to risk-weighted assets		10.57	10.58	10.32	10.35
	Ratio of Tier 1 capital to risk-weighted assets		10.74	10.78	10.32	10.35
	Ratio of leverage		5.71	5.73	5.51	5.53

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Ratio of leverage = Tier 1 capital ÷ Exposure measurement.

(Concluded)

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2018					December 31, 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	\$ 2,722,745	\$ 683,915,923	0.40	\$ 8,618,399	316.53	\$ 3,080,261	\$ 680,301,703	0.45	\$ 7,827,645	254.12
	Unsecured	626,102	573,650,166	0.11	6,032,215	963.46	1,543,799	554,801,261	0.28	6,864,342	444.64
Consumer banking	Housing mortgage (Note 4)	1,380,856	522,178,512	0.26	7,927,892	574.13	1,196,452	499,209,397	0.24	7,574,524	633.08
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	16,848	12,430,337	0.14	163,431	970.03	42,159	12,905,632	0.33	106,622	252.90
	Other (Note 6)	Secured	1,076,250	275,504,816	0.39	3,333,725	309.75	940,017	263,507,882	0.36	2,557,468
Unsecured		27,428	9,082,963	0.30	155,531	567.05	31,656	8,550,570	0.37	109,908	347.19
Loan		5,850,229	2,076,762,717	0.28	26,231,193	448.38	6,834,344	2,019,276,445	0.34	25,040,509	366.39
		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		6,983	3,662,097	0.19	59,173	847.39	8,482	3,224,127	0.26	53,334	628.79
Accounts receivable factored without recourse (Note 7)		-	456,346	-	10,988	-	-	1,843,856	-	20,556	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)					946				1,426		
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)					7,008				9,276		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)					12,478				15,968		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)					46,043				46,319		

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 DECEMBER 31, 2018 AND 2017

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets December 31, 2018 and 2017 (In Thousands of New Taiwan Dollars)

Assets	2018	2017	Liabilities and Equity	2018	2017
Cash and cash equivalents	\$ 25,293	\$ 59,315	<u>Liabilities</u>		
Financial assets at fair value through other comprehensive income	22,500	-	Commercial paper issued, net	\$ 20,854,385	\$ 18,019,041
Receivables	146	150	Payables	240,318	198,827
Current tax assets	1,817,239	1,680,272	Current tax liabilities	1,823,604	1,700,153
Investments accounted for using equity method	229,324,491	219,327,236	Other financial liabilities	1,756	353
Properties and equipment, net	2,593	2,291	Other liabilities	<u>6,972</u>	<u>7,105</u>
Intangible assets	193	237	Total liabilities	<u>22,927,035</u>	<u>19,925,479</u>
Deferred tax assets	335	233	<u>Equity</u>		
Other assets	<u>8,449</u>	<u>7,785</u>	Capital stock	125,687,847	122,027,036
			Capital surplus	57,964,343	57,964,343
			Retained earnings	22,209,318	20,393,446
			Other equity	<u>2,412,696</u>	<u>767,215</u>
			Total equity	<u>208,274,204</u>	<u>201,152,040</u>
Total	<u>\$ 231,201,239</u>	<u>\$ 221,077,519</u>	Total	<u>\$ 231,201,239</u>	<u>\$ 221,077,519</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018	2017
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 15,959,322	\$ 14,555,732
Other revenues and gains	<u>2,983</u>	<u>2,715</u>
Total revenues and gains	<u>15,962,305</u>	<u>14,558,447</u>
Expenses and losses		
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	98,662	-
Operating expenses	207,040	211,525
Other expenses and losses	<u>89,665</u>	<u>65,160</u>
Total expenses and losses	<u>395,367</u>	<u>276,685</u>
Income before income tax	15,566,938	14,281,762
Income tax benefit	<u>51,305</u>	<u>36,036</u>
Net income	15,618,243	14,317,798
Other comprehensive income (losses)	<u>(1,873,215)</u>	<u>1,041,707</u>
Total comprehensive income	<u>\$ 13,745,028</u>	<u>\$ 15,359,505</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$1.24</u>	<u>\$1.14</u>
Diluted	<u>\$1.24</u>	<u>\$1.14</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus	Retained Earnings			Other Equity					Total Equity
	Shares (In Thousands)	Common Stock		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	
BALANCE, JANUARY 1, 2017	11,847,285	\$ 118,472,850	\$ 57,964,343	\$ 3,643,188	\$ 996,026	\$ 14,225,747	\$ (9,285)	\$ -	\$ (649,369)	\$ 34,498	\$ -	\$ 194,677,998
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	1,376,480	-	(1,376,480)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,885,463)	-	-	-	-	-	(8,885,463)
Stock dividends	355,419	3,554,186	-	-	-	(3,554,186)	-	-	-	-	-	-
Total comprehensive income												
Net income for the year ended December 31, 2017	-	-	-	-	-	14,317,798	-	-	-	-	-	14,317,798
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	(349,664)	(1,168,649)	-	2,592,104	(32,084)	-	1,041,707
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	13,968,134	(1,168,649)	-	2,592,104	(32,084)	-	15,359,505
BALANCE AT DECEMBER 31, 2017	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,377,752	(1,177,934)	-	1,942,735	2,414	-	201,152,040
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	366,081	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-
Losses on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(337,291)	-	337,291	-	-	-	-
Total comprehensive income												
Net income for the year ended December 31, 2018	-	-	-	-	-	15,618,243	-	-	-	-	-	15,618,243
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(277,389)	895,595	(2,311,151)	-	13,252	(193,522)	(1,873,215)
Total comprehensive income for 2018	-	-	-	-	-	15,340,854	895,595	(2,311,151)	-	13,252	(193,522)	13,745,028
BALANCE, DECEMBER 31, 2018	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,964,343</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 14,761,844</u>	<u>\$ (282,339)</u>	<u>\$ 2,690,032</u>	<u>\$ -</u>	<u>\$ 15,666</u>	<u>\$ (10,663)</u>	<u>\$ 208,274,204</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities		
Income before income tax	\$ 15,566,938	\$ 14,281,762
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(15,860,660)	(14,555,732)
Depreciation and amortization expenses	887	3,339
Interest expense	89,665	65,160
Interest revenue	(104)	(95)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through other comprehensive income	(25,000)	-
Decrease in receivables	4	11
Decrease (increase) in other assets	(664)	187
Increase in payables	41,489	33,204
Increase (decrease) in other liabilities	(133)	(56)
Cash used in operations	(187,578)	(172,220)
Interest received	104	95
Dividend received	7,521,856	9,617,680
Interest paid	(94,321)	(66,982)
Income tax refund	37,687	38,589
Net cash generated by operating activities	<u>7,277,748</u>	<u>9,417,162</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(1,000,000)	(5,000,048)
Acquisition of properties and equipment	(1,065)	(1,774)
Acquisition of intangible assets	(80)	(91)
Increase in refundable deposits	-	(4,239)
Net cash used in investing activities	<u>(1,001,145)</u>	<u>(5,006,152)</u>
Cash flows from financing activities		
Increase in commercial paper issued	2,840,000	4,500,000
Increase in other borrowings	1,000,000	1,000,000
Decrease in other borrowings	(1,000,000)	(1,000,000)
Increase in other financial liabilities	1,403	994
Decrease in other financial liabilities	-	(837)
Dividends paid	(9,152,028)	(8,885,463)
Net cash used in financing activities	<u>(6,310,625)</u>	<u>(4,385,306)</u>
Net increase (decrease) in cash and cash equivalents	(34,022)	25,704
Cash and cash equivalents, beginning of the year	<u>59,315</u>	<u>33,611</u>
Cash and cash equivalents, end of the year	<u>\$ 25,293</u>	<u>\$ 59,315</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets December 31, 2018 and 2017 (In Thousands of New Taiwan Dollars)

Assets	2018	2017	Liabilities and Equity	2018	2017
Cash and cash equivalents	\$ 53,883,846	\$ 63,562,455	<u>Liabilities</u>		
Due from the Central Bank and call loans to other banks	271,883,276	274,341,552	Due to the Central Bank and other banks	\$ 211,479,593	\$ 212,300,065
Financial assets at fair value through profit or loss	9,490,716	12,862,843	Financial liabilities at fair value through profit or loss	12,953,221	14,450,851
Financial assets at fair value through other comprehensive income	256,663,367	-	Securities sold under repurchase agreements	9,602,141	10,377,142
Investments in debt instruments at amortized cost	554,882,807	-	Payables	43,885,780	45,179,629
Securities purchased under resell agreements	3,521,000	249,463	Current tax liabilities	1,120,604	1,185,896
Receivables, net	18,429,376	18,593,582	Deposits and remittances	2,728,608,123	2,624,598,335
Current tax assets	1,509,126	1,402,132	Bank debentures	55,000,000	64,610,000
Discounts and loans, net	2,050,071,547	1,993,819,434	Other financial liabilities	3,166,974	3,749,545
Available-for-sale financial assets, net	-	154,441,496	Provisions	8,022,491	7,624,197
Held-to-maturity financial assets	-	513,789,325	Deferred tax liabilities	3,292,854	2,996,390
Investments accounted for using equity method	2,116,666	2,073,809	Other liabilities	1,137,459	1,119,382
Other financial assets, net	18,727,650	107,002,789	Total liabilities	<u>3,078,269,240</u>	<u>2,988,191,432</u>
Properties and equipment, net	33,630,953	33,926,763	<u>Equity</u>		
Investment properties, net	7,151,574	6,984,409	Capital stock	90,310,300	88,081,300
Intangible assets	3,551,969	3,513,492	Capital surplus	58,767,245	58,767,245
Deferred tax assets	1,388,293	1,282,022	Retained earnings	58,153,358	52,986,510
Other assets	1,101,315	606,519	Other equity	2,503,338	425,598
			Total equity	<u>209,734,241</u>	<u>200,260,653</u>
Total	<u>\$ 3,288,003,481</u>	<u>\$ 3,188,452,085</u>	Total	<u>\$ 3,288,003,481</u>	<u>\$ 3,188,452,085</u>

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets December 31, 2018 and 2017 (In Thousands of New Taiwan Dollars)

Assets	2018	2017	Liabilities and Equity	2018	2017
Cash and cash equivalents	\$ 93,142	\$ 4,167,558	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	34,216,145	30,168,918	Call loans from banks	\$ 12,180,000	\$ 16,223,000
Financial assets at fair value through other comprehensive income	12,770,749	-	Securities sold under repurchase agreements	29,930,007	21,891,617
Investments in debt instruments at amortized cost	1,056,082	-	Payables	68,063	80,888
Available-for-sale financial assets, net	-	6,075,585	Provisions	433,422	537,922
Receivables, net	185,888	134,318	Other liabilities	50,999	44,050
Current tax assets	83,662	83,285	Total liabilities	<u>42,662,491</u>	<u>38,777,477</u>
Held-to-maturity financial assets, net	-	2,401,826	<u>Equity</u>		
Other financial assets, net	240,200	649,477	Capital stock	4,237,877	3,547,270
Properties and equipment, net	13,246	12,186	Capital surplus	312,633	3,240
Intangible assets, net	5,644	6,995	Retained earnings	1,654,006	1,577,666
Other assets, net	253,159	213,934	Other equity	50,910	8,429
			Total equity	<u>6,255,426</u>	<u>5,136,605</u>
Total	<u>\$ 48,917,917</u>	<u>\$ 43,914,082</u>	Total	<u>\$ 48,917,917</u>	<u>\$ 43,914,082</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)**

Assets	2018	2017	Liabilities and Equity	2018	2017
Current assets	\$ 24,471,823	\$ 27,362,506	<u>Liabilities</u>		
Financial assets at fair value through other comprehensive income - non-current	48,037	-	Current liabilities	\$ 20,027,942	\$ 22,472,153
Available-for-sale financial assets - non-current	-	31,734	Deferred tax liabilities	8,162	1,229
Financial assets carried at cost - non-current	-	16,845	Other liabilities	<u>3,311</u>	<u>4,018</u>
Properties and equipment, net	69,725	54,159	Total liabilities	<u>20,039,415</u>	<u>22,477,400</u>
Intangible assets	55,077	54,982	<u>Equity</u>		
Deferred tax assets	14,294	11,329	Capital stock	4,724,200	4,724,200
Other non-current assets	<u>437,309</u>	<u>418,849</u>	Capital surplus	294,440	294,440
			Retained earnings	80,317	453,386
			Other equity	<u>(42,107)</u>	<u>978</u>
			Total equity	<u>5,056,850</u>	<u>5,473,004</u>
Total	<u>\$ 25,096,265</u>	<u>\$ 27,950,404</u>	Total	<u>\$ 25,096,265</u>	<u>\$ 27,950,404</u>

Co-operative Assets Management Co., Ltd.

**Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)**

Assets	2018	2017	Liabilities and Equity	2018	2017
Current assets	\$ 38,250	\$ 44,372	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	491,655	-	Current liabilities	\$ 3,161,262	\$ 2,336,557
Financial assets at fair value through other comprehensive income acquired loans, net	22,500	-	Deferred tax liabilities	33,431	17,157
Receivables, net	1,634,426	1,910,908	Other liabilities	<u>91,076</u>	<u>35,175</u>
Investments accounted for using the equity method	942,715	908,023	Total liabilities	<u>3,285,769</u>	<u>2,388,889</u>
Properties and equipment, net	3,113	4,723	<u>Equity</u>		
Investment properties, net	2,925,388	2,022,719	Capital stock	2,825,280	2,825,280
Intangible assets	10,294	3,052	Capital surplus	2,553	2,553
Deferred tax assets	205,473	156,397	Retained earnings	624,912	625,855
Long-term lease payment receivable	134,064	477,580	Other equity	<u>(71,294)</u>	<u>(57,297)</u>
Other assets	<u>259,342</u>	<u>257,506</u>	Total equity	<u>3,381,451</u>	<u>3,396,391</u>
Total	<u>\$ 6,667,220</u>	<u>\$ 5,785,280</u>	Total	<u>\$ 6,667,220</u>	<u>\$ 5,785,280</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)**

Assets	2018	2017	Liabilities and Equity	2018	2017
Cash and cash equivalents	\$ 5,766,662	\$ 1,991,418	<u>Liabilities</u>		
Receivables	772,571	1,261,088	Payables	\$ 704,485	\$ 441,354
Current tax assets	104,219	34,231	Deferred tax liabilities	-	118,146
Investments	43,168,078	47,081,185	Financial assets at fair value through profit or loss	15,308	-
Reinsurance assets	46,975	129,358	Insurance liabilities	29,698,376	30,914,740
Equipment, net	93,605	85,412	Reserve for insurance contracts with financial instruments features	10,434,066	11,238,116
Deferred tax assets	145,620	122,985	Reserve of foreign exchange variation	239,440	149,520
Other assets	1,115,764	1,048,128	Deferred tax liabilities	-	19,093
Separate-account assets	<u>91,245,818</u>	<u>95,247,471</u>	Other liabilities	2,000,717	447,863
			Separate-account liabilities	<u>91,245,818</u>	<u>95,247,471</u>
			Total liabilities	<u>134,338,210</u>	<u>138,576,303</u>
			<u>Equity</u>		
			Capital stock	6,719,466	6,399,532
			Capital surplus	9,310	9,310
			Retained earnings	1,390,281	1,136,911
			Other equity	<u>2,045</u>	<u>879,220</u>
			Total equity	<u>8,121,102</u>	<u>8,424,973</u>
Total	<u>\$ 142,459,312</u>	<u>\$ 147,001,276</u>	Total	<u>\$ 142,459,312</u>	<u>\$ 147,001,276</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)**

Assets	2018	2017	Liabilities and Equity	2018	2017
Current assets	\$ 382,541	\$ 379,965	<u>Liabilities</u>		
Financial assets at fair value through profit or loss - non-current	1,938	-	Current liabilities	\$ 33,987	\$ 32,631
Financial assets carried at cost - non-current	-	2,274	Noncurrent liabilities	<u>245</u>	<u>2,576</u>
Properties and equipment, net	3,734	1,374	Total liabilities	<u>34,232</u>	<u>35,207</u>
Intangible assets	1,982	2,804	<u>Equity</u>		
Other assets	<u>26,238</u>	<u>26,263</u>	Capital stock	303,000	303,000
			Capital surplus	72,860	72,860
			Retained earnings	6,677	1,613
			Other equity	<u>(336)</u>	<u>-</u>
			Total equity	<u>382,201</u>	<u>377,473</u>
Total	<u>\$ 416,433</u>	<u>\$ 412,680</u>	Total	<u>\$ 416,433</u>	<u>\$ 412,680</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

**Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)**

Assets	2018	2017	Liabilities and Equity	2018	2017
Current assets	\$ 806,575	\$ 811,625	<u>Liabilities</u>		
Financial assets at fair value through profit or loss - non-current	151,506	-	Current liabilities	\$ 6,654	\$ 4,727
Financial assets carried at cost - non-current	-	158,660	Noncurrent liabilities	<u>159</u>	<u>499</u>
Properties and equipment, net	1,223	1,428	Total liabilities	<u>6,813</u>	<u>5,226</u>
Intangible assets	17	67	<u>Equity</u>		
Other assets	<u>474</u>	<u>243</u>	Capital stock	1,000,000	1,000,000
Total	<u>\$ 959,795</u>	<u>\$ 972,023</u>	Retained earnings (accumulated deficit)	(20,660)	25,693
			Other equity	<u>(26,358)</u>	<u>(58,896)</u>
			Total equity	<u>952,982</u>	<u>966,797</u>
			Total	<u>\$ 959,795</u>	<u>\$ 972,023</u>

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2018	2017
Interest revenues	\$ 55,336,641	\$ 50,739,405
Less: Interest expenses	<u>(21,511,337)</u>	<u>(18,440,708)</u>
Net interest	33,825,304	32,298,697
Net revenues and gains other than interest	<u>10,503,148</u>	<u>10,063,006</u>
Total net revenues	44,328,452	42,361,703
Bad-debt expenses and provision for losses on commitment and guarantees	(4,403,869)	(5,302,494)
Operating expenses	<u>(22,971,602)</u>	<u>(22,173,615)</u>
Income before income tax	16,952,981	14,885,594
Income tax expense	<u>(2,190,615)</u>	<u>(1,986,400)</u>
Net income	14,762,366	12,899,194
Other comprehensive income (loss)	<u>(1,181,122)</u>	<u>826,339</u>
Total comprehensive income	<u>\$ 13,581,244</u>	<u>\$ 13,725,533</u>
Earnings per share (NT\$)		
Basic	<u>\$1.63</u>	<u>\$1.45</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2018	2017
Net interest	\$ 221,618	\$ 268,543
Net revenues and gains other than interest	<u>216,398</u>	<u>202,471</u>
Total net revenues	438,016	471,014
Reversal of allowance for credit losses and provision	171,050	221,819
Operating expenses	<u>(143,962)</u>	<u>(134,879)</u>
Income before income tax	465,104	557,954
Income tax expense	<u>(1,559)</u>	<u>(6,048)</u>
Net income	463,545	551,906
Other comprehensive income loss	<u>(56,363)</u>	<u>(15,716)</u>
 Total comprehensive income	 <u>\$ 407,182</u>	 <u>\$ 536,190</u>
 Earnings per share (NT\$)		
Basic	<u>\$1.19</u>	<u>\$1.56</u>

Taiwan Cooperative Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2018	2017
Revenues	\$ 849,450	\$1,178,641
Service charge	(43,183)	(37,799)
Other operating costs	(203,339)	(134,573)
Employee benefits	(384,671)	(408,271)
Other operating expenses	(304,376)	(309,776)
Other gains	<u>1,385</u>	<u>73,438</u>
Income (loss) before income tax	(84,734)	361,660
Income tax expense	<u>(13,928)</u>	<u>(40,355)</u>
Net income (loss)	(98,662)	321,305
Other comprehensive income (loss)	<u>(65,919)</u>	<u>29,592</u>
 Total comprehensive income	 <u>\$ (164,581)</u>	 <u>\$ 350,897</u>
 Earnings (loss) per share (NT\$)		
Basic	<u>\$(0.21)</u>	<u>\$0.68</u>

(Continued)

Co-operative Assets Management Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2018	2017
Operating revenues	\$ 556,616	\$ 784,131
Operating expenses	<u>(235,453)</u>	<u>(400,544)</u>
Operating benefits	321,163	383,587
Non-operating losses	<u>28,295</u>	<u>25,252</u>
Income before income tax	349,458	408,839
Income tax expense	<u>(46,669)</u>	<u>(71,359)</u>
Net income	302,789	337,480
Other comprehensive loss	<u>(13,997)</u>	<u>(11,488)</u>
 Total comprehensive income	 <u>\$ 288,792</u>	 <u>\$ 325,992</u>
 Earnings per share (NT\$)		
Basic	<u>\$1.07</u>	<u>\$1.19</u>

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2018	2017
Operating revenues	\$ 4,695,739	\$ 25,660,033
Operating costs	(3,009,977)	(24,176,579)
Operating expenses	(745,868)	(692,734)
Non-operating income and expenses	<u>(2)</u>	<u>-</u>
Income before income tax	939,892	790,720
Income tax expenses	<u>(140,210)</u>	<u>(10,715)</u>
Net income	799,682	780,005
Other comprehensive income (loss)	<u>(1,064,179)</u>	<u>546,234</u>
 Total comprehensive income	 <u>\$ (264,497)</u>	 <u>\$ 1,326,239</u>
 Earnings per share (NT\$)		
Basic	<u>\$1.19</u>	<u>\$1.16</u>

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2018	2017
Operating revenues	\$ 195,358	\$ 198,370
Operating expenses	<u>(192,651)</u>	<u>(177,692)</u>
Operating gain	2,707	20,678
Non-operating gains and losses	<u>3,793</u>	<u>1,779</u>
Income before income tax	6,500	22,457
Income tax expenses	<u>-</u>	<u>-</u>
Net income	6,500	22,457
Other comprehensive income	<u>(497)</u>	<u>-</u>
 Total comprehensive income	 <u>\$ 6,003</u>	 <u>\$ 22,457</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.21</u>	<u>\$0.74</u>

Taiwan Cooperative Venture Capital Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2018	2017
Operating revenues	\$ 44,253	\$ 45,076
Operating expenses	<u>(28,810)</u>	<u>(20,943)</u>
Operating gain	15,443	24,133
Non-operating gains and losses	<u>1,018</u>	<u>1,744</u>
Income before income tax	16,461	25,877
Income tax expenses	<u>(177)</u>	<u>(289)</u>
Net income	16,284	25,588
Other comprehensive loss	<u>(10,086)</u>	<u>(65,600)</u>
 Total comprehensive income (loss)	 <u>\$ 6,198</u>	 <u>\$ (40,012)</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.16</u>	<u>\$0.26</u>

(Concluded)

TABLE 5

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

**BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

Business Segment Items	For the Year Ended December 31, 2018				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 33,945,270	\$ (106,870)	\$ 1,072,450	\$ 196,908	\$ 35,107,758
Net revenues and gains other than interest	9,414,400	556,282	492,167	1,302,072	11,764,921
Total net revenues	43,359,670	449,412	1,564,617	1,498,980	46,872,679
Bad-debt expenses and provision for losses on commitment and guarantees	(4,414,481)	171,050	-	(111,827)	(4,355,258)
Net change in reserves for insurance liabilities	-	-	978,277	-	978,277
Operating expenses	(23,024,385)	(134,833)	(695,312)	(1,259,897)	(25,114,427)
Income before income tax	15,920,804	485,629	1,847,582	127,256	18,381,271
Income tax expenses	(2,198,595)	(1,558)	(140,210)	(24,654)	(2,365,017)
Net income	13,722,209	484,071	1,707,372	102,602	16,016,254

Business Segment Items	For the Year Ended December 31, 2017				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 32,425,620	\$ 50,650	\$ 1,019,391	\$ 870,481	\$ 34,366,142
Net revenues and gains other than interest	9,293,457	426,911	1,290,308	1,251,582	12,262,258
Total net revenues	41,719,077	477,561	2,309,699	2,122,063	46,628,400
Bad-debt expenses and provision for losses on guarantees	(5,262,117)	221,819	-	(180,632)	(5,220,930)
Net change in reserves for insurance liabilities	-	-	(340,273)	-	(340,273)
Operating expenses	(22,223,929)	(126,296)	(643,071)	(1,271,398)	(24,264,694)
Income before income tax	14,233,031	573,084	1,326,355	670,033	16,802,503
Income tax expenses	(1,986,400)	(6,048)	(10,715)	(87,255)	(2,090,418)
Net income	12,246,631	567,036	1,315,640	582,778	14,712,085

TABLE 6**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES**

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)**

December 31, 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)	\$ 403,680,000	193.82
National Treasury Administration, ROC	229,217,995	110.06
Tai Power Co., Ltd.	95,621,752	45.91
Kaohsiung Financial Bureau	72,609,363	34.86
Taiwan High Speed Rail Corp.	41,297,705	19.83
CPC Corporation, Taiwan	22,281,543	10.70
Kaohsiung Rapid Transit Corp.	16,866,098	8.10
Highwealth Construction Co., Ltd.	9,235,726	4.43
Clevo Corp.	9,138,590	4.39
Government National Mortgage Association	8,986,885	4.31
Federal Home Loan Mortgage Corp.	8,510,217	4.09
Federal National Mortgage Association	7,907,323	3.80
Yilan County Government	7,871,648	3.78
Hon Hai Precision Co., Ltd.	7,722,641	3.71
Yang Ming Marine Transport Corp.	7,003,593	3.36
Chiayi County Government	6,335,000	3.04
Aerospace Industrial Development Corp.	6,095,005	2.93
Taiwan Semiconductor Manufacturing Co., Ltd.	6,059,100	2.91
Da-Li Development Co, Ltd.	5,757,175	2.76
Eva Airways Corp.	4,974,557	2.39
China Steel Corp.	4,936,284	2.37
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.31
AUO Co., Ltd.	4,604,015	2.21
Chungwha Construction Corp.	4,566,208	2.19
Kindom Construction Corp.	4,367,074	2.10
Taiwan Railways Administration	4,360,000	2.09
Evergreen Marine Corp. (Taiwan) Ltd.	4,320,538	2.07
Winbond Electronics Corp.	4,014,254	1.93
Yien United Steel Corp.	3,945,634	1.89
Taiwan Land Development Corp.	3,852,031	1.85
Formosa Ha Tinh (Cayman) Limited	3,841,875	1.84
Innolux Corp.	3,800,000	1.82
Nan Ya Plastics Corporation	3,786,563	1.82

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Formosa Group (Cayman) Ltd.	\$ 3,688,200	1.77
Client A	3,528,880	1.69
Evergreen Marine (Singapore) Pte. Ltd.	3,491,998	1.68
China Man-Made Fiber Corporation	3,438,671	1.65
Yi Tai Fund Corp.	3,419,525	1.64
Formosa Plastics Corporation	3,341,501	1.60
Tatung Co., Ltd.	3,176,954	1.53
Chailease Finance Co., Ltd.	3,135,027	1.51
Nantou County Government	3,026,675	1.45
Tainan City Government	3,000,000	1.44
2. Same related parties		
Client B	10,150,331	4.87
Client C	9,206,131	4.42
Client D	5,761,369	2.77
Client E	4,220,207	2.03
Client F	4,023,236	1.93
Client G	3,994,531	1.92
Client H	3,826,191	1.84
Client I	3,821,469	1.83
Client J	3,821,469	1.83
Client K	3,821,469	1.83
Client L	3,690,680	1.77
Client M	3,325,626	1.60
Client N	3,013,217	1.45
3. Same affiliate		
EverFun Travel Services Corp.	18,061,083	8.67
Evergreen Marine (Hong Kong) Limited	18,061,083	8.67
Ruentex Development Co., Ltd.	15,245,061	7.32
Yi Tai Investment Co., Ltd.	14,885,358	7.15
Evergreen Marine Corp. (Taiwan) Ltd.	14,554,085	6.99
Clevo (Cayman Islands) Holding Company	13,723,144	6.59
Formosa Ha Tinh (Cayman) Limited	13,716,230	6.59
Clevo Corp.	13,431,161	6.45
Gogoro Energy Network (Cayman), Taiwan Branch	13,292,555	6.38
General Interface Solution Limited	13,047,082	6.26
Reunited Industries Ltd.	13,037,500	6.26
Ren Ying Enterprise Co., Ltd.	12,996,555	6.24
Eva Airways Corp.	12,298,247	5.90
Eva Cosmonautic Flight Precision Corp.	12,298,247	5.90
Buynow (Anshan) Corp.	12,296,039	5.90
Hon Hai Precision Co., Ltd.	12,283,443	5.90
Nan Shan Life Insurance Company, Ltd.	11,356,747	5.45
Highwealth Construction Co., Ltd.	11,249,457	5.40
QiYu Construction Co., Ltd.	11,249,457	5.40

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Run Long Construction Co., Ltd.	\$ 11,249,457	5.40
Evergreen Marine (UK) Ltd.	11,209,267	5.38
Buynow (Texas) Corp.	11,039,412	5.30
Formosa Plastics Corp.	10,979,077	5.27
Shantou Buynow Mall Co., Ltd.	10,699,865	5.14
Buynow (Wuhan) Corp.	10,174,661	4.89
Mai-Liao Power Corporation	10,136,577	4.87
Pacific Sogo Department Stores Co., Ltd.	10,128,740	4.86
CECIC Blue-Sky Investment Consulting & Management Co., Ltd	10,100,922	4.85
Formosa Chemical & Fibre Corp.	10,080,152	4.84
Nan Ya Plastic Corporation	9,909,907	4.76
Formosa Petrochemical Corporation	9,807,679	4.71
Kings Garden International Co., Ltd.	9,464,607	4.54
Great Emperor Hotel Co., Ltd.	9,464,607	4.54
EDA Hua Yue Hotel Corp.	9,065,967	4.35
Yieh Phui (Hong Kong) Holdings Ltd.	8,926,069	4.29
Far Eastern New Century Corp.	8,893,655	4.27
Ya Tung Ready Mixed Concrete Co., Ltd	8,702,887	4.18
Yang Ming Marine Transport Corp.	8,499,683	4.08
Yien United Steel Corp.	8,307,012	3.99
G-Tech Optoelectronics Corporation	8,165,053	3.92
China Steel Corp.	7,929,968	3.81
China Steel Express Corporation	7,929,968	3.81
CSEI Transport (Panama) Corp.	7,929,968	3.81
Chung Hung Steel Corp.	7,909,320	3.80
Ruen Chen Investment Holding Co., Ltd.	7,723,990	3.71
Yieh Hsing Enterprise Co., Ltd.	7,678,766	3.69
All Oceans Transportation Inc.	7,640,382	3.67
Kao Ming Container Terminal Corp.	7,456,759	3.58
Kuang Ming Shipping Corp.	7,379,729	3.54
Kuang Ming (Liberia) Corp.	7,379,729	3.54
Dragon Steel Corp.	7,234,414	3.47
Nan Chung Petrochemical Corp.	7,225,834	3.47
Yuan Ding Investment Corp.	7,060,826	3.39
Far EasTone Telecommunications Co., Ltd.	7,060,826	3.39
Yes Logistics Corp.	7,033,593	3.38
Taiwan Semiconductor Manufacturing Co., Ltd.	6,547,170	3.14
Mercedes-Benz Taiwan Ltd.	6,413,832	3.08
Capital Machinery Corp.	6,413,832	3.08
WPG Holdings Limited	6,186,109	2.97
Genuine Crop.	6,176,408	2.97
Aerospace Industrial Development Corp.	6,095,005	2.93
Da-Li Development Co, Ltd.	5,997,519	2.88
Da-Li Development LLC	5,967,519	2.87
Everwiner Enterprise Co., Ltd.	5,848,024	2.81
Chaico Investment Corporation	5,830,052	2.80
Shinshunshin Investment Co., Ltd.	5,817,120	2.79
Chungwha Construction Corp.	5,813,832	2.79

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Dali Development Co., Ltd.	\$ 5,787,175	2.78
Li Sheng Corporation	5,712,833	2.74
Frontek Technology Corporation	5,692,024	2.73
Jhong-An Investment Co., Ltd.	5,690,052	2.73
AUO Co., Ltd.	5,657,090	2.72
BenQ Materials Corp.	5,586,057	2.68
Visco Vision Inc.	5,586,057	2.68
Chailease International Finance Corp.	5,575,533	2.68
Chailease Holding Co., Ltd.	5,531,533	2.66
China Steel Chemical Corp.	5,292,714	2.54
Feng Sheng Enterprise Co., Ltd.	5,249,691	2.52
Chailease Rental Corp.	5,198,211	2.50
AUO (Kunshan) Co., Ltd.	5,095,775	2.45
China Steel Machinery Corp.	5,083,051	2.44
Kuan-Ho Refractories Corp.	5,050,652	2.43
CSRC China (Maanshan) Corporation P.R.C	5,050,652	2.43
China Steel Structure Co., Ltd.	5,036,217	2.42
Taichung Bank Leasing Corporation Limited	5,004,014	2.40
Far Eastern Big City Department Stores Ltd.	4,979,375	2.39
CHC Resources Corporation	4,956,933	2.38
Fubon Financial Holding Co, Ltd.	4,938,881	2.37
Chailease Finance Co., Ltd.	4,855,412	2.33
Chailease Energy Corp.	4,855,412	2.33
Apex Credit Solutions Inc	4,753,576	2.28
Tatung Co., Ltd.	4,731,182	2.27
China Man-Made Fiber Corp.	4,680,453	2.25
Farglory Dome Co., Ltd.	4,647,160	2.23
Auo Crystal Corp.	4,626,285	2.22
Chunghwa Picture Tubes, Ltd.	4,540,619	2.18
Radium Life Tech. Co., Ltd.	4,431,222	2.13
Taiwan Mobile Corp.	4,389,321	2.11
Fina Finance & Trading Co., Ltd.	4,386,121	2.11
Kindom Construction Corp.	4,367,074	2.10
Nan Ya Technology Corp.	4,353,762	2.09
Pan Asia Chemical Co.	4,200,319	2.02
Formosa Industries (Ninbo) Co., Ltd.	4,136,844	1.99
Fujian Lian Wwi Logistics Co., Ltd.	4,124,973	1.98
ASE Technology Holding Co., Ltd.	4,096,388	1.97
Shih Wei Navigation Co., Ltd.	4,053,737	1.95
Prince Housing & Development Corp.	4,032,773	1.94
Winbond Electronics Corp.	4,014,254	1.93
United Microelectronics Corp.	3,973,016	1.91
Zhong Tai Hotel Co., Ltd.	3,947,183	1.90
Mandarin Oriental, Taipei	3,947,183	1.90
Taiwan Land Development Corp.	3,902,031	1.87
Taiwan Innovation Development Corp.	3,902,031	1.87
Taiwan Commercial Development Corp.	3,902,031	1.87
Farglory Land Development Co., Ltd.	3,882,308	1.86

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Yieh Phui Enterprise Co., Ltd.	\$ 3,855,250	1.85
Pfg Fiber Glass Corporation	3,800,209	1.82
Innolux Corp.	3,800,000	1.82
Taiwan Cement Co., Ltd.	3,790,517	1.82
Asia Cement Corp.	3,778,580	1.81
Uni-President Enterprises Corporation	3,734,102	1.79
Unimicron Technology Corp.	3,724,045	1.79
Inteplast Group Corporation	3,704,174	1.78
TTET Union Corporation	3,634,012	1.74
Spinnaker Pescadores S.A. Panama	3,622,954	1.74
Universal Cement Corporation	3,587,374	1.72
Evergreen Marine (Singapore) Pte. Ltd.	3,491,998	1.68
Dong Lien Maritime S.A. Panama	3,484,026	1.67
Tcc International Holdings Ltd.	3,458,967	1.66
Tcc International Ltd.	3,458,967	1.66
Central Investment Corp.	3,439,047	1.65
Fubon Insurance Co., Ltd.	3,419,717	1.64
Long Chen Paper Co., Ltd.	3,408,603	1.64
Rih Ding Water Enterprise Co., Ltd.	3,394,772	1.63
Coreasia Co., Ltd.	3,371,428	1.62
Shan Chih Asset Development Co., Ltd.	3,302,504	1.59
Oriental Petrochemical (Taiwan) Corp.	3,280,624	1.58
Advance Material Co., Ltd.	3,251,081	1.56
Grand Pacific Financing Corporation	3,249,545	1.56
Taiwan Prosperity Chemical Corporation	3,225,849	1.55
Fubon Securities Co., Ltd.	3,210,709	1.54
Jingzhou Longchen Greentech Co., Ltd.	3,208,805	1.54
Shinkong Synthetic Fibers Corporation	3,155,645	1.51
Jayshelyn Construction Co., Ltd.	3,153,786	1.51
Longlin Construction Co., Ltd.	3,145,414	1.51
Bes Engineering Corporation	3,115,353	1.50
Chung Kung Management Consulting Corp.	3,108,429	1.49
World Peace Industrial Co., Ltd.	3,100,727	1.49
Shanyuan Construction Co., Ltd.	3,084,095	1.48
Supreme Electronics Co., Ltd.	3,034,356	1.46

(Continued)

December 31, 2017

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 403,475,000	200.58
National Treasury Administration, ROC	176,094,686	87.54
Tai Power Co., Ltd.	79,545,217	39.54
Kaohsiung Financial Bureau	66,808,918	33.21
Taiwan High Speed Rail Corp.	43,043,422	21.40
CPC Corporation, Taiwan	25,566,404	12.71
Kaohsiung Rapid Transit Corp.	18,615,852	9.25
New Taipei City Government	16,000,000	7.95
Highwealth Construction Co., Ltd.	10,563,001	5.25
Taiwan Railways Administration	9,660,000	4.80
Clevo Corp.	9,286,233	4.62
Federal Home Loan Mortgage Corp.	8,831,351	4.39
Government National Mortgage Association	8,634,354	4.29
Chiayi County Government	6,665,000	3.31
AUO Co., Ltd.	6,379,569	3.17
Far Eastern New Century Corporation	6,033,494	3.00
Taiwan Semiconductor Manufacturing Co., Ltd.	5,864,945	2.92
Eva Airways Corp.	5,840,949	2.90
Yilan County Government	5,821,942	2.89
Evergreen Marine Corp. (Taiwan) Ltd.	5,766,632	2.87
Micro Technology, Inc.	5,600,000	2.78
Aerospace Industrial Development Corp.	5,149,800	2.56
Da-Li Development Co, Ltd.	5,128,244	2.55
Yang Ming Marine Transport Corp.	5,093,019	2.53
Federal National Mortgage Association	5,028,601	2.50
China Steel Corp.	5,020,021	2.50
Nantou County Government	4,820,025	2.40
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.39
Taiwan Land Development Corp.	3,824,980	1.90
Radium Life Tech Co., Ltd.	3,773,712	1.88
Evergreen Marine (Singapore) Pte. Ltd.	3,730,401	1.85
Formosa Ha Tinh (Cayman) Limited	3,710,000	1.84
Formosa Group (Cayman) Ltd.	3,561,600	1.77
Chungwha Construction Corp.	3,557,346	1.77
Client A	3,531,106	1.76
Fubon Financial Holding Co, Ltd.	3,426,670	1.70
China Airlines Ltd.	3,396,897	1.69
Nan Ya Plastics Corporation	3,266,714	1.62
Bank Of Communications Co., Ltd.	3,266,129	1.62
Tatung Co., Ltd.	3,164,399	1.57
Yien United Steel Corp.	3,115,165	1.55
Formosa Chemical & Fibre Corp.	3,095,941	1.54
Us Treasury	3,079,904	1.53

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Innolux Corp.	\$ 3,066,666	1.52
Tainan City Government	3,000,000	1.49
2. Same related parties		
Client B	11,876,960	5.90
Client C	9,394,133	4.67
Client D	5,132,726	2.55
Client E	4,127,749	2.05
Client F	4,081,217	2.03
Client G	3,953,480	1.97
Client H	3,860,765	1.92
Client I	3,855,720	1.92
Client J	3,855,720	1.92
Client K	3,855,720	1.92
Client L	3,682,797	1.83
3. Same affiliate		
Far Eastern International Leasing Corp.	16,961,124	8.43
Evergreen Marine Corp. (Taiwan) Ltd.	16,044,506	7.98
Far Eastern New Century Corp.	15,343,542	7.63
U-Ming Marine Transport Corp.	15,302,192	7.61
Formosa Ha Tinh (Cayman) Limited	14,874,360	7.39
Clevo (Cayman Islands) Holding Company	14,660,044	7.29
Eva Airways Corp.	14,476,412	7.20
Eva Cosmonautic Flight Precision Corp.	14,476,412	7.20
Clevo Corp.	14,311,304	7.11
Far EastTone Telecommunications Co., Ltd.	13,917,021	6.92
Hui Hong Investment Management Co., Ltd.	13,373,596	6.65
Reunited Industries Ltd.	13,373,596	6.65
Yi Tai Fund Corp.	13,373,596	6.65
Gogoro Energy Network (Cayman), Taiwan Branch	12,961,596	6.44
Evergreen Marine (UK) Ltd.	12,466,837	6.20
Highwealth Construction Co., Ltd.	12,118,897	6.02
QiYu Construction Co., Ltd.	11,918,931	5.93
Nan Shan Life Insurance Company, Ltd.	11,720,383	5.83
Ren Ying Enterprise Co., Ltd.	11,591,518	5.76
Shantou Buynow Mall Co., Ltd.	11,418,280	5.68
Buynow (Anshan) Corp.	11,093,307	5.51
Buynow (Zhengzhou) Corp.	10,954,785	5.45
Jin Jun Construction Co., Ltd.	10,762,967	5.35
Buynow (Wuhan) Corp.	10,433,322	5.19
Far Eastern Big City Department Stores Ltd.	10,160,760	5.05
Great Emperor Hotel Co., Ltd.	9,933,931	4.94
EDA Hua Yue Hotel Corp.	9,564,061	4.75

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Yieh Phui (Hong Kong) Holdings Ltd.	\$ 9,311,496	4.63
Ruentex Development Co., Ltd.	9,184,423	4.57
Ruen Chen Investment Holding Co., Ltd.	9,034,324	4.49
Chung Hung Steel Corp.	8,947,368	4.45
China Steel Corp.	8,947,368	4.45
Kaohsiung Rapid Transit Corp.	8,747,368	4.35
China Steel Express Corporation	8,747,368	4.35
Dragon Steel Corp.	7,781,392	3.87
Yien United Steel Corp.	7,729,139	3.84
Yi Hsiang Construction Co., Ltd.	7,659,367	3.81
Yieh Hsing Enterprise Co., Ltd.	7,225,890	3.59
AUO Co., Ltd.	7,159,046	3.56
UNI Airways Corp.	7,092,333	3.53
BenQ Materials Corp.	7,070,593	3.52
Yang Ming Marine Transport Corp.	7,039,763	3.50
Li Sheng Corporation	6,924,152	3.44
AUO (Kunshan) Co., Ltd.	6,854,449	3.41
Yang Ming Marine Transport (Liberia) Corp.	6,723,205	3.34
Oriental Petrochemical (Taiwan) Corp.	6,721,112	3.34
Hon Hai Precision Co., Ltd.	6,444,701	3.20
Lextar Electronics Corporation.	6,379,569	3.17
Nan Chung Petrochemical Corp.	6,254,409	3.11
Oriental Union Chemical (Yangzhou) Corp.	6,184,078	3.07
Taiwan Semiconductor Manufacturing Co., Ltd.	6,007,585	2.99
All Oceans Transportation Inc.	5,707,949	2.84
Micro Technology, Inc.	5,600,000	2.78
Kao Ming Container Terminal Corp.	5,588,724	2.78
Kuang Ming Shipping Corp.	5,509,577	2.74
Kuang Ming (Liberia) Corp.	5,509,577	2.74
Da-Li Development Co, Ltd.	5,450,154	2.71
Asia Cement Corp.	5,399,857	2.68
China Steel Structure Co., Ltd.	5,336,820	2.65
Da-Li Development LLC	5,335,886	2.65
Hung Li Steel Corp.	5,318,021	2.64
Da-Li International LLC	5,242,512	2.61
Chaico Investment Corporation	5,213,625	2.59
China Steel Machinery Corp.	5,187,485	2.58
Feng Sheng Enterprise Co., Ltd.	5,183,904	2.58
Aerospace Industrial Development Corp.	5,149,800	2.56
China Steel Chemical Corp.	5,140,103	2.56
Yes Logistics Corp.	5,123,019	2.55
China Ecotek Corp.	5,120,021	2.55
Kuan-Ho Refractories Corp.	5,114,373	2.54
CSRC China (Maanshan) Corporation P.R.C	5,114,373	2.54
Chailease Consumer Finance Co., Ltd.	5,013,625	2.49
Farglory Dome Co., Ltd.	4,967,391	2.47

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Taiwan Mobile Corp.	\$ 4,934,347	2.45
Pou Chen Industry Corp.	4,853,530	2.41
Chailease Holding Company Ltd.	4,657,715	2.32
Chailease Energy Corp.	4,577,974	2.28
Chailease Rental Corp.	4,573,392	2.27
Radium Life Tech. Co., Ltd.	4,544,662	2.26
Jhong-An Investment Co., Ltd.	4,520,320	2.25
China Man-Made Fiber Corp.	4,492,283	2.23
WPG Holdings Ltd.	4,464,887	2.22
Chailease Finance Co., Ltd.	4,436,424	2.21
Yieh Phui Enterprise Co., Ltd.	4,348,112	2.16
United Microelectronics Corp.	4,313,469	2.14
Fina Finance & Trading Co., Ltd.	4,296,315	2.14
Wan Da Tong Co., Ltd.	4,185,192	2.08
Everwiner Enterprise Co., Ltd.	4,168,087	2.07
Pacific Sogo Department Stores Co., Ltd.	4,127,266	2.05
Far Eastern Department Stores Ltd.	4,117,266	2.05
Kraton Formosa Polymers Corporation	4,060,566	2.02
Frontek Technology Corporation	4,056,087	2.02
Formosa Plastics Corp.	4,054,384	2.02
Jing-Jan Retail Business Co., Ltd.	4,013,182	2.00
Unimicron Technology Corp.	4,009,941	1.99
Shih Wei Navigation Co., Ltd.	3,944,601	1.96
EDA Hospital Corp.	3,942,405	1.96
Capital Machinery Corp.	3,940,888	1.96
Tatung Co., Ltd.	3,939,305	1.96
Chungwha Construction Corp.	3,933,772	1.96
Fubon Financial Holding Co, Ltd.	3,917,102	1.95
Chung Hang Co., Ltd.	3,912,263	1.94
Titan Development And Construction Co., Ltd	3,893,712	1.94
Pan Asia Chemical Co.	3,892,772	1.94
Advance Material Co., Ltd.	3,877,317	1.93
Taiwan Land Development Corp.	3,874,980	1.93
Taiwan Innovation Development Corp.	3,874,980	1.93
Taiwan Commercial Development Corp.	3,874,980	1.93
Zhong Tai Hotel Co., Ltd.	3,829,563	1.90
Mandarin Oriental, Taipei	3,829,563	1.90
Fortuna Development Corporation	3,826,303	1.90
Fubon Asset Management Co., Ltd.	3,796,567	1.89
Chunghwa Picture Tubes, Ltd.	3,766,732	1.87
Evergreen Marine (Singapore) Pte. Ltd.	3,730,401	1.85
Farglory Land Development Co., Ltd.	3,712,541	1.85
Taipei Fubon Commercial Bank Co., Ltd.	3,589,163	1.78
Formosa Synthetic Rubber (Ningbo) Industrial Co., Ltd.	3,581,687	1.78
Genuine Crop.	3,564,194	1.77
Spinnaker Pescadores S.A. Panama	3,547,543	1.76

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Formosa Chemical & Fibre Corp.	\$ 3,531,892	1.76
Mai-Liao Power Corporation	3,531,892	1.76
Tcc International Holdings Ltd.	3,501,995	1.74
Tcc International Ltd.	3,501,995	1.74
China Airlines Ltd.	3,400,897	1.69
Tayu-Taiwanglass Corp.	3,396,839	1.69
Tjg-Taiwanglass Corp.	3,396,839	1.69
Dong Lien Maritime Sa Panama	3,391,372	1.69
Nan Ya Plastic Co., Ltd.	3,385,459	1.68
Runtex Materials Co., Ltd.	3,377,423	1.68
China Petrochemical Development Corporation	3,333,753	1.66
Coreasia Co., Ltd.	3,321,733	1.65
Chung Kung Guard Corp.	3,306,733	1.64
G-Tech Optoelectronics Corporation	3,297,759	1.64
Taiwan Acetic Acid Chemical Co., Ltd.	3,279,115	1.63
Pfg Fiber Glass Corporation	3,276,714	1.63
Nan Ya Technology Corp.	3,272,383	1.63
Formosa Biomedical Technology Corp.	3,197,941	1.59
Central Investment Corp.	3,194,490	1.59
Shan Chih Asset Development Co., Ltd.	3,187,399	1.58
Bes Engineering Corporation	3,154,979	1.57
Taiwan Cement Co., Ltd.	3,145,326	1.56
Chung Kung Management Consulting Corp.	3,144,979	1.56
Foemosa Chemicals Industries (Ningbo) Co., Ltd.	3,095,941	1.54
Innolux Corp.	3,066,666	1.52
Wan Hai Lines Ltd.	3,037,748	1.51
Wan Hai Line (Singapore) Pte Ltd.	3,037,748	1.51

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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.	Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	\$ 30,000	\$ 24,000	\$ 24,000	3-8	Short-term financing	\$ -	Operating use	\$ 240	-	\$ -	\$ 338,145 (Note 3)	\$ 1,352,580 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	50,000	35,000	35,000	3-8	Short-term financing	-	Operating use	350	Real estate	49,317	338,145 (Note 3)	1,352,580 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	40,000	38,602	38,602	3-8	Short-term financing	-	Operating use	386	Real estate	56,694	338,145 (Note 3)	1,352,580 (Note 3)
		General Energy Solutions Inc.	Receivables on lending funds	No	50,000	41,808	41,808	3-8	Short-term financing	-	Operating use	418	Guarantee	5,000	338,145 (Note 3)	1,352,580 (Note 3)
		Shinex Machinery Engineering Inc.	Receivables on lending funds	No	50,000	49,003	49,003	3-8	Short-term financing	-	Operating use	490	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	50,000	50,000	3-8	Short-term financing	-	Operating use	500	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	100,000	88,980	88,980	3-8	Short-term financing	-	Operating use	890	Stocks	72,200	338,145 (Note 3)	1,352,580 (Note 3)
		Kuang Ming Shipping Corp.	Receivables on lending funds	No	150,000	112,230	112,230	3-8	Short-term financing	-	Operating use	1,122	Guarantee	30,000	338,145 (Note 3)	1,352,580 (Note 3)
		San Light Co., Ltd.	Receivables on lending funds	No	200,000	194,079	194,079	3-8	Short-term financing	-	Operating use	1,941	Stocks	200,000	338,145 (Note 3)	1,352,580 (Note 3)
		Tai-Hwei Trade Co, Ltd.	Receivables on lending funds	No	200,000	199,630	199,630	3-8	Short-term financing	-	Operating use	1,996	Real estate	382,013	338,145 (Note 3)	1,352,580 (Note 3)
	Hanky and Partners Taiwan Ltd.	Receivables on lending funds	No	239,126	214,874	214,874	3-8	Short-term financing	-	Operating use	2,149	Real estate	309,045	338,145 (Note 3)	1,352,580 (Note 3)	
2	Cooperative Financial International Lease Co., Ltd.	Makor Investment Group (Tianjin) Co., Ltd.	Entrusted loan	No	15,947	8,492	8,492	10.61	Short-term financing	-	Operating use	127	Real estate	49,584	141,407 (Note 4)	377,086 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	37,987	24,580	24,580	8.00	Business relationship	325,060	Operating use	369	Real estate	46,522	141,407 (Note 4)	377,086 (Note 4)

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

- a. Parent company: 0.
- b. Investee companies are numbered sequentially from 1.

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

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on December 31, 2018 was \$3,381,451 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, 2018 was \$942,715 thousand.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 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	December 31, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	\$ 942,715	100.00	\$ 942,715	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	22,500	5.00	22,500	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,938	0.38	1,938	
Taiwan Cooperative Venture Capital Co., Ltd.	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	1,669	29,205	0.01	29,205	
	Lien Hwa Industrial Corp.	-	Financial assets at fair value through profit or loss	816	24,194	0.08	24,194	
	Chicony Electrics Co., Ltd.	-	Financial assets at fair value through profit or loss	203	12,681	0.03	12,681	
	Tanvex BioPharma, Inc.	-	Financial assets at fair value through profit or loss	200	12,500	0.08	12,500	
	Sunonwealth Electric Machine Industry Co., Ltd.	-	Financial assets at fair value through profit or loss	556	20,628	0.22	20,628	
	Win Semiconductors Corp.	-	Financial assets at fair value through profit or loss	225	26,550	0.05	26,550	
	SuperAlloy International Co., Ltd.	-	Financial assets at fair value through profit or loss	184	9,734	0.09	9,734	
	RiTdisplay Corporation	-	Financial assets at fair value through profit or loss	320	25,663	0.53	25,663	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	306	34,425	0.25	34,425	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	462	61,288	1.54	61,288	
	GEOSAT Aerospace & Technology Inc.	-	Financial assets at fair value through profit or loss	1,584	35,196	5.04	35,196	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1700	94,945	2.82	94,945	
	eLand Information Co., Ltd.	-	Financial assets at fair value through profit or loss	550	31,169	3.44	31,169	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	M2 Communication Inc.	-	Financial assets at fair value through profit or loss	500	\$ 3,840	1.14	\$ 3,840	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	20,032	2.75	20,032	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	25,000	2.47	25,000	
	Taiwan Intelligent Robotics Company, Ltd.	-	Financial assets at fair value through profit or loss	95	1,520	2.95	1,520	
	First Financial Holding Co., Ltd	-	Financial assets at fair value through other comprehensive income	1,834	36,679	0.01	36,679	
	Mega Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,600	41,520	0.01	41,520	
	Taiwan Mobile Corp.	-	Financial assets at fair value through other comprehensive income	239	25,454	0.01	25,454	
	China Motor Corporation	-	Financial assets at fair value through other comprehensive income	875	21,263	0.06	21,263	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through other comprehensive income	144	6,624	0.11	6,624	
	Taiwan Shin Kong Security Co., Ltd.	-	Financial assets at fair value through other comprehensive income	175	6,720	0.05	6,720	
	Chunghwa Telecom Co., Ltd.	-	Financial assets at fair value through other comprehensive income	240	27,120	-	27,120	
	MiTAC Holdings Corporation	-	Financial assets at fair value through other comprehensive income	747	18,421	0.08	18,421	
	Nan Ya Plastics Corporation	-	Financial assets at fair value through other comprehensive income	209	15,779	-	15,779	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	20,100	2.45	20,100	

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 YEAR ENDED DECEMBER 31, 2018
 (In Thousands of Shares or New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bills Finance Corporation Ltd.	Investments accounted for using equity method	-	-	354,727	\$ 5,136,605	69,061	\$ 1,572,942 (Notes 1 and 2)	-	\$ -	\$ 454,121 (Notes 1 and 2)	\$ -	423,788	\$ 6,255,426 (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, \$463,545 thousand from the share of subsidiaries accounted for using equity method, and unrealized gain of \$5 thousand on investment in equity instruments at FVTOCI; 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 \$56,228 thousand on investments in debt instruments at FVTOCI, and \$140 thousand from the remeasurement of defined benefit plans.

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Co-operative Assets Management Co., Ltd.	10F, No. 6, Section 3, Mincun East Rd., Zhongshan Dist., Taipei City	2018.9.10	\$ 220,920	Payment in full	Taiwan Taipei District Court	None	-	-	-	\$ -	Foreclosure	Main business activities	None
	10F, No. 4, Section 3, Mincun East Rd., Zhongshan Dist., Taipei City	2018.9.10	218,490	Payment in full	Taiwan Taipei District Court	None	-	-	-	-	Foreclosure	Main business activities	None

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 925,701	\$ 491,959	\$ 25,362	\$ 18,230	2.74	3.71

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 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
2018.03.20	Su Sir	Claims and its subordinate mortgage	\$ 1,278	\$ 2,500	\$ 1,222	None	None
2018.12.06	Wu Sir	Claims and its subordinate mortgage	788	1,000	212	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.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 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	\$ 1,297,856	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	547,923	-	-	-	-	-

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 INVESTEEES AND RELATED INFORMATION

DECEMBER 31, 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	\$ 209,153,818	\$ 14,762,366	9,031,030	-	9,031,030	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,056,850	(98,662)	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	6,255,426	463,545	423,788	-	423,788	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,381,451	302,789	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	382,201	6,500	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	4,141,763	407,838	342,693	-	342,693	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	952,982	16,284	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 9 - "Financial Instruments", 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 YEAR ENDED DECEMBER 31, 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 December 31, 2018	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 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)	\$ 87,087	100	\$ 87,087	\$ 5,662,253	\$ -
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)	(72,367)	100	(72,367)	3,063,947	-
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)	52,065	100	52,065	3,128,748	-
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)	30,141	100	30,141	2,715,384	-

Accumulated Investment in Mainland China as of December 31, 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)	\$ 125,972,823

(Continued)

Co-operative Assets Management Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 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)	\$ 51,652	100	\$ 51,652	\$ 942,715	\$ -

Accumulated Investment in Mainland China as of December 31, 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)	\$ 2,028,871

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

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

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 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	\$ 547,923	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	547,923	Note 4	0.02
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,297,856	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,297,856	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	573,442	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	573,442	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	7,412,225	Note 4	0.21
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	7,412,225	Note 4	0.21
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	2,023,206	Note 4	0.06
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	2,023,206	Note 4	0.06
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	904,439	Note 4	1.93
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	904,439	Note 4	1.93
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Other receivables	133,799	Note 4	-
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other payables	133,799	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	3,320,000	Note 4	0.09
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Securities sold under repurchased agreements	3,320,000	Note 4	0.09

(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	\$ 540,387	Note 4	0.02
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	540,387	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	1.24
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Call loans to securities firms	307,350	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Short-term borrowings	307,350	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	147,499	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Payable on securities	147,499	Note 4	-

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

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

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

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

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

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Except Unit Price)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment Date	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations	Note
							Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)		
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>										
Commercial paper										
TCBF (Note 1)						\$ 25,055,388		\$ 25,063,886		
TCB (Note 1)						4,237,937		4,238,682		
TCS (Note 1)						370,044		370,044		
						<u>29,663,369</u>		<u>29,672,612</u>		
Negotiable certificates of deposit										
TCBF (Note 1)						<u>7,050,000</u>		<u>7,049,267</u>		Among the negotiable certificates of deposit, face value of \$500,000 thousand had been provided as collaterals for domestic overdraft.
Beneficial certificates										
TCS (Note 1)						592,993		599,034		
BPCTLI (Note 1)						<u>4,281,485</u>		<u>4,293,159</u>		
						<u>4,874,478</u>		<u>4,892,193</u>		
Corporate bonds										
TCS (Note 1)			2019/11/01- 2023/12/21			3,030,175		3,027,884		
TCB (Note 1)			2019/07/12- 2021/08/10			<u>750,129</u>		<u>755,699</u>		
						<u>3,780,304</u>		<u>3,783,583</u>		
Bank debentures										
TCS (Note 1)			2019/07/17- 2026/05/15			<u>3,012,893</u>		<u>3,015,334</u>		
Government bonds										
TCB (Note 1)			2028/10/17			1,792,386		1,801,704		
TCS (Note 1)			2027/03/01- 2028/11/15			<u>350,529</u>		<u>351,045</u>		
						<u>2,142,915</u>		<u>2,152,749</u>		

(Continued)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment Date	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations	Note
							Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)		
Stocks										
TCVC (Note 1)						\$ 471,402		\$ 468,570		
BPCTLI (Note 1)						584,588		550,978		
TCS (Note 1)						198,047		191,610		
TCB (Note 1)						<u>778,303</u>		<u>807,279</u>		
						<u>2,032,340</u>		<u>2,018,437</u>		
Convertible bonds										
TCS (Note 1)			2019/01/10- 2023/12/24			1,142,464		1,137,404		
TCB (Note 1)			2022/06/08			<u>4,008</u>		<u>4,232</u>		
						<u>1,146,472</u>		<u>1,141,636</u>		
Acquired loans										
CAM						<u>1,068,176</u>		<u>491,654</u>		
Commercial paper contracts with reference rate										
TCBF (Note 1)						-		<u>1,987</u>		
Convertible bonds assets swap contracts										
TCBF (Note 1)						<u>2,094,400</u>		<u>2,101,005</u>		
Currency swap contracts										
TCB						-		1,632,235		
BPCTLI						-		34,479		
TCS						-		<u>1,785</u>		
						-		<u>1,668,499</u>		
Futures exchange margins										
TCS						207,636		208,444		
TCB						68,340		59,339		
BPCTLI						<u>15,009</u>		<u>15,009</u>		
						<u>290,985</u>		<u>282,792</u>		
Foreign - currency margin contracts										
TCB						-		<u>145,684</u>		
Currency option contracts - buy										
TCB						<u>24,692</u>		<u>12,908</u>		
Forward contracts										
TCB						-		<u>11,509</u>		
Interest rate swap contracts										
TCS						-		<u>10,784</u>		
Cross-currency swap contracts										
TCB						-		<u>9,597</u>		
						<u>\$ 57,181,024</u>		<u>\$ 58,462,230</u>		

Note 1: The cost of each individual item do not exceed 5% of the account balance.

Note 2: The book value which amounted to \$25,558,693 thousand had been sold under repurchase agreements.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Except Unit Price)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Allowance for Accumulated Losses	Fair Value		Note
								Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)	
Government bonds										
TCB (Note 1)			2019/01/11- 2035/01/23			\$ 112,827,648	\$ (29,012)		\$ 113,769,704	
BPCTLI (Note 1)			2019/01/22- 2037/08/18			15,664,148	(4,630)		16,091,743	
TCBF (Note 1)			2019/01/20- 2035/10/26			8,807,505	(2,452)		8,822,548	Among the government bonds, face value of \$90,000 thousand had been provided as the bond payment settlement reserves for the Electronic Bond Trading System; and face value of \$13,400 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others.
TCS (Note 1)			2020/04/21- 2029/02/16			<u>2,923,180</u>	<u>(736)</u>		<u>2,926,612</u>	
						<u>140,222,481</u>	<u>(36,830)</u>		<u>141,610,607</u>	
Corporate bonds										
TCB (Note 1)			2019/01/11- 2059/05/16, Some bonds does not have maturity date.			87,164,429	(26,807)		88,111,540	
BPCTLI (Note 1)			2020/07/22- 2033/12/27			7,767,513	(3,349)		7,663,532	
TCBF (Note 1)			2019/07/26- 2028/10/09			3,702,278	(3,475)		3,697,892	
TCS (Note 1)			2020/04/08- 2025/04/22			<u>1,353,810</u>	<u>(772)</u>		<u>1,355,654</u>	
						<u>99,988,030</u>	<u>(34,403)</u>		<u>100,828,618</u>	

(Continued)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Allowance for Accumulated Losses	Fair Value		Note
								Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)	
Bank debentures										
TCB (Note 1)			2019/02/05- 2030/05/31			\$ 44,574,296	\$ (15,923)		\$ 44,167,419	
BPCTLI (Note 1)			2019/05/22- 2028/03/22			12,868,891	(5,388)		12,436,815	
TCS (Note 1)			2020/08/21- 2026/09/12			1,382,220	(1,109)		1,349,080	
TCBF (Note 1)			2021/07/25			<u>100,000</u>	<u>(43)</u>		<u>99,967</u>	
						<u>58,925,407</u>	<u>(22,463)</u>		<u>58,053,281</u>	
Listed shares and emerging market shares										
TCB (Note 1)						5,798,860	-		6,354,937	
TCBF (Note 1)						106,665	-		100,540	
TCVC (Note 1)						246,038	-		219,680	
TCS (Note 1)						<u>389,995</u>	<u>-</u>		<u>351,622</u>	
						<u>6,541,558</u>	<u>-</u>		<u>7,026,779</u>	
Unlisted shares										
CAM (Note 1)						25,000	-		22,500	
TCB (Note 1)						3,678,937	-		4,259,767	
TCS (Note 1)						16,845	-		16,970	
TCBF (Note 1)						9,277	-		49,802	
TCSIT (Note 1)						2,274	-		1,938	
TCFHC (Note 1)						<u>25,000</u>	<u>-</u>		<u>22,500</u>	
						<u>3,757,333</u>	<u>-</u>		<u>4,373,477</u>	
						<u>\$ 309,434,809</u>	<u>\$ (93,696)</u>		<u>\$ 311,892,762</u>	

Note 1: The cost of each individual item do not exceed 5% of the account balance.

Note 2: The book value which amounted to \$18,985,764 thousand had been sold under repurchase agreements.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bond Items	Institution	Interest Payment Date	Maturity Date	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value	Note
Negotiable certificates of deposit in the Central Bank									
C71200003	Central Bank of the ROC	2019/01/01	2019/01/01	32,700,000	0.5763	\$ -	\$ -	\$ 32,700,000	
C71200011	Central Bank of the ROC	2019/01/03	2019/01/03	33,700,000	0.5763	-	-	33,700,000	
C71200022	Central Bank of the ROC	2019/01/15	2019/01/15	90,300,000	0.5973	-	-	90,300,000	
C71200024	Central Bank of the ROC	2019/01/16	2019/01/16	29,400,000	0.5973	-	-	29,400,000	Among the negotiable certificates of deposit in the Central Bank, face value of \$29,400,000 thousand had been provided as collaterals for call loans of foreign currency.
C71200038	Central Bank of the ROC	2019/01/23	2019/01/23	52,100,000	0.6160	-	-	52,100,000	Among the negotiable certificates of deposit in the Central Bank, face value of \$30,000,000 thousand had been provided as collaterals for domestic overdraft.
	Other (Note)					-	-	161,980,000	Among the negotiable certificates of deposit in the Central Bank, face value of \$11,000,000 thousand had been provided as collaterals for overdraft of domestic U.S. dollar settlement; face value of \$500,000 thousand had been provided as collaterals for overdraft of domestic JPY settlement; face value of \$10,600,000 thousand had been provided as collaterals for call loans of foreign currency.
						-	-	400,180,000	
Government bonds									
TCB (Note)			2019/01/22-2041/08/22			(26,534)	4,951,566	97,797,737	Among the government bonds, face value of \$995,900 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others; face value of \$240,000 thousand had been provided as guarantee deposits for the trust business compensation reserve; face value of \$50,000 thousand provided as the guarantee deposits for the bills finance business; face value of \$50,000 thousand had been provided as guarantee deposits for the securities operation.

(Continued)

Bond Items	Institution	Interest Payment Date	Maturity Date	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value	Note
TCBF (Note)			2035/10/26-2038/03/13			\$ (301)	\$ 56,383	\$ 1,056,082	Among the government bonds, face value of \$870,000 thousand had been provided as collaterals for domestic overdraft; face value of \$40,000 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others.
BPCTLI (Note)			2028/04/17-2048/04/23			(347)	33,141	1,188,299	
Corporate bonds						(27,182)	5,041,090	100,042,118	
TCB (Note)			2019/05/13-2048/06/15			(14,964)	39,866	38,097,611	
Bank debentures						(6,782)	(34,445)	18,521,623	
TCB (Note)			2019/05/10-2047/04/11			(98)	2,383	1,272,758	
UTB (Note)			2019/01/15-2021/03/15			(2)	133	5,966	
BPCTLI (Note)			2028/03/22			(6,882)	(31,929)	19,800,347	
Certificates of deposit						-	-	285,836	The certificates of deposit had been provided as overseas branches' capital adequate reserve and guarantee deposits for operation.
TCB (Note)						(28)	-	99,972	
BPCTLI (Note)						(28)	-	385,808	
						\$ (49,056)	\$ 5,049,027	\$ 558,505,884	

Note: The book value of each individual item does not exceed 5% of the account balance.

(Concluded)

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF DISCOUNTS AND LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Bills discounts	\$ 2,342,530
Unsecured overdrafts	<u>116,491</u>
Secured overdrafts	<u>67,220</u>
Import and export negotiations	<u>480,986</u>
Loans	
Short-term unsecured loans	270,175,609
Accounts receivable financing	599,595
Short-term secured loans	203,826,944
Medium-term unsecured loans	305,619,561
Medium-term secured loans	291,276,124
Long-term unsecured loans	27,650,364
Long-term secured loans	<u>979,349,185</u>
	<u>2,078,497,382</u>
Overdue loans	<u>5,056,933</u>
Life insurance loan	<u>747,084</u>
Temporary insurance paid	<u>41,042</u>
Total amount (Note)	2,087,349,668
Less: Allowance for possible losses	26,398,310
Less: Adjustment of discount	<u>463,549</u>
Net amount	<u>\$ 2,060,487,809</u>

Note: The amount of US\$234,446 thousand had been provided as collaterals at the Discount Window Account of the Federal Reserve Bank.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Except Face Value and Unit Price)

Investee Company	Type of Shares	Fact Value (NT\$)	Balance, January 1		Increase in the Current Year		Decrease in the Current Year		Balance, December 31			Market Value or Equity		Note
			Shares	Amount	Shares	Amount	Shares	Amount	Shares (Note)	Percentage of Ownership	Amount	Unit Price (NT\$)	Amount	
United Real Estate Management Co., Ltd.	Common stock	10	10,116	<u>\$ 124,346</u>	-	<u>\$ 11,346</u>	-	<u>\$ 8,598</u>	10,116	30.00	<u>\$ 127,094</u>	12.56	<u>\$ 127,094</u>	Note 2

Note 1: The investments accounted for using equity method had not provide for collaterals or settle for pledge.

Note 2: The balance increasing in the current year was due to share of gains of associates accounted for using equity method; the balance decreasing in the current year was due to unrealized losses on investments in equity instruments at FVTOCI and payment of cash dividends.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF OTHER FINANCIAL ASSETS
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Payback Date/ Maturity Date	Face Value/ In Thousands of Shares	Amount	Note
Overdue receivables, net				
TCB				
Exchange bills negotiated			\$ 3,830	
Secured trade finance advance			42,063	
Trade finance advance - credit cards			<u>7,786</u>	
			53,679	
Less: Allowance for possible losses			<u>28,590</u>	
			<u>25,089</u>	
TCS				
Overdue receivables			89,004	
Less: Allowance for possible losses			<u>79,942</u>	
			<u>9,062</u>	
			<u>34,151</u>	
Due from banks (Note)				
TCB			18,395,211	Among the due from banks, face value of CNY\$320,000 thousand had provided as collaterals for overdraft of domestic RMB settlement; face value of US\$3,155 thousand had been provided as overseas branches' capital adequate reserve.
TCBF			240,000	
TCVC			100,000	
TCSIT			<u>245,050</u>	The face value of \$240,000 thousand had been provided as collaterals for domestic overdraft.
			<u>18,980,261</u>	
Security borrowing margin				
TCS			<u>98,575</u>	
Separate - account assets				
BPCTLI				
Demand deposits			2,476,651	
Financial assets at FVTPL			88,282,280	
Other receivables			<u>486,887</u>	
			<u>91,245,818</u>	
			<u>\$ 110,358,805</u>	

Note: Due from banks 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.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF INVESTMENT PROPERTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase	Balance, December 31
Cost					
Land	\$ 6,532,839	\$ 501,850	\$ (1,451)	\$ 173,954	\$ 7,207,192
Buildings	<u>2,610,676</u>	<u>425,588</u>	<u>(530)</u>	<u>71,083</u>	<u>3,106,817</u>
Total cost	9,143,515	<u>\$ 927,438</u>	<u>\$ (1,981)</u>	<u>\$ 245,037</u>	10,314,009
Less: Accumulated depreciation					
Buildings	<u>716,811</u>	<u>\$ 68,783</u>	<u>\$ (166)</u>	<u>\$ 32,042</u>	<u>817,470</u>
Property and equipment, net	<u>\$ 8,426,704</u>				<u>\$ 9,496,539</u>

Note 1: Investment properties had not been provided as collaterals.

Note 2: 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 building, 5 years.

Note 3: As of December 31, 2018, the fair value of investment properties was \$24,204,429 thousand. The fair value was determined through calculations using the market value method and estimates based on market quotes.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF PROPERTIES AND EQUIPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassifi- cation Increase (Decrease)	Effects of Exchange Rate Changes	Balance, December 31
Cost						
Land	\$ 21,122,708	\$ -	\$ -	\$ (173,954)	\$ 91	\$ 20,948,845
Buildings	18,675,258	440,525	-	(52,921)	190	19,063,052
Machinery and Equipment	4,592,586	86,037	(434,647)	60,697	2,920	4,307,593
Transportation equipment	648,149	14,757	(39,605)	-	295	623,596
Other equipment	1,311,963	82,542	(82,384)	47,076	917	1,360,114
Leasehold improvements	904,230	68,926	(30,378)	9,544	846	953,168
Leased assets	<u>13,352</u>	<u>12,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,125</u>
Total cost	<u>47,268,246</u>	<u>\$ 705,560</u>	<u>\$ (587,014)</u>	<u>\$ (109,558)</u>	<u>\$ 5,259</u>	<u>47,282,493</u>
Less: Accumulated depreciation						
Buildings	6,779,143	\$ 653,734	\$ -	\$ (32,042)	\$ 149	7,400,984
Machinery and Equipment	4,011,489	285,396	(432,685)	-	2,541	3,866,741
Transportation equipment	553,023	30,634	(39,602)	-	158	544,213
Other equipment	1,130,910	77,161	(82,252)	-	694	1,126,513
Leasehold improvements	793,214	51,012	(28,683)	-	622	816,165
Leased assets	<u>1,748</u>	<u>3,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,827</u>
Total accumulated depreciation and impairment	<u>13,269,527</u>	<u>\$ 1,101,016</u>	<u>\$ (583,222)</u>	<u>\$ (32,042)</u>	<u>\$ 4,164</u>	<u>13,759,443</u>
Less: Accumulated impairment						
Land	<u>15,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,177</u>
Prepayments for equipment, land and buildings and construction in progress						
Construction in progress	18,427	\$ 26,991	\$ -	\$ (18,759)	\$ -	26,659
Prepayments for land and buildings	-	7,506	-	-	-	7,506
Prepayments for equipment	<u>94,100</u>	<u>327,485</u>	<u>-</u>	<u>(139,144)</u>	<u>28</u>	<u>282,469</u>
	<u>112,527</u>	<u>\$ 361,982</u>	<u>\$ -</u>	<u>\$ (157,903)</u>	<u>\$ 28</u>	<u>316,634</u>
	<u>\$ 34,096,069</u>					<u>\$ 33,824,507</u>

Note 1: Property and equipment had not been provided as collaterals.

Note 2: Properties and equipment are depreciated on the straight-line method over service lives estimated as follows: Buildings-main buildings, 37 to 50 years; Buildings-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.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER ASSETS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Refundable deposits	\$ 1,862,013
Operating deposits and settlement funds	<u>699,596</u>
Prepayments	<u>339,299</u>
Collaterals assumed	257,002
Less: Allowance for impairment loss	<u>1,858</u>
	<u>255,144</u>
Other (Note)	<u>121,086</u>
	<u>\$ 3,277,138</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Instrument Items	Summary	Face Value	Interest Rate (%)	Fair Value		Change in Fair Values Resulting from Credit Risk Variations
				Unit Price	Amount	
Held-for-trading financial liabilities						
Securities purchased under resell agreements - short sale						
TCS					\$ 100,256	
Payable - security borrowing						
TCS					50,235	
Currency swap contracts						
TCB					903,048	
BPCTLI					13,354	
					<u>916,402</u>	
Interest rate swap contracts						
TCB					407,850	
TCS					8,089	
					<u>415,939</u>	
Forward contracts						
TCB					127,435	
Asset swap options						
TCS					17,979	
Currency option contracts - sell						
TCB					13,050	
Cross-currency swap contracts						
TCB					7,989	
Financial liabilities designated as at fair value through profit or loss						
Bank debentures						
Unsecured bank debentures bonds issued in 2015, Tape A.	Issued on March 30, 2015. TCB may exercise its redemption rights at an agreed price after two years, 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.	US\$ 300,000	0	93.4166	8,613,482	\$ 11,739
Unsecured bank debentures bonds issued in 2015, Tape B.	Issued on March 30, 2015. TCB may exercise its redemption rights at an agreed price after three years, 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.	US\$ 100,000	0	93.3943	2,870,473	3,927
					<u>11,483,955</u>	<u>\$ 15,666</u>
					<u>\$ 13,133,240</u>	

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF COMMERCIAL PAPER ISSUED

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Company	Guarantee or Acceptance Agency	Terms of the Contract	Interest Rate (%)	Amount		
				Issue Amount	Unamortized Discount	Book Value
TCFHC	Hua Nan Commercial Bank	2019.01.04	0.688	\$ 2,700,000	\$ 111	\$ 2,699,889
	Union Bank of Taiwan	2019.01.04	0.688	1,500,000	77	1,499,923
	Cathay United Bank	2019.02.20	0.728	2,700,000	2,533	2,697,467
	Grand Bills Finance Corp.	2019.03.05	0.853	1,500,000	2,058	1,497,942
	China Bills Finance Corp.	2019.02.20	0.730	2,090,000	1,952	2,088,048
	International Bills Finance Corp.	2019.03.05	0.833	2,500,000	3,388	2,496,612
	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2019.01.04 to 2019.03.05	0.658-0.858	<u>7,880,000</u>	<u>5,496</u>	<u>7,874,504</u>
			<u>20,870,000</u>	<u>15,615</u>	<u>20,854,385</u>	
CAM	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2019.01.11 to 2019.02.22	0.968-1.088	<u>1,810,000</u>	<u>1,630</u>	<u>1,808,370</u>
TCS	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2019.01.04 to 2019.02.18	0.708-0.808	<u>3,430,000</u>	<u>1,232</u>	<u>3,428,768</u>
			<u>\$ 26,110,000</u>	<u>\$ 18,477</u>	<u>\$ 26,091,523</u>	

Note: The book value of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF DEPOSITS AND REMITTANCES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Checking deposits	
Checking deposits	\$ 42,938,288
Cashier's checks	5,908,693
Accepted checks	<u>17,477</u>
	<u>48,864,458</u>
Demand deposits	
Demand deposits	381,844,173
Foreign currency demand deposits	<u>130,233,191</u>
	<u>512,077,364</u>
Savings - demand deposits	
Savings - demand deposits	820,364,381
Bank employee demand savings deposits	<u>19,554,741</u>
	<u>839,919,122</u>
Time deposits	
Time deposits	332,602,127
Foreign currency time deposits	<u>223,554,710</u>
	<u>556,156,837</u>
Negotiable certificates of deposits	<u>48,351,856</u>
Savings - time deposits	
Withdrawals of interest savings	495,829,477
Round-amount savings	120,639,915
Bank employee time savings deposits	10,795,208
Regular deposits	<u>751,234</u>
	<u>628,015,834</u>
Treasury deposits	
Time deposits	39,537,917
Demand deposits	<u>53,356,515</u>
	<u>92,894,432</u>
Remittances	
Remittances outstanding	93,224
Outward remittances	<u>101,222</u>
	<u>194,446</u>
	<u>\$ 2,726,474,349</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF BOND PAYABLES
 DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Name	Trust Institutions	Issue Date	Interest Payment Date	Annual Interest Rate	Amount			Repayment Method	Types of Collateral	Note
					Total Issued Amount	Repaid Amount	Carrying Amount			
First subordinated bonds in 2012 (10 years after the issue date)	None	2012/06/28	June 28 in each year	Fixed interest rate 1.65%	\$ 11,650,000	\$ -	\$ 11,650,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2012 (7 years after the issue date), Type A	None	2012/12/25	December 25 in each year	Fixed interest rate 1.43%	1,000,000	-	1,000,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2012 (10 years after the issue date), Type B	None	2012/12/25	December 25 in each year	Fixed interest rate 1.55%	7,350,000	-	7,350,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2013 (7 years after the issue date), Type A	None	2013/03/28	March 28 in each year	Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%	4,000,000	-	4,000,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2013 (7 years after the issue date), Type B	None	2013/03/28	March 28 in each year	Fixed interest rate 1.48%	3,500,000	-	3,500,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2013 (7 years after the issue date), Type A	None	2013/12/25	December 25 in each year	Fixed interest rate 1.72%	900,000	-	900,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2013 (10 years after the issue date), Type B	None	2013/12/25	December 25 in each year	Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%	4,600,000	-	4,600,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (7 years after the issue date), Type A	None	2014/05/26	May 26 in each year	Fixed interest rate 1.70%	1,500,000	-	1,500,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (10 years after the issue date), Type B	None	2014/05/26	May 26 in each year	Fixed interest rate 1.85%	2,700,000	-	2,700,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (10 years after the issue date), Type C	None	2014/05/26	May 26 in each year	Fixed rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index rate 02 plus 0.43%	5,800,000	-	5,800,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2016 (7 years after the issue date), Type A	None	2016/09/26	September 26 in each year	Fixed interest rate 1.09%	950,000	-	950,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2016 (10 years after the issue date), Type B	None	2016/09/26	September 26 in each year	Fixed interest rate 1.20%	4,050,000	-	4,050,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2017 (7 years after the issue date), Type A	None	2017/09/26	September 26 in each year	Fixed interest rate 1.32%	600,000	-	600,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2017 (10 years after the issue date), Type B	None	2017/09/26	September 26 in each year	Fixed interest rate 1.56%	1,400,000	-	1,400,000	Repay on the maturity date	Unsecured	
First non-cumulative perpetual subordinated bonds in 2018	None	2018/11/26	November 26 in each year	Fixed interest rate 2.28%	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	TCB may exercise its redemption right after 5 years and 2 months	Unsecured	
					<u>\$ 55,000,000</u>	<u>\$ -</u>	<u>\$ 55,000,000</u>			

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest revenue from discounts and loans	
Discounts and overdraft	\$ 52,628
Short-term loans	8,454,282
Medium-term loans	15,499,773
Long-term loans	18,730,993
Overdue interest	17,543
Others	<u>230,399</u>
	<u>42,985,618</u>
Interest revenue from investments	
Financial assets at fair value through other comprehensive income	5,776,340
Investments in debt instruments at amortized cost	<u>4,448,003</u>
	<u>10,224,343</u>
Interest revenue from due from banks and call loans to banks	
Due from the Central Bank	606,876
Due from banks	998,679
Call loans to banks	<u>1,239,107</u>
	<u>2,844,662</u>
Interest revenue from financing	<u>433,951</u>
Others	<u>656,297</u>
	<u>\$ 57,144,871</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF INTEREST EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest expenses from deposits	
Foreign currency deposits	\$ 5,544,313
Savings - time under periodically interest payment	5,443,711
Time deposits	2,384,560
Savings - demand deposits	1,614,776
Savings - time	1,237,459
Employee deposits	680,822
Treasury deposits	580,084
Demand deposits	310,284
Others	<u>235,061</u>
	<u>18,031,070</u>
Interest expenses from funds borrowing from the Central Bank and other banks	
Call loans from other banks	2,014,845
Borrowed from other banks	<u>141,130</u>
	<u>2,155,975</u>
Interest expenses from subordinated bank debentures	<u>800,742</u>
Interest expenses from the Central Bank and other banks	<u>646,742</u>
Interest expenses from securities sold under repurchase agreements	<u>279,376</u>
Interest expenses from structured products	<u>40,683</u>
Others	<u>82,525</u>
	<u>\$ 22,037,113</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF SERVICE FEE AND COMMISSION INCOME, NET
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Service fee and commission income	
Trust business	\$ 1,477,299
Insurance service	1,049,402
Loans	854,849
Guarantees	798,337
Credit cards	558,681
Investment-linked products	556,694
Brokerage service	433,571
Remittance	321,706
Cross-bank transactions	272,793
Trust affiliated business	258,911
Management fees	194,366
Management fees of investment-linked products	178,033
Import/export service	115,319
Underwriting	106,063
Others (Note)	<u>528,155</u>
	<u>7,704,179</u>
Service charge and commission expenses	
Cross-bank transactions	331,523
Insurance commission	295,390
Credit cards	219,723
Credit cards billing collections	118,814
Others (Note)	<u>266,894</u>
	<u>1,232,344</u>
	<u>\$ 6,471,835</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

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

**DETAILED SCHEDULE OF PREMIUM INCOME (LOSSES), NET
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

	Items	Amount
Premium income		
Separate-account revenue		\$ (1,214,827)
Premium income		<u>4,304,332</u>
		<u>3,089,505</u>
Premium losses		
Separate-account expense		1,214,827
Insurance claims and benefits		(3,942,075)
Reinsurance premium ceded		(160,400)
Others		<u>(51,665)</u>
		<u>(2,939,313)</u>
		<u>\$ 150,192</u>

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

**DETAILED SCHEDULE OF GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT
FAIR VALUE THROUGH PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Realized Gains (Losses)	Unrealized Gains (Losses)	Total
Financial assets at fair value through profit or loss			
Financial assets mandatorily classified as at fair value through profit or loss			
Acquired loans	\$ 388,542	\$ 31,214	\$ 419,756
Commercial paper (including interest revenue)	302,998	2,320	305,318
Bank debentures (including interest revenue)	125,544	(35,595)	89,949
Negotiable certificates of deposit (including interest revenue)	68,712	2,379	71,091
Corporate bonds (including interest revenue)	44,616	(1,584)	43,032
Stocks (including cash dividends)	19,472	664	20,136
Government bonds (including interest revenue)	10,244	9,808	20,052
Convertible bonds	34,161	(32,747)	1,414
Beneficial certificates	23,561	(350,310)	(326,749)
Currency swap contracts	14,502,323	(651,170)	13,851,153
Interest rate swap contracts	920,113	(153,353)	766,760
Forward contracts	317,989	(104,494)	213,495
Convertible bonds assets swap contracts	18,088	5,370	23,458
Asset swap options	9,055	8,839	17,894
Cross-currency swap contracts	20,712	(17,744)	2,968
Taiwan stock option contracts - buy	(584)	-	(584)
Futures contracts	(55,598)	(10,182)	(65,780)
Currency option contracts - buy	(187,740)	(5,327)	(193,067)
Others	(761)	-	(761)
	<u>16,561,447</u>	<u>(1,301,912)</u>	<u>15,259,535</u>
Financial liabilities at fair value through profit or loss			
Held-for-trading financial liabilities			
Security borrowing	50,132	3,816	53,948
Currency option contracts - sell	201,674	5,935	207,609
Taiwan stock option contracts - sell	1,966	-	1,966
Stock warrants issued liabilities	15,450	(15,435)	15
Asset swap options	2,811	(5,547)	(2,736)
Cross-currency swap contracts	(85,091)	7,119	(77,972)
Forward contracts	(363,512)	(116,528)	(480,040)
Interest rate swap contracts	(743,030)	(396,701)	(1,139,731)

(Continued)

Items	Realized Gains (Losses)	Unrealized Gains (Losses)	Total
Currency swap contracts	\$ (12,419,777)	\$ 1,800,968	\$ (10,618,809)
Others	<u>(2,726)</u>	<u>-</u>	<u>(2,726)</u>
	<u>(13,342,103)</u>	<u>1,283,627</u>	<u>(12,058,476)</u>
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (including interest expense)	<u>(566,552)</u>	<u>613,084</u>	<u>46,532</u>
	<u>(13,908,655)</u>	<u>1,896,711</u>	<u>(12,011,944)</u>
	<u>\$ 2,652,792</u>	<u>\$ 594,799</u>	<u>\$ 3,247,591</u>

(Concluded)

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

**DETAILED SCHEDULE OF REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE
THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Government bonds	\$ 860,060
Dividend income of listed and emerging market shares	402,175
Corporate bonds	309,101
Dividend income of unlisted shares	261,876
Bank debentures	<u>27,440</u>
	<u>\$ 1,860,652</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF FOREIGN EXCHANGE GAINS (LOSSES)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Foreign exchange - current swap, net asset	\$ (1,829,025)
Foreign exchange - spot	147,742
Foreign exchange - swap, spot	(45,733)
Foreign exchange - internal exchange rate	(85,269)
Foreign exchange, net asset	893,461
Foreign exchange - others	<u>643</u>
	<u>\$ (918,181)</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF IMPAIRMENT LOSSES (REVERSAL OF IMPAIRMENT LOSS) ON
ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Impairment Loss	Reversal of Impairment Loss	Net Amount
Investments in debt instruments measured at amortized cost	\$ (3,031)	\$ (381)	\$ (3,412)
Investments in debt instruments at fair value through other comprehensive income	(14,630)	3,362	(11,268)
Other financial assets	<u>(3,683)</u>	<u>-</u>	<u>(3,683)</u>
	<u>\$ (21,344)</u>	<u>\$ 2,981</u>	<u>\$ (18,363)</u>

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

**DETAILED SCHEDULE OF OTHER NONINTEREST GAINS, NET
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Rental revenue	\$ 407,846
Donation	(274,639)
Others (Note)	<u>444,271</u>
	<u>\$ 577,478</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON
COMMITMENTS AND GUARANTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Provision for possible losses on discounts and loans	\$ 4,237,408
Provision for possible losses on receivables	75,293
Provision for possible losses on overdue receivables	37,584
Reversal of provision for possible losses on guarantees	(1,464)
Reversal of provision for possible losses on financing commitments	(3,707)
Provision for possible losses on others	<u>10,144</u>
	<u>\$ 4,355,258</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF NET CHANGES IN RESERVES FOR INSURANCE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Life policy reserve, net of release	\$ (1,250,724)
Reserve for insurance contract with financial instrument features, net of release	154,457
Deficiency reserve, net of release	(18,167)
Claim reserve, net of release	(2,658)
Unearned premium reserve, net of release	48,895
Reserve for foreign exchange variation, net of release	<u>89,920</u>
	<u>\$ (978,277)</u>

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

**DETAILED SCHEDULE OF EMPLOYEE BENEFITS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Employee Benefits Expenses	Other Noninterest Gains, Net	Other Operating and Administrative Expenses	Total
Salaries	\$ 8,501,570	\$ -	\$ -	\$ 8,501,570
Bonuses	2,913,557	-	-	2,913,557
Post-employment benefits, termination benefits and compensation	1,215,570	-	-	1,215,570
Excessive interest from preferential interest deposits	1,286,602	-	-	1,286,602
Insurance	785,476	-	-	785,476
Subsidies	656,284	-	-	656,284
Overtime	432,076	-	-	432,076
Meal allowance	253,857	-	-	253,857
Employee benefits	139,714	-	-	139,714
Remuneration of directors	135,959	-	-	135,959
Others	<u>14,301</u>	<u>-</u>	<u>-</u>	<u>14,301</u>
	<u>\$ 16,334,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,334,966</u>

Note 1: For the years ended December 31, 2018 and 2017, the average number of employees of the Company was 9,140 and 8,919, of which the average number of directors who was not concurrently was 36, respectively.

Note 2: For the year ended December 31, 2018, the average amount of employee benefits expenses of the Company was \$1,779.

Note 3: For the year ended December 31, 2018, the average amount of salary expenses of the Company was \$1,373.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Depreciation expense	
Property and equipment	
Building	\$ 653,734
Machinery and equipment	285,396
Transportation equipment	30,634
Other equipment	77,161
Leasehold improvements	51,012
Leased assets	<u>3,079</u>
	1,101,016
Investment properties	
Building	<u>68,783</u>
	<u>1,169,799</u>
Amortization expense	
Computer software	169,447
Others	<u>23</u>
	<u>169,470</u>
	<u>\$ 1,339,269</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Tax	\$ 2,693,795
Rental	1,039,573
Insurance	653,702
Repair and maintenance	345,642
Professional services	326,622
Postage	292,447
Building management	237,809
Entertainment	209,963
Utilities	197,665
Employee training	195,633
Membership and registration	162,919
Outsourcing	158,684
Printing	145,111
Supplies	123,116
Advertisement	108,754
Others (Note)	<u>548,757</u>
	<u>\$ 7,440,192</u>

Note: The amount of each individual item does not exceed 5% of the account balance.