

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), as of March 31, 2019 and 2018 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and related notes to the consolidated financial statements, including a summary of significant accounting policies. (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yin-Chou Chen and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 24, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 58,266,596	2	\$ 57,203,098	2	\$ 44,188,889	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 40 and 41)	267,077,688	7	264,471,052	7	244,796,211	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40)	76,371,652	2	58,462,230	2	74,985,547	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 41)	328,618,289	9	311,892,762	9	293,375,120	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 41)	553,171,349	15	558,505,884	16	516,084,226	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	2,549,890	-	1,886,314	-	752,867	-
RECEIVABLES, NET (Notes 12 and 40)	34,190,561	1	31,292,805	1	34,865,221	1
CURRENT TAX ASSETS	1,539,813	-	1,540,589	-	1,296,519	-
DISCOUNTS AND LOANS, NET (Notes 13, 40 and 41)	2,113,305,170	59	2,060,487,809	59	2,060,465,753	60
REINSURANCE ASSETS, NET	55,441	-	46,975	-	141,988	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14)	130,338	-	127,094	-	127,574	-
OTHER FINANCIAL ASSETS, NET (Notes 15, 30 and 41)	124,889,496	4	110,358,805	3	120,472,627	4
INVESTMENT PROPERTIES, NET (Note 16)	9,602,203	-	9,496,539	-	8,428,821	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	33,671,923	1	33,824,507	1	34,385,814	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	1,624,862	-	-	-	-	-
INTANGIBLE ASSETS (Note 19)	3,620,517	-	3,631,035	-	3,548,948	-
DEFERRED TAX ASSETS (Notes 4 and 37)	1,668,406	-	1,782,952	-	2,547,015	-
OTHER ASSETS, NET (Notes 18 and 20)	<u>3,338,347</u>	<u>-</u>	<u>3,277,138</u>	<u>-</u>	<u>3,037,608</u>	<u>-</u>
TOTAL	<u>\$ 3,613,692,541</u>	<u>100</u>	<u>\$ 3,508,287,588</u>	<u>100</u>	<u>\$ 3,443,500,748</u>	<u>100</u>
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 40)	\$ 247,299,755	7	\$ 226,264,806	6	\$ 265,230,665	8
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 26 and 40)	13,683,312	-	13,133,240	-	15,805,377	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9 and 22)	50,385,270	1	44,369,293	1	52,697,130	2
COMMERCIAL PAPER ISSUED, NET (Note 23)	25,495,904	1	26,091,523	1	25,832,493	1
PAYABLES (Notes 24 and 40)	51,160,454	2	51,166,336	2	43,652,496	1
CURRENT TAX LIABILITIES	1,205,327	-	997,439	-	2,220,295	-
DEPOSITS AND REMITTANCES (Notes 25 and 40)	2,788,195,411	77	2,726,474,349	78	2,609,796,446	76
BONDS PAYABLE (Note 26)	55,000,000	2	55,000,000	2	64,610,000	2
OTHER BORROWINGS (Notes 23 and 27)	2,383,891	-	2,425,405	-	1,401,663	-
PROVISIONS (Notes 4, 28 and 29)	47,291,772	1	48,830,833	1	50,496,641	1
OTHER FINANCIAL LIABILITIES (Notes 16 and 30)	104,466,612	3	94,531,001	3	96,466,970	3
LEASE LIABILITIES (Notes 4 and 18)	1,560,208	-	-	-	-	-
DEFERRED TAX LIABILITIES (Notes 4, 17 and 37)	3,436,656	-	3,334,447	-	3,093,213	-
OTHER LIABILITIES (Note 31)	<u>1,368,328</u>	<u>-</u>	<u>3,194,907</u>	<u>-</u>	<u>1,812,378</u>	<u>-</u>
Total liabilities	<u>3,392,932,900</u>	<u>94</u>	<u>3,295,813,579</u>	<u>94</u>	<u>3,233,115,767</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	<u>125,687,847</u>	<u>3</u>	<u>125,687,847</u>	<u>3</u>	<u>122,027,036</u>	<u>3</u>
Capital surplus	<u>57,973,141</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>
Retained earnings						
Legal reserve	6,451,448	-	6,451,448	-	5,019,668	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	<u>18,606,657</u>	<u>1</u>	<u>14,761,844</u>	<u>1</u>	<u>17,722,768</u>	<u>1</u>
Total retained earnings	<u>26,054,131</u>	<u>1</u>	<u>22,209,318</u>	<u>1</u>	<u>23,738,462</u>	<u>1</u>
Other equity	<u>6,205,054</u>	<u>-</u>	<u>2,412,696</u>	<u>-</u>	<u>2,351,617</u>	<u>-</u>
Total equity attributable to owners of TCFHC	215,920,173	6	208,274,204	6	206,081,458	6
NON-CONTROLLING INTERESTS	<u>4,839,468</u>	<u>-</u>	<u>4,199,805</u>	<u>-</u>	<u>4,303,523</u>	<u>-</u>
Total equity	<u>220,759,641</u>	<u>6</u>	<u>212,474,009</u>	<u>6</u>	<u>210,384,981</u>	<u>6</u>
TOTAL	<u>\$ 3,613,692,541</u>	<u>100</u>	<u>\$ 3,508,287,588</u>	<u>100</u>	<u>\$ 3,443,500,748</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 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 40)	\$ 14,914,444	122	\$ 13,806,239	112
INTEREST EXPENSE (Notes 4, 32 and 40)	<u>(6,238,682)</u>	<u>(51)</u>	<u>(5,074,161)</u>	<u>(41)</u>
NET INTEREST	<u>8,675,762</u>	<u>71</u>	<u>8,732,078</u>	<u>71</u>
NET REVENUES AND GAINS OTHER THAN INTEREST				
Service fee and commission income, net (Notes 33 and 40)	1,607,556	13	1,600,824	13
Premium income, net (Notes 30 and 34)	23,584	-	253,133	2
Gains on financial assets and liabilities at fair value through profit or loss (Notes 35 and 40)	2,163,961	18	509,077	4
Realized gains on financial assets at fair value through other comprehensive income	323,230	3	374,314	3
Gains on derecognition of financial assets at amortized cost, net	857	-	-	-
Foreign exchange gains (losses), net	(285,973)	(2)	840,891	7
Reversal of impairment losses on assets (Notes 9 and 10)	3,632	-	299	-
Share of gains of associates and joint ventures accounted for using the equity method (Note 14)	3,244	-	2,712	-
Loss on reclassification of overlay approach (Note 8)	(350,339)	(3)	(7,906)	-
Other noninterest gains, net (Notes 16 and 40)	<u>44,511</u>	<u>-</u>	<u>(8,942)</u>	<u>-</u>
Total net revenues and gains other than interest	<u>3,534,263</u>	<u>29</u>	<u>3,564,402</u>	<u>29</u>
TOTAL NET REVENUES	<u>12,210,025</u>	<u>100</u>	<u>12,296,480</u>	<u>100</u>
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Note 13)	<u>(1,575,242)</u>	<u>(13)</u>	<u>(1,595,444)</u>	<u>(13)</u>
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 28)	<u>202,627</u>	<u>1</u>	<u>(76,213)</u>	<u>(1)</u>
OPERATING EXPENSES (Notes 4, 17, 18, 29 and 36)				
Employee benefits	(3,982,583)	(32)	(4,022,091)	(32)
Depreciation and amortization	(449,026)	(4)	(339,759)	(3)
General and administrative	<u>(1,590,058)</u>	<u>(13)</u>	<u>(1,712,382)</u>	<u>(14)</u>
Total operating expenses	<u>(6,021,667)</u>	<u>(49)</u>	<u>(6,074,232)</u>	<u>(49)</u>

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 4,815,743	39	\$ 4,550,591	37
INCOME TAX EXPENSE (Notes 4 and 37)	<u>(749,750)</u>	<u>(6)</u>	<u>(707,932)</u>	<u>(6)</u>
NET INCOME	<u>4,065,993</u>	<u>33</u>	<u>3,842,659</u>	<u>31</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(11,549)	-	12,543	-
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	<u>1,394,295</u>	<u>12</u>	<u>647,521</u>	<u>5</u>
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>1,382,746</u>	<u>12</u>	<u>660,064</u>	<u>5</u>
Items that may be reclassified subsequently to profit or loss (Notes 4, 8, 14 and 37)				
Exchange differences on the translation of financial statements of foreign operations	45,803	-	(591,089)	(5)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	516	-
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	2,613,652	21	(1,885,031)	(15)
Other comprehensive income on reclassification of overlay approach	350,339	3	7,906	-
Income tax attributable to other comprehensive income	<u>(181,699)</u>	<u>(1)</u>	<u>240,318</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>2,828,095</u>	<u>23</u>	<u>(2,227,380)</u>	<u>(18)</u>
Other comprehensive income (losses) , net of income tax	<u>4,210,841</u>	<u>35</u>	<u>(1,567,316)</u>	<u>(13)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 8,276,834</u>	<u>68</u>	<u>\$ 2,275,343</u>	<u>18</u>

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of TCFHC	\$ 3,933,739	32	\$ 3,713,385	30
Non-controlling interests	<u>132,254</u>	<u>1</u>	<u>129,274</u>	<u>1</u>
	<u>\$ 4,065,993</u>	<u>33</u>	<u>\$ 3,842,659</u>	<u>31</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of TCFHC	\$ 7,637,171	63	\$ 2,400,254	19
Non-controlling interests	<u>639,663</u>	<u>5</u>	<u>(124,911)</u>	<u>(1)</u>
	<u>\$ 8,276,834</u>	<u>68</u>	<u>\$ 2,275,343</u>	<u>18</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)				
Basic	<u>\$0.31</u>		<u>\$0.30</u>	
Diluted	<u>\$0.31</u>		<u>\$0.30</u>	

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of TCFHC												
							Other Equity						
	Capital Stock (Note 39)		Capital Surplus (Note 39)	Retained Earnings (Notes 9 and 39)			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 9)	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 39)	Total Equity
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE, JANUARY 1, 2019	12,568,785	\$ 125,687,847	\$ 57,964,343	\$ 6,451,448	\$ 996,026	\$ 14,761,844	\$ (282,339)	\$ 2,690,032	\$ -	\$ 15,666	\$ (10,663)	\$ 4,199,805	\$ 212,474,009
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	-	-	8,798
Losses on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(88,926)	-	88,926	-	-	-	-	-
Total comprehensive income													
Net income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	-	-	-	-	-	132,254	4,065,993
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	39,413	3,498,051	-	(11,549)	177,517	507,409	4,210,841
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	39,413	3,498,051	-	(11,549)	177,517	639,663	8,276,834
BALANCE, MARCH 31, 2019	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,973,141</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 18,606,657</u>	<u>\$ (242,926)</u>	<u>\$ 6,277,009</u>	<u>\$ -</u>	<u>\$ 4,117</u>	<u>\$ 166,854</u>	<u>\$ 4,839,468</u>	<u>\$ 220,759,641</u>
BALANCE, JANUARY 1, 2018	12,202,704	\$ 122,027,036	\$ 57,964,343	\$ 5,019,668	\$ 996,026	\$ 14,377,752	\$ (1,177,934)	\$ -	\$ 1,942,735	\$ 2,414	\$ -	\$ 4,344,256	\$ 205,496,296
Effect of retrospective application	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	84,178	2,613,342
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	4,428,434	208,109,638
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	6,483	-	(6,483)	-	-	-	-	-
Total comprehensive income													
Net income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	-	-	-	-	-	129,274	3,842,659
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	-	(453,015)	(877,932)	-	12,543	5,273	(254,185)	(1,567,316)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	(453,015)	(877,932)	-	12,543	5,273	(124,911)	2,275,343
BALANCE, MARCH 31, 2018	<u>12,202,704</u>	<u>\$ 122,027,036</u>	<u>\$ 57,964,343</u>	<u>\$ 5,019,668</u>	<u>\$ 996,026</u>	<u>\$ 17,722,768</u>	<u>\$ (1,630,949)</u>	<u>\$ 3,779,477</u>	<u>\$ -</u>	<u>\$ 14,957</u>	<u>\$ 188,132</u>	<u>\$ 4,303,523</u>	<u>\$ 210,384,981</u>

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,815,743	\$ 4,550,591
Adjustments for:		
Depreciation expenses	405,123	295,701
Amortization expenses	43,903	44,058
Expected credit losses/bad-debt expenses	1,657,603	1,575,621
Gains on financial assets and liabilities at fair value through profit or loss	(2,163,961)	(509,077)
Interest expense	6,238,682	5,074,161
Interest revenue	(14,914,444)	(13,806,239)
Net changes in reserves for insurance liabilities	(202,627)	76,213
Reversal of provision for losses on guarantees	(93,746)	(34,887)
Net changes in reserves for other liabilities	11,385	54,710
Share of gains of associates and joint ventures accounted for using equity method	(3,244)	(2,712)
Losses on reclassification of overlay approach	350,339	7,906
Losses on disposal of properties and equipment	1,336	418
Gains on disposal of investments	(323,230)	(374,314)
Impairment losses on financial assets	736	7,145
Reversal of impairment losses on financial assets	(4,368)	(7,444)
Unrealized (gains) losses on foreign exchange	(78,430)	300,662
Other lease losses	565	-
Net changes in operating assets and liabilities		
Decrease in due from the Central Bank and call loans to other banks	2,629,217	1,539,896
Increase in financial assets at fair value through profit or loss	(14,753,097)	(7,998,695)
Increase in financial assets at fair value through other comprehensive income	(12,155,483)	(984,173)
Decrease in investments in debt instruments at amortized cost	5,211,194	1,077,108
(Increase) decrease in receivables	(3,905,271)	1,825,578
Increase in discounts and loans	(54,389,919)	(59,065,248)
Increase in reinsurance assets	(13,015)	(8,702)
Increase in other financial assets	(6,863,339)	(5,468,971)
Increase in other assets	(360,766)	(316,923)
Increase in due to the Central Bank and other banks	21,034,949	37,433,234
Decrease in financial liabilities at fair value through profit or loss	(546,579)	(1,453,314)
Increase in securities sold under repurchase agreements	6,015,977	10,397,292
Decrease in payables	(513,412)	(11,413,161)
Increase (decrease) in deposits and remittances	61,721,062	(13,744,130)
Decrease in provision for employee benefits	(57,246)	(148,033)
Decrease in provisions	(1,192,941)	(79,144)
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
Increase (decrease) in other financial liabilities	\$ 1,912,582	\$ (937,796)
Increase (decrease) in other liabilities	<u>(1,862,006)</u>	<u>170,367</u>
Cash used in operations	(2,346,728)	(51,922,302)
Interest received	15,913,300	14,899,855
Dividends received	59,945	49,819
Interest paid	(5,315,885)	(4,408,948)
Income tax paid	<u>(499,265)</u>	<u>(297,612)</u>
Net cash generated from (used in) operating activities	<u>7,811,367</u>	<u>(41,679,188)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(126,175)	(589,578)
Increase in refundable deposits	(248,045)	(106,368)
Decrease in refundable deposits	482,592	104,252
Acquisition of intangible assets	(33,173)	(20,332)
Acquisition of investment properties	(128,062)	-
Increase in other assets	(29,238)	(14,467)
Decrease in other assets	<u>12,026</u>	<u>-</u>
Net cash used in investing activities	<u>(70,075)</u>	<u>(626,493)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	-	180,000
Decrease in commercial paper issued	(600,000)	-
Increase in other borrowings	8,813,179	5,013,907
Decrease in other borrowings	(8,870,657)	(4,422,282)
Increase in guarantee deposits received	344,769	483,003
Decrease in guarantee deposits received	(3,740)	(739,144)
Repayments of the principal portion of lease liabilities	(117,573)	-
Increase in other liabilities	-	37,477
Decrease in other liabilities	<u>(19,192)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(453,214)</u>	<u>552,961</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(325,151)</u>	<u>1,004,747</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,962,927	(40,747,973)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>73,678,540</u>	<u>106,195,547</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 80,641,467</u>	<u>\$ 65,447,574</u>

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Cash and cash equivalents reconciliations:

	March 31	
	2019	2018
Cash and cash equivalents in consolidated balance sheets	\$ 58,266,596	\$ 44,188,889
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”	19,824,981	20,505,818
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>2,549,890</u>	<u>752,867</u>
Cash and cash equivalents, end of period	<u>\$ 80,641,467</u>	<u>\$ 65,447,574</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 THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) was established by Taiwan Cooperative Bank, Ltd. (TCB), Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) and Co-operative Assets Management Co., Ltd. (CAM) through a share swap on December 1, 2011 under the Financial Holding Companies Act and related regulations in the Republic of China (ROC). The TCFHC's shares have been listed on the Taiwan Stock Exchange (TSE) since December 1, 2011. After the share swap, TCB, TCBF and CAM became wholly owned subsidiaries of TCFHC.

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, an offshore banking unit (OBU), 12 overseas branches, 7 overseas sub-branches and 2 representative office as of March 31, 2019.

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 March 31, 2019 and 2018, TCFHC and its subsidiaries (the Company) had 9,102 and 8,996 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 May 24, 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 2019 and related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises did not have any material impact on the Company's accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

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

The Company as lessee

The Company recognizes 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 asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed 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. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.997%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,778,817
Less: Recognition exemption for short-term leases and leases of low-value assets	<u>(62,919)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,715,898</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 1,506,278
Add: Lease payables on December 31, 2018	<u>21,861</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 1,528,139</u>

The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Properties and equipment, net	<u>\$ 33,824,507</u>	\$ (21,298)	<u>\$ 33,803,209</u>
Right-of-use assets	<u>\$ -</u>	1,607,660	<u>\$ 1,607,660</u>
Other assets	<u>\$ 3,277,138</u>	<u>(92,452)</u>	<u>\$ 3,184,686</u>
Total effect on assets		<u>\$ 1,493,910</u>	
Lease liabilities	<u>\$ -</u>	\$ 1,528,139	<u>\$ 1,528,139</u>
Accounts payable	<u>\$ 51,166,336</u>	(12,368)	<u>\$ 51,153,968</u>
Other financial liabilities - lease payables	<u>\$ 21,861</u>	<u>(21,861)</u>	<u>\$ -</u>
Total effect on liabilities		<u>\$ 1,493,910</u>	
Retained earnings	<u>\$ 22,209,318</u>	\$ -	<u>\$ 22,209,318</u>
Other equity	<u>\$ 2,412,696</u>	<u>-</u>	<u>\$ 2,412,696</u>
Total effect on equity		<u>\$ -</u>	

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The 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.

Note 3: 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:

Level of aggregation

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

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

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

Recognition

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

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

Measurement

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

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

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

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

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Other Major Accounting Policies

In addition to the following, refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2018.

a. Properties and equipment

Properties and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Except for freehold land which is not depreciated, the depreciation of properties and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of properties and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

b. Leases

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Company as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction. However, for sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company should defer the amount recognized of which sales price exceeds the carrying amount and allocate to the lease periods. If the lease periods are uncertain, the Company should recognize the amount within 10 years.

2018

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

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income 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 on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in an 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. Lease incentives included in a finance lease are recognized as a reduction of minimum lease payments.

2) The Company as lessee

Assets held under 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 sheets 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.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis. Lease incentives received under a finance lease are recognized as a reduction of minimum lease payments.

For sale and leaseback transactions of property, plant and equipment, the Company should defer the amount recognized of which sales price exceeds the carrying amount and allocate to the lease periods. If the lease periods are uncertain, the Company should recognize the amount within 10 years.

c. Employee benefits

Retirement benefits

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

d. Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 5 to the consolidated financial statements as of December 31, 2018 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	\$ 24,197,966	\$ 22,726,112	\$ 24,021,519
Notes and checks in clearing	19,260,484	21,869,459	6,602,019
Due from banks	<u>14,808,146</u>	<u>12,607,527</u>	<u>13,565,351</u>
	<u>\$ 58,266,596</u>	<u>\$ 57,203,098</u>	<u>\$ 44,188,889</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2019 and 2018 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2018 are stated below:

	December 31, 2018
Cash and cash equivalent in the consolidated balance sheet	\$ 57,203,098
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
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>
Cash and cash equivalents, end of the year	<u>\$ 73,678,540</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Reserves for deposits - account A	\$ 45,819,951	\$ 62,508,712	\$ 22,357,528
Reserves for deposits - account B	73,838,862	71,549,801	69,126,889
Reserves for deposits - community financial institutions	58,910,717	58,185,258	56,896,870
Reserves for deposits - foreign-currency deposits	395,043	393,676	374,366
Deposits in the Central Bank	39,200,000	39,200,00	39,200,000
Negotiable certificates of deposit in the Central Bank	-	-	800,000
Due from the Central Bank - others	12,232,319	12,494,330	6,794,585
Due from the Central Bank - central government agencies’ deposits	3,720,176	4,211,689	2,824,459
Call loans to banks	<u>32,970,620</u>	<u>15,927,586</u>	<u>46,421,514</u>
	<u>\$ 267,077,688</u>	<u>\$ 264,471,052</u>	<u>\$ 244,796,211</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

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at fair value through profit or loss			
Commercial paper	\$ 49,331,027	\$ 29,672,612	\$ 38,323,635
Negotiable certificates of deposit	6,099,291	7,049,267	12,247,158
Beneficial certificates	4,973,050	4,892,193	5,875,330
Corporate bonds	3,447,133	3,783,583	4,589,965
Government bonds	3,048,651	2,152,749	2,165,368
Investment in equity instruments	2,401,645	2,018,437	3,197,003
Bank debentures	1,612,868	3,015,334	4,469,730
Convertible bonds	1,167,035	1,141,636	1,366,033
Acquired loans	444,116	491,654	-
Commercial paper contracts with reference rate	1,913	1,987	2,404
Currency swap contracts	2,200,871	1,668,499	1,113,138
Convertible bond asset swap contracts	1,263,634	2,101,005	-
Futures exchange margins	235,688	282,792	235,452
Foreign-currency margin contracts	101,293	145,684	110,171
Cross-currency swap contracts	15,515	9,597	33,882
Currency option contracts - buy	12,161	12,908	29,840
Interest rate swap contracts	9,270	10,784	16,134
Forward contracts	6,491	11,509	153,245
TAIEX options	-	-	14
Stock warrants	-	-	2
	<u>76,371,652</u>	<u>58,462,230</u>	<u>73,928,504</u>
Financial assets designated as at fair value through profit or loss			
Convertible bond asset swap contracts	-	-	1,057,043
Financial assets at fair value through profit or loss	<u>\$ 76,371,652</u>	<u>\$ 58,462,230</u>	<u>\$ 74,985,547</u>
<u>Held-for-trading financial liabilities</u>			
Securities purchased under resell agreements - short sale	\$ 249,986	\$ 100,256	\$ 351,144
Payable - security borrowing	153,798	50,235	363,643
Covering bond payable of the when - issued government bonds	-	-	100,143
Currency swap contracts	697,017	916,402	3,168,218
Interest rate swap contracts	262,746	415,939	779,359
Forward contracts	140,199	127,435	31,760
Asset swap options	26,193	17,979	46,411
Cross-currency swap contracts	23,981	7,989	26,056
Currency option contracts - sell	12,264	13,050	30,578
Foreign-currency margin contracts	195	-	287
Stock warrants issued liabilities, net	-	-	95
	<u>1,566,379</u>	<u>1,649,285</u>	<u>4,897,694</u>

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 26)	<u>\$ 12,116,933</u>	<u>11,483,955</u>	<u>\$ 10,907,683</u>
Financial liabilities at fair value through profit or loss	<u>\$ 13,683,312</u>	<u>\$ 13,133,240</u>	<u>\$ 15,805,377</u> (Concluded)

As of March 31, 2019, December 31, 2018 and March 31, 2018, financial assets at fair value through profit or loss amounting to \$30,441,094 thousand, \$25,558,693 thousand and \$40,210,938 thousand, respectively, had been sold under repurchase agreements.

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

As of March 31, 2019, December 31, 2018 and March 31, 2018, the contract (notional) amounts of derivative transactions of TCB were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Currency swap contracts	\$ 439,281,940	\$ 468,620,179	\$ 418,764,804
Interest rate swap contracts	16,237,127	15,605,012	17,265,311
Forward contracts	11,136,840	9,483,058	15,104,909
Currency option contracts - sell	6,416,487	4,299,752	4,959,810
Currency option contracts - buy	6,416,487	4,299,752	4,814,310
Cross-currency swap contracts	2,463,707	2,150,028	2,213,337
Foreign-currency margin contracts	669,795	826,095	849,045

As of March 31, 2019, December 31, 2018 and March 31, 2018, the open position of futures transactions of TCB were as follows:

Items	Products	March 31, 2019			
		Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	TAIEX Futures 201904	Sell	10	\$ 20,950	\$ 21,196
	TAIEX Futures 201905	Sell	10	21,020	21,174

		December 31, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Premium 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 Note Futures 201903	Sell	170	624,855	635,060

		March 31, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Premium Paid (Charged)	
Futures contracts	TAIEX Futures 201804	Sell	20	\$ 43,860	\$ 43,696
	10-Year U.S. Treasury Note Futures 201806	Sell	130	455,856	458,275

As of March 31, 2019, December 31, 2018 and March 31, 2018, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		March 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Premium Paid (Charged)	
Futures contracts	SGX FTSE China A50 Index Futures 201905	Buy	4	\$ 827	\$ 848
	Tatung Co., Futures 201904	Buy	75	3,804	3,660
	Nanya Technology Corporation Futures 201904	Buy	37	4,385	4,521
	Walsin Technology Corporation Futures 201904	Buy	1	384	399
	Taiwan Union Technology Corporation Futures 201904	Buy	11	2,346	2,398
	Japanese Yen Futures 201906	Buy	7	24,636	24,482
	E-mini Dow Index Futures 201906	Buy	7	27,880	27,974
	E-mini S&P 500 Futures 201906	Buy	2	8,735	8,746
	10-Year U.S. Treasury Note Futures 201906	Buy	40	153,645	153,137

(Continued)

		March 31, 2019			
Items	Products	Open Position		Contract Amounts or Premium Paid	Fair Values
		Buy/Sell	Number of Contracts	(Charged)	
	Gold Futures 201906	Buy	1	\$ 3,994	\$ 4,002
	Ultra U.S. Treasury Bond Futures 201906	Buy	1	5,187	5,178
	W.I.S.E. Yuanta/P-shares CSI 300 ETF Futures 201904	Sell	37	6,674	6,797
	W.I.S.E. Yuanta/P-shares CSI 300 ETF Futures 201905	Sell	7	1,256	1,285
	Fubon SSE 180 ETF Futures 201904	Sell	66	20,744	21,100
	SGX FTSE China A50 Index Futures 201904	Sell	22	4,496	4,664
	Fubon SZSE 100 Index ETF Futures 201904	Sell	20	2,080	2,140
	Taiwan Stock Exchange Electronic Sector Index Futures 201904	Sell	2	3,271	3,429
	Taiwan Stock Exchange Finance Sector Index Futures 201904	Sell	8	10,044	9,997
	TAIEX Futures 201904	Sell	19	39,757	40,272
	H-shares Index Futures 201904	Sell	3	6,658	6,698
	SGX Nikkei 225 Index Futures 201903	Sell	3	8,725	8,854
	Brent Crude Oil Futures Contract 201906	Sell	2	4,114	4,166
	NYMEX Crude Futures 201905	Sell	15	27,504	27,803
	NYMEX Crude Futures 201912	Sell	3	5,514	5,568
	SGX FTSE China A50 Index Futures 201904	Sell	46	18,387	18,608
	US Dollar Index Futures 201906	Sell	9	26,770	26,863
	Copper Futures 201905	Sell	6	12,813	13,573
	E-mini NASDAQ Index Futures 201906	Sell	16	72,890	72,987
	Soybean Futures 201905	Sell	9	12,323	12,264
	Silver Futures 201905	Sell	3	6,924	6,985
	VX-Cboe Volatility Index Futures 201904	Sell	21	10,455	9,854
	VX-Cboe Volatility Index Futures 201905	Sell	21	10,980	10,566
	2-Year U.S. Treasury Note Futures 201906	Sell	56	367,699	367,783

(Concluded)

Items	Products	December 31, 2018			
		Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures 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
	HG Copper Futures 201903	Sell	5	10,576	10,102
	Nifty 50 Index Futures 201901	Sell	18	11,995	12,077

(Continued)

		December 31, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Premium Paid (Charged)	
	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 Futures 201903	Sell	3	8,852	8,319
	H-shares Index Futures 201901	Sell	4	7,988	7,922
(Concluded)					

		March 31, 2018			
Items	Products	Open Position		Contract Amounts or Premium Paid	Fair Values
		Buy/Sell	Number of Contracts	(Charged)	
Futures contracts	SGX FTSE China A50 Index Futures 201804	Buy	803	\$ 294,913	\$ 295,998
	E-mini S&P 500 Index Futures 201806	Buy	3	11,355	11,539
	W.I.S.E. Yuanta/P-shares CSI 300 ETF 201804	Buy	268	51,245	50,036
	Fubon SSE180 ETF Futures 201804	Buy	479	152,372	150,933
	Yuanta/P-shares SSE50 ETF 201804	Buy	34	11,059	10,764
	Cathay FTSE China A50 ETF Futures 201804	Buy	24	4,925	4,970
	Taiwan Stock Exchange Finance Sector Index Futures 201804	Sell	10	12,236	12,146
	TAIEX Futures 201804	Sell	11	24,030	24,033
	Euro STOXX 50 Index Futures 201806	Sell	5	5,999	5,884
	H-shares Index Futures 201804	Sell	4	9,029	8,933
(Continued)					

		March 31, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium	
				Paid (Charged)	
	SGX Nikkei 225 Index Futures 201806	Sell	5	\$ 14,290	\$ 14,688
	Japanese Yen Futures 201806	Sell	26	89,696	89,327
	Crude Oil Futures 201805	Sell	44	83,856	83,163
	US Dollar Index Futures 201806	Sell	8	20,888	20,912
	Gold Futures 201806	Sell	17	66,734	65,673
	E-mini NASDAQ-100 Futures 201806	Sell	8	30,591	30,707
	Soybean Futures 201805	Sell	5	7,482	7,602
	2-Year U.S. Treasury Note Futures 201806	Sell	174	1,076,764	1,076,711
	10-Year U.S. Treasury Note Futures 201806	Sell	116	407,429	408,993
	VX-Cboe Volatility Index Futures 201804	Sell	44	24,150	25,324
	VX-Cboe Volatility Index Futures 201805	Sell	14	7,719	7,834
	E-mini Dow Index Futures 201806	Sell	5	18,240	17,570
Option contracts	TAIEX Index Options 201804	Buy	15	14	14

(Concluded)

As of March 31, 2019 and December 31, 2018 and March 31, 2018, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Asset swap contracts	\$ 335,000	\$ 223,400	\$ 627,300

As of March 31, 2019, December 31, 2018 and March 31, 2018, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Currency swap contracts	\$ 48,081	\$ 421,807	\$ 1,079,677
Interest rate swap contracts	67,800,000	75,200,000	70,890,000

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:

	March 31, 2019
Stock warrants issued liabilities	\$ 36,780
Losses on changes in fair value of stock warrants issued liabilities	<u>(34,180)</u>
	<u>2,600</u>
Repurchase of stock warrants issued liabilities	36,230
Losses on changes in fair value of repurchased of stock warrants issued liabilities	<u>(33,725)</u>
	<u>2,505</u>
Stock warrants liabilities, net	<u>\$ 95</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 manage substantial risks due to changes in fair value or cash flow.

As of March 31, 2019, December 31, 2018 and March 31, 2018, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Currency swap contracts	\$ 13,425,955	\$ 12,976,054	\$ 16,416,639
Cross-currency swap contracts	-	-	582,000

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:

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets at FVTPL</u>			
Beneficial certificates	\$ 4,202,405	\$ 4,292,643	\$ 4,720,181
Investment in equity instruments	548,877	550,978	752,964

For the three months ended March 31, 2019 and 2018, for the financial assets designated for the overlay approach, the amount reclassified between profit or loss and other comprehensive income were as follows:

	For the Three Months Ended March 31	
	2019	2018
Profit or loss on application of IFRS 9	\$ 473,237	\$ 134,042
Less: Profit or loss from application of IAS 39	<u>(122,898)</u>	<u>(126,136)</u>
Gain or loss on reclassification by overlay approach	<u>\$ 350,339</u>	<u>\$ 7,906</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Investment in equity instruments at FVTOCI</u>			
Listed shares and emerging market shares	\$ 8,396,685	\$ 7,026,779	\$ 5,385,168
Unlisted shares	<u>5,083,222</u>	<u>4,373,477</u>	<u>6,246,503</u>
	<u>13,479,907</u>	<u>11,400,256</u>	<u>11,631,671</u>
<u>Investments in debt instruments at FVTOCI</u>			
Government bonds	153,249,765	141,610,607	122,679,344
Corporate bonds	100,509,342	100,828,618	100,601,591
Bank debentures	<u>61,379,275</u>	<u>58,053,281</u>	<u>58,462,514</u>
	<u>315,138,382</u>	<u>300,492,506</u>	<u>281,743,449</u>
	<u>\$ 328,618,289</u>	<u>\$ 311,892,762</u>	<u>\$ 293,375,120</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 for the three months ended March 31, 2019 and 2018. The accumulated unrealized profit of financial assets at FVTOCI under other equity in the amount of \$88,926 thousand and \$6,483 thousand has been transferred to retained earnings.

As of March 31, 2019, December 31, 2018 and March 31, 2018, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$90,552 thousand, \$93,772 thousand and \$96,417 thousand, respectively, through expected credit loss. A reversal of impairment loss recognized in profit or loss for the three months ended March 31, 2019 was \$367 thousand. Impairment loss recognized in profit or loss for the three months ended March 31, 2018 was \$2,425 thousand.

As of March 31, 2019, December 31, 2018 and March 31, 2018, financial assets at fair value through other comprehensive income amounting to \$19,675,119 thousand, \$18,985,764 thousand and \$12,098,654 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
Negotiable certificates of deposit in the Central Bank			
Bank	\$ 388,180,000	\$ 400,180,000	\$ 392,675,000
Government bonds	103,286,875	100,069,300	75,125,658
Corporate bonds	37,180,872	38,112,575	29,241,808
Bank debentures	24,282,590	19,807,229	18,799,277
Certificates of deposit	<u>286,812</u>	<u>385,836</u>	<u>284,884</u>
	<u>553,217,149</u>	<u>558,554,940</u>	<u>516,126,627</u>
Less: Allowance for impairment loss	<u>45,800</u>	<u>49,056</u>	<u>42,401</u>
	<u>\$ 553,171,349</u>	<u>\$ 558,505,884</u>	<u>\$ 516,084,226</u>

A reversal of impairment loss recognized in profit or loss for the three months ended March 31, 2019 and 2018 was \$3,265 thousand and \$2,724 thousand, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$2,549,890 thousand \$1,886,314 thousand and \$752,867 thousand under resell agreements as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, will subsequently be sold for \$2,550,916 thousand, \$1,886,999 thousand and \$753,109 thousand, respectively.

12. RECEIVABLES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Accrued interest	\$ 9,124,050	\$ 9,618,041	\$ 7,711,682
Margin loans receivable	4,020,912	3,955,680	5,697,807
Credit cards	3,652,513	3,654,314	3,520,047
Acceptances	3,419,410	3,533,576	3,458,442
Receivable on securities	2,691,157	1,222,451	3,889,375
Settlement consideration	2,626,659	1,979,845	2,211,829
Settlement receivable	2,525,167	1,499,851	2,063,556
Lease payment receivable	2,381,714	2,320,061	2,386,139
Receivables on lending funds	1,002,163	1,081,279	1,022,332
Receivables on merchant accounts in the credit card business	819,868	832,720	931,979
Receivable - separated account	519,962	155,950	310,201
Credits receivable	458,612	459,866	462,281
Accounts receivable	403,141	538,258	417,134
Accounts receivable factored without recourse	349,376	456,346	290,410
Refundable deposits receivable in leasehold agreements	183,993	183,993	183,993
Acquired loans	-	-	646,072
Others	991,843	772,654	590,227
	<u>35,170,540</u>	<u>32,264,885</u>	<u>35,793,506</u>
Less: Allowance for possible losses	813,236	817,010	767,445
Less: Unrealized interest revenue	<u>166,743</u>	<u>155,070</u>	<u>160,840</u>
	<u>\$ 34,190,561</u>	<u>\$ 31,292,805</u>	<u>\$ 34,865,221</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, 2019	\$ 20,357,759	\$ 44,951	\$ 154,180	\$ 20,556,890
Transfers to				
Lifetime ECL	(14,890)	15,039	(149)	-
Credit-impaired financial assets	(6,929)	(3,517)	10,446	-
12-month ECL	11,852	(11,047)	(805)	-
New financial assets purchased or originated	14,144,916	19,097	61,566	14,225,579
Write-offs	-	-	(6,961)	(6,961)
Derecognition of financial assets in the current reporting period	(14,427,678)	(26,405)	(41,013)	(14,495,096)
Changes in exchange rates and other changes	<u>(473,139)</u>	<u>-</u>	<u>6</u>	<u>(473,133)</u>
Balance at March 31, 2019	<u>\$ 19,591,891</u>	<u>\$ 38,118</u>	<u>\$ 177,270</u>	<u>\$ 19,807,279</u>
Balance at January 1, 2018	\$ 22,194,858	\$ 53,206	\$ 184,769	\$ 22,432,833
Transfers to				
Lifetime ECL	(27,294)	27,334	(40)	-
Credit-impaired financial assets	(7,640)	(4,077)	11,717	-
12-month ECL	10,069	(10,024)	(45)	-
New financial assets purchased or originated	12,593,862	12,930	58,969	12,665,761
Write-offs	-	-	(5,889)	(5,889)
Derecognition of financial assets in the current reporting period	(14,621,723)	(27,992)	(61,134)	(14,710,849)
Changes in exchange rates and other changes	<u>(557,995)</u>	<u>(89)</u>	<u>(35)</u>	<u>(558,119)</u>
Balance at March 31, 2018	<u>\$ 19,584,137</u>	<u>\$ 51,288</u>	<u>\$ 188,312</u>	<u>\$ 19,823,737</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, 2019	\$ 47,086	\$ 11,458	\$ 36,154	\$ 94,698	\$ 105,414	\$ 200,112
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(197)	221	(24)	-	-	-
Credit-impaired financial assets	(314)	(1,030)	1,344	-	-	-
12-month ECL	3,141	(2,933)	(208)	-	-	-
Derecognition of financial assets in the current reporting period	(27,962)	(6,620)	(17,071)	(51,653)	-	(51,653)
Reversal from financial instruments recognized at the beginning of the current reporting period	(3,003)	2,665	26,998	26,660	-	26,660
New financial assets purchased or originated	29,120	5,045	17,620	51,785	-	51,785
Difference of impairment loss under regulations	-	-	-	-	(13,888)	(13,888)
Write-offs	-	-	(6,961)	(6,961)	-	(6,961)

(Continued)

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
Recovery of written-off receivables	-	-	2,307	2,307	-	2,307
Change in exchange rates and other changes	349	-	(311)	38	-	38
Balance at March 31, 2019	<u>\$ 48,220</u>	<u>\$ 8,806</u>	<u>\$ 59,848</u>	<u>\$ 116,874</u>	<u>\$ 91,526</u>	<u>\$ 208,400</u>
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	(255)	258	(3)	-	-	-
Credit-impaired financial assets	(278)	(738)	1,016	-	-	-
12-month ECL	2,324	(2,316)	(8)	-	-	-
Derecognition of financial assets in the current reporting period	(30,009)	(8,300)	(13,707)	(52,016)	-	(52,016)
Reversal from financial instruments recognized at the beginning of the current reporting period	(31,607)	6,577	(4,357)	(29,387)	-	(29,387)
New financial assets purchased or originated	29,522	2,059	16,906	48,487	-	48,487
Difference of impairment loss under regulations	-	-	-	-	30,217	30,217
Write-offs	-	-	(5,889)	(5,889)	-	(5,889)
Recovery of written-off receivables	22,739	-	1,391	24,130	-	24,130
Change in exchange rates and other changes	1,803	-	(3,862)	(2,059)	-	(2,059)
Balance at March 31, 2018	<u>\$ 40,662</u>	<u>\$ 10,407</u>	<u>\$ 52,935</u>	<u>\$ 104,004</u>	<u>\$ 127,233</u>	<u>\$ 231,237</u>

(Concluded)

Impairment assessment except the above receivables were based on expected credit losses model at the beginning of the current reporting period by simplified method. On March 31, 2019, December 31, 2018 and March 31, 2018, the amount of impairment assessment to receivables was \$15,363,261 thousand, \$11,707,995 thousand and \$15,969,769 thousands, respectively, and the amount of allowance for possible losses was \$604,836 thousand, \$616,898 thousand and \$536,208 thousands, respectively.

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 616,898	\$ 601,913
Reversal of provision for possible losses	(8,233)	(5,887)
Write-offs	(9,315)	(61,476)
Recovery of written-off receivables	4,894	1,039
Effects of exchange rate changes and other changes	<u>592</u>	<u>619</u>
Balance at March 31	<u>\$ 604,836</u>	<u>\$ 536,208</u>

13. DISCOUNTS AND LOANS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Bills discounted	\$ 1,754,288	\$ 2,342,530	\$ 1,061,019
Overdraft			
Unsecured	107,952	116,491	139,770
Secured	73,902	67,220	70,511
Import and export negotiations	1,256,114	480,986	203,313
Short-term loans			
Unsecured	290,565,207	270,175,609	308,121,730
Accounts receivable financing	542,459	599,595	595,127
Secured	202,329,720	203,826,944	192,518,160
Medium-term loans			
Unsecured	333,180,754	305,619,561	299,084,466
Secured	295,324,329	291,276,124	301,118,503
Long-term loans			
Unsecured	27,783,855	27,650,364	28,057,282
Secured	981,310,327	979,349,185	949,565,394
Overdue loans	5,963,125	5,056,933	5,403,798
Life insurance loan	691,166	747,084	705,471
Temporary insurance paid	43,464	41,042	31,525
	<u>2,140,926,662</u>	<u>2,087,349,668</u>	<u>2,086,676,069</u>
Less: Allowance for possible losses	27,110,973	26,398,310	25,786,291
Less: Adjustment of discount	<u>510,519</u>	<u>463,549</u>	<u>424,025</u>
	<u>\$ 2,113,305,170</u>	<u>\$ 2,060,487,809</u>	<u>\$ 2,060,465,753</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, 2019	\$ 2,051,978,195	\$ 2,960,372	\$ 32,411,101	\$ 2,087,349,668
Transfers to				
Lifetime ECL	(2,217,548)	2,263,411	(45,863)	-
Credit-impaired financial assets	(2,166,516)	(484,462)	2,650,978	-
12-month ECL	1,034,689	(741,424)	(293,265)	-
New financial assets purchased or originated	321,830,155	348,616	555,611	322,734,382
Write-offs	-	-	(1,191,861)	(1,191,861)
Derecognition of financial assets in the current reporting period	(262,683,038)	(524,825)	(1,401,476)	(264,609,339)
Changes in exchange rates and other changes	<u>(3,385,036)</u>	<u>43,613</u>	<u>(14,765)</u>	<u>(3,356,188)</u>
Balance at March 31, 2019	<u>\$ 2,104,390,901</u>	<u>\$ 3,865,301</u>	<u>\$ 32,670,460</u>	<u>\$ 2,140,926,662</u>

(Continued)

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	(3,265,181)	3,290,730	(25,549)	-
Credit-impaired financial assets	(2,890,002)	(833,196)	3,723,198	-
12-month ECL	1,371,487	(1,269,664)	(101,823)	-
New financial assets purchased or originated	317,540,203	95,515	440,379	318,076,097
Write-offs	-	-	(1,167,764)	(1,167,764)
Derecognition of financial assets in the current reporting period	(253,973,643)	(490,449)	(2,653,912)	(257,118,004)
Changes in exchange rates and other changes	<u>(1,571,781)</u>	<u>(29,389)</u>	<u>(15,828)</u>	<u>(1,616,998)</u>
Balance at March 31, 2018	<u>\$ 2,048,862,927</u>	<u>\$ 7,383,267</u>	<u>\$ 30,429,875</u>	<u>\$ 2,086,676,069</u> (Concluded)

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, 2019	\$ 3,785,613	\$ 9,005	\$ 4,570,540	\$ 8,365,158	\$ 18,033,152	\$ 26,398,310
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(6,749)	12,757	(6,008)	-	-	-
Credit-impaired financial assets	(5,896)	(1,697)	7,593	-	-	-
12-month ECL	66,578	(1,254)	(65,324)	-	-	-
Derecognition of financial assets in the current reporting period	(640,986)	(1,270)	(464,932)	(1,107,188)	-	(1,107,188)
Reversal from financial instruments recognized at the beginning of the current reporting period	178,039	(482)	614,119	791,676	-	791,676
New financial assets purchased or originated	943,555	546	163,547	1,107,648	-	1,107,648
Difference of impairment loss under regulations	-	-	-	-	826,910	826,910
Write-offs	-	-	(1,191,861)	(1,191,861)	-	(1,191,861)
Recovery of write-off credits	-	-	272,178	272,178	-	272,178
Change in exchange rates and other changes	<u>(4,528)</u>	<u>1,450</u>	<u>16,378</u>	<u>13,300</u>	<u>-</u>	<u>(13,300)</u>
Balance at March 31, 2019	<u>\$ 4,315,626</u>	<u>\$ 19,055</u>	<u>\$ 3,916,230</u>	<u>\$ 8,250,911</u>	<u>\$ 18,860,062</u>	<u>\$ 27,110,973</u>
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	(7,575)	10,112	(2,537)	-	-	-
Credit-impaired financial assets	(6,996)	(9,157)	16,153	-	-	-
12-month ECL	13,891	(2,360)	(11,531)	-	-	-
Derecognition of financial assets in the current reporting period	(599,717)	(817)	(304,644)	(905,178)	-	(905,178)
Reversal from financial instruments recognized at the beginning of the current reporting period	172,183	5,440	836,852	1,014,475	-	1,014,475
New financial assets purchased or originated	712,149	354	88,749	801,252	-	801,252
Difference of impairment loss under regulations	-	-	-	-	669,179	669,179
Write-offs	-	-	(1,167,764)	(1,167,764)	-	(1,167,764)
Recovery of write-off credits	-	-	218,334	218,334	-	218,334
Change in exchange rates and other changes	<u>(54,638)</u>	<u>(587)</u>	<u>20,071</u>	<u>(35,154)</u>	<u>-</u>	<u>(35,154)</u>
Balance at March 31, 2018	<u>\$ 3,595,657</u>	<u>\$ 39,977</u>	<u>\$ 5,368,402</u>	<u>\$ 9,004,036</u>	<u>\$ 16,782,255</u>	<u>\$ 25,786,291</u>

The bad-debt expenses and provision for losses on guarantees for the three months ended March 31, 2019 and 2018 were as follows:

	For the Three Months Ended March 31	
	2019	2018
Provision for possible losses on discounts and loans	\$ 1,619,046	\$ 1,579,728
Provision (reversal of provision) for possible losses on receivables	4,671	(8,586)
Provision for possible losses on overdue receivables	33,886	4,479
Reversal of provision) for possible losses on guarantees	(93,746)	(34,887)
Provision for possible losses on loan commitment	8,933	44,871
Provision for other possible losses	<u>2,452</u>	<u>9,839</u>
	<u>\$ 1,575,242</u>	<u>\$ 1,595,444</u>

As of March 31, 2019, December 31, 2018 and March 31, 2018, TCB was in compliance with the FSC-required provision for credit assets.

As of March 31, 2019, December 31, 2018 and March 31, 2018, accrual of interest on the above overdue loans had stopped. Thus, the unrecognized interest revenue was \$29,325 thousand and \$26,623 thousand for the three months ended March 31, 2019 and 2018, respectively, based on the average loan interest rate for the year.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	<u>\$ 130,338</u>	30.00	<u>\$ 127,094</u>	30.00	<u>\$ 127,574</u>	30.00

Aggregate information of associate that is not individually material:

	For the Three Months Ended March 31	
	2019	2018
The Company's share of:		
Net income	\$ 3,244	\$ 2,712
Other comprehensive income	<u>-</u>	<u>516</u>
Total comprehensive income for the period	<u>\$ 3,244</u>	<u>\$ 3,228</u>

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the three months ended March 31, 2019 and 2018 were based on the associate's financial statements for the same period which have not been reviewed by the auditors. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of the associate that have not been reviewed.

15. OTHER FINANCIAL ASSETS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Overdue receivables	\$ 118,723	\$ 142,683	\$ 37,588
Less: Allowance for possible losses	<u>106,417</u>	<u>108,532</u>	<u>14,159</u>
Overdue receivables, net	12,306	34,151	23,429
Due from banks	25,709,378	18,980,261	26,013,444
Security borrowing margin	219,414	98,575	570,837
Separate-account assets (Note 30)	<u>98,948,398</u>	<u>91,245,818</u>	<u>93,864,917</u>
	<u>\$ 124,889,496</u>	<u>\$ 110,358,805</u>	<u>\$ 120,472,627</u>

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

16. INVESTMENT PROPERTIES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Land	\$ 7,285,228	\$ 7,207,192	\$ 6,536,874
Buildings	<u>2,316,975</u>	<u>2,289,347</u>	<u>1,891,947</u>
	<u>\$ 9,602,203</u>	<u>\$ 9,496,539</u>	<u>\$ 8,428,821</u>
	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	78,036	50,026	128,062
Reclassification	<u>-</u>	<u>(2,187)</u>	<u>(2,187)</u>
Balance at March 31, 2019	<u>\$ 7,285,228</u>	<u>\$ 3,154,656</u>	<u>\$ 10,439,884</u>
Balance at January 1, 2018	\$ 6,532,839	\$ 2,610,676	\$ 9,143,515
Reclassification	<u>4,035</u>	<u>13,969</u>	<u>18,004</u>
Balance at March 31, 2018	<u>\$ 6,536,874</u>	<u>\$ 2,624,645</u>	<u>\$ 9,161,519</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Depreciation expenses	<u>-</u>	<u>20,211</u>	<u>20,211</u>
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 837,681</u>	<u>\$ 837,681</u>
Balance at January 1, 2018	\$ -	\$ 716,811	\$ 716,811
Depreciation expenses	-	15,131	15,131
Reclassification	<u>-</u>	<u>756</u>	<u>756</u>
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 732,698</u>	<u>\$ 732,698</u>

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

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

As of December 31, 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 management of the Company had assessed and determined that there was no significant changes in the fair value of investment properties for the three months ended March 31, 2019 and 2018.

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

	For the Three Months Ended March 31	
	2019	2018
Rental income from investment properties (part of other noninterest gains, net)	\$ 122,638	\$ 81,289
Direct operating expenses for investment properties that generate rental income	<u>(36,284)</u>	<u>(27,265)</u>
	<u>\$ 86,354</u>	<u>\$ 54,024</u>

Lease agreements on investment properties owned by the Company and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of March 31, 2019, December 31, 2018 and March 31, 2018, guarantee deposits on these leases totaled \$84,969 thousand, \$84,704 thousand, \$64,084 thousand, respectively. Minimum future annual rentals are as follows:

	March 31, 2019	
Year 1	\$ 417,744	
Year 2	371,721	
Year 3	327,695	
Year 4	289,268	
Year 5	200,889	
Over five years	<u>613,572</u>	
	<u>\$ 2,220,889</u>	
	December 31, 2018	March 31, 2018
Within one year	\$ 417,145	\$ 341,792
One to five years	1,237,639	1,055,602
Over five years	<u>833,163</u>	<u>717,818</u>
	<u>\$ 2,487,947</u>	<u>\$ 2,115,212</u>

17. PROPERTIES AND EQUIPMENT, NET

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Carrying amount</u>			
Land	\$ 20,933,677	\$ 20,933,668	\$ 21,103,447
Buildings	11,516,597	11,662,068	11,852,558
Machinery and equipment	438,776	440,852	513,701
Transportation equipment	83,546	79,383	91,981
Other equipment	229,643	233,601	220,262
Leasehold improvements	149,013	137,003	127,476
Leased assets	-	21,298	23,793
Prepayments for equipment, land and buildings and construction in progress	<u>320,671</u>	<u>316,634</u>	<u>452,596</u>
	<u>\$ 33,671,923</u>	<u>\$ 33,824,507</u>	<u>\$ 34,385,814</u>

								Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets		
Balance at January 1, 2019	\$ 20,948,845	\$ 19,063,052	\$ 4,307,593	\$ 623,596	\$ 1,360,114	\$ 953,168	\$ 26,125	\$ 316,634	\$ 47,599,127
Effect of IFRS 16 retrospective application	-	-	-	-	-	-	(26,125)	-	(26,125)
Balance at January 1, 2019 as restated	20,948,845	19,063,052	4,307,593	623,596	1,360,114	953,168	-	316,634	47,573,002
Additions	-	9,290	43,856	9,327	14,973	25,543	-	23,186	126,175
Disposals	-	-	(82,566)	(5,237)	(6,162)	(1,388)	-	-	(95,353)
Reclassification	-	11,436	6,955	-	520	130	-	(19,160)	(119)
Effects of exchange rate changes	9	20	839	110	131	801	-	11	1,921
Balance at March 31, 2019	<u>\$ 20,948,854</u>	<u>\$ 19,083,798</u>	<u>\$ 4,276,677</u>	<u>\$ 627,796</u>	<u>\$ 1,369,576</u>	<u>\$ 978,254</u>	<u>\$ -</u>	<u>\$ 320,671</u>	<u>\$ 47,605,626</u>
Balance at 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	-	118,595	4,246	4,672	14,048	29,683	12,773	405,561	589,578
Disposals	-	-	(49,473)	(21,800)	(13,395)	(9,617)	-	-	(94,285)
Reclassification	(4,035)	(2,606)	8,787	-	44,813	-	-	(65,476)	(18,517)
Effects of exchange rate changes	(49)	(105)	(2,126)	(463)	(788)	(1,212)	-	(16)	(4,759)
Balance at March 31, 2018	<u>\$ 21,118,624</u>	<u>\$ 18,791,142</u>	<u>\$ 4,554,020</u>	<u>\$ 630,558</u>	<u>\$ 1,356,641</u>	<u>\$ 923,084</u>	<u>\$ 26,125</u>	<u>\$ 452,596</u>	<u>\$ 47,852,790</u>
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets		Total
Accumulated depreciation and impairment									
Balance at January 1, 2019	\$ 15,177	\$ 7,400,984	\$ 3,866,741	\$ 544,213	\$ 1,126,513	\$ 816,165	\$ 4,827	\$ 13,774,620	
Effect of IFRS 16 retrospective application	-	-	-	-	-	-	(4,827)	(4,827)	
Balance at January 1, 2019 as restated	15,177	7,400,984	3,866,741	544,213	1,126,513	816,165	-	13,769,793	
Disposals	-	-	(81,270)	(5,225)	(6,155)	(1,367)	-	(94,017)	
Depreciation expenses	-	166,250	52,163	5,490	20,129	13,815	-	257,847	
Effects of exchange rate changes	-	(33)	267	(228)	(554)	628	-	80	
Balance at March 31, 2019	<u>\$ 15,177</u>	<u>\$ 7,567,201</u>	<u>\$ 3,837,901</u>	<u>\$ 544,250</u>	<u>\$ 1,139,933</u>	<u>\$ 829,241</u>	<u>\$ -</u>	<u>\$ 13,933,703</u>	
Balance at January 1, 2018	\$ 15,177	\$ 6,779,143	\$ 4,011,489	\$ 553,023	\$ 1,130,910	\$ 793,214	\$ 1,748	\$ 13,284,704	
Disposals	-	-	(49,092)	(21,800)	(13,358)	(9,617)	-	(93,867)	
Depreciation expenses	-	160,276	79,361	7,995	19,190	13,164	584	280,570	
Reclassification	-	(756)	170	-	(170)	-	-	(756)	
Effects of exchange rate changes	-	(79)	(1,609)	(641)	(193)	(1,153)	-	(3,675)	
Balance at March 31, 2018	<u>\$ 15,177</u>	<u>\$ 6,938,584</u>	<u>\$ 4,040,319</u>	<u>\$ 538,577</u>	<u>\$ 1,136,379</u>	<u>\$ 795,608</u>	<u>\$ 2,332</u>	<u>\$ 13,466,976</u>	

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As March 31, 2019, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.

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

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for properties and equipment. The discount rates for the CGUs' value in use were 8.69%, 8.69% and 9.34% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

18. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

March 31, 2019

Carrying amounts

Land	\$ 3,124
Buildings	1,551,001
Transportation equipment	45,732
Other equipment	<u>25,005</u>
	<u>\$ 1,624,862</u>

**For the Three
Months Ended
March 31, 2019**

Additions to right-of-use assets	<u>\$ 145,012</u>
Depreciation charge for right-of-use assets	
Land	\$ 207
Buildings	120,225
Transportation equipment	5,513
Other equipment	<u>1,120</u>
	<u>\$ 127,065</u>

b. Lease liabilities - 2019

March 31, 2019

Carrying amounts	<u>\$ 1,560,208</u>
------------------	---------------------

Range of discount rate for lease liabilities was as follows:

	March 31, 2019
Land	1.617%-1.620%
Buildings	1.617%-8.880%
Transportation equipment	1.000%-8.880%
Other equipment	2.000%-4.000%

c. Material lease-in activities - 2019

The Company signed lease agreements on office premises due to operating activities. Rentals are calculated on the basis of leased areas and are receivable monthly, quarterly or semiannually. As of March 31, 2019, guarantee deposits on these leases totaled \$134,575 thousand.

d. Other lease information

2019

	For the Three Months Ended March 31, 2019
Expenses relating to short-term leases	<u>\$ 31,363</u>
Expenses relating to low-value asset leases	<u>\$ 241</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 480</u>
Total cash outflow for leases	<u>\$ (147,493)</u>

The Company leases certain land, buildings, transportation equipment and other equipment which qualify as short-term leases or low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the three months ended March 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied (including lease commitments for short-term leases with lease terms commencing after the balance sheet dates) was \$14,594 thousand as of March 31, 2019.

2018

Lease agreements on office premises are operating leases. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2018 and March 31, 2018, refundable deposits on these leases totaled \$134,182 thousand and \$127,095 thousand, respectively. Minimum future annual rentals are as follows:

	December 31, 2018	March 31, 2018
Within one year	\$ 591,680	\$ 592,381
One to five years	1,207,933	1,188,607
Over five years	<u>133,169</u>	<u>118,466</u>
	<u>\$ 1,932,782</u>	<u>\$ 1,899,454</u>

The lease payments recognized as expenses are as follows:

	For the Three Months Ended March 31, 2018
Minimum lease payments	\$ 154,071
Contingent rentals	<u>567</u>
	<u>\$ 154,638</u>

19. INTANGIBLE ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>450,512</u>	<u>461,030</u>	<u>378,943</u>
	<u>\$ 3,620,517</u>	<u>\$ 3,631,035</u>	<u>\$ 3,548,948</u>

Except for amortization expenses recognized and the reclassification of intangible assets, the Company had no significant addition, disposal and impairment on intangible assets during the three months ended March 31, 2019 and 2018.

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 8.69%, 8.69% and 9.34% as of March 31, 2019, December 31, 2018 and March 31, 2018, 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 March 31, 2019, December 31, 2018 and March 31, 2018.

20. OTHER ASSETS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Refundable deposits	\$ 1,642,568	\$ 1,862,013	\$ 1,342,286
Operating deposits and settlement funds	712,545	699,596	673,012
Prepaid expenses	578,784	339,299	643,638
Collaterals assumed, net	255,144	255,144	255,144
Others	<u>149,306</u>	<u>121,086</u>	<u>123,528</u>
	<u>\$ 3,338,347</u>	<u>\$ 3,277,138</u>	<u>\$ 3,037,608</u>

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2019	December 31, 2018	March 31, 2018
Due to banks	\$ 132,700,456	\$ 138,794,751	\$ 124,754,156
Call loans from banks	110,604,172	84,072,185	135,785,491
Bank overdraft	2,115,200	1,569,412	3,349,861
Deposits from Chunghwa Post Co., Ltd.	1,455,762	1,474,134	984,583
Due to the Central Bank	<u>424,165</u>	<u>354,324</u>	<u>356,574</u>
	<u>\$ 247,299,755</u>	<u>\$ 226,264,806</u>	<u>\$ 265,230,665</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$50,385,270 thousand, \$44,369,293 thousand and \$52,697,130 thousand under repurchase agreements as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, would subsequently be purchased for \$50,403,155 thousand, \$44,391,054 thousand and \$52,712,568 thousand respectively.

23. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$25,510,000 thousand, \$26,110,000 thousand and \$25,850,000 thousand and the annual discount rates were from 0.628%-1.028%, from 0.658%-1.088% and from 0.528%-0.898% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, and the commercial paper will mature by June 5, 2019, March 5, 2019 and June 15, 2018, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of March 31, 2019, the Company had not used the amount of \$53,706,359 thousand, the sum of the amount of the commercial paper issued and the credit.

24. PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Checks for clearing	\$ 19,260,484	\$ 21,869,459	\$ 6,602,019
Accrued interest	6,402,051	5,390,930	5,202,864
Accrued expenses	5,610,790	5,316,528	5,373,347
Collections payable	4,350,036	4,382,105	4,576,607
Acceptances	3,543,875	3,678,990	3,551,961
Settlement consideration	2,919,860	1,666,905	2,448,220
Settlement payable	2,853,168	1,605,380	1,900,004
Payable on securities	1,745,570	2,239,059	4,340,375
Collections of notes and checks for various financial institutions in other cities	496,070	733,967	4,849,367
Tax payable	420,590	493,974	437,063
Payables on notes and checks collected for others	309,238	368,090	1,405,538
Dividends payable	307,777	305,577	274,604
Payables for short-sale transactions	257,625	339,992	181,529

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Deposits on short-sale transactions	\$ 236,218	\$ 313,676	\$ 168,252
Factored accounts payable	107,334	125,071	101,602
Insurance claims and benefits payable	88,294	206,161	37,730
Others	<u>2,251,474</u>	<u>2,130,472</u>	<u>2,201,414</u>
	<u>\$ 51,160,454</u>	<u>\$ 51,166,336</u>	<u>\$ 43,652,496</u> (Concluded)

25. DEPOSITS AND REMITTANCES

	March 31, 2019	December 31, 2018	March 31, 2018
Deposits			
Checking	\$ 44,356,988	\$ 48,864,458	\$ 34,632,232
Demand	511,571,061	512,077,364	492,510,395
Savings - demand	865,446,415	839,919,122	825,735,539
Time	601,445,481	556,156,837	511,110,810
Negotiable certificates of deposit	48,391,899	48,351,856	15,902,866
Savings - time	627,985,490	628,015,834	640,757,252
Treasury	88,799,932	92,894,432	88,939,461
Remittances	<u>198,145</u>	<u>194,446</u>	<u>207,891</u>
	<u>\$ 2,788,195,411</u>	<u>\$ 2,726,474,349</u>	<u>\$ 2,609,796,446</u>

26. BONDS PAYABLE

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

	March 31, 2019	December 31, 2018	March 31, 2018
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	11,650,000 (Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	4,000,000	4,000,000	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	3,500,000	3,500,000	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	900,000	900,000	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000	600,000
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	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>5,000,000</u>	<u>-</u>
	<u>\$ 55,000,000</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:

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,088,143	\$ 8,613,482	\$ 8,181,324
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,028,790</u>	<u>2,870,473</u>	<u>2,726,359</u>
	<u>\$ 12,116,933</u>	<u>\$ 11,483,955</u>	<u>\$ 10,907,683</u>

27. OTHER BORROWINGS

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 23)	<u>\$ 2,383,891</u>	0.900-5.795	<u>\$ 2,425,405</u>	0.860-5.938	<u>\$ 1,401,663</u>	0.860-5.655

28. PROVISIONS

	March 31, 2019	December 31, 2018	March 31, 2018
Reserve for life insurance liabilities	\$ 29,107,181	\$ 29,414,070	\$ 30,633,264
Reserve for insurance contracts with financial instrument features	9,303,244	10,434,066	11,209,725
Provision for employee benefits	6,807,528	6,864,774	6,587,736
Provision for losses on guarantees	1,331,396	1,425,121	1,391,334
Provision for losses on loan commitment	151,996	142,335	187,684
Provision for others	29,188	26,721	26,307
Other provision for insurance	<u>561,239</u>	<u>523,746</u>	<u>460,591</u>
	<u>\$ 47,291,772</u>	<u>\$ 48,830,833</u>	<u>\$ 50,496,641</u>

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

	March 31, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,693,466	\$ 6,096,753	\$ 17,790,219
Health insurance	514,965	-	514,965
Annuity insurance	-	10,729,571	10,729,571
Investment insurance	<u>72,296</u>	<u>-</u>	<u>72,296</u>
	12,280,727	16,826,324	29,107,051
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,280,727</u>	<u>\$ 16,826,324</u>	<u>\$ 29,107,051</u>

	December 31, 2018		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		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>
	March 31, 2018		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		Total
Life insurance	\$ 11,501,094	\$ 6,942,005	\$ 18,443,099
Health insurance	404,062	-	404,062
Annuity insurance	-	11,717,087	11,717,087
Investment insurance	<u>68,809</u>	<u>-</u>	<u>68,809</u>
	11,973,965	18,659,092	30,633,057
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,973,965</u>	<u>\$ 18,659,092</u>	<u>\$ 30,633,057</u>

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

	For the Three Months Ended March 31					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance at January 1	\$ 12,317,556	\$ 17,096,283	\$ 29,413,839	\$ 11,452,624	\$ 19,211,939	\$ 30,664,563
Provision	1,536,929	2,607,895	4,144,824	597,876	83,950	681,826
Recovery	<u>(1,573,758)</u>	<u>(2,877,854)</u>	<u>(4,451,612)</u>	<u>(76,535)</u>	<u>(636,797)</u>	<u>(713,332)</u>
Ending balance	12,280,727	16,826,324	29,107,051	11,973,965	18,659,092	30,633,057
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31	<u>\$ 12,280,727</u>	<u>\$ 16,826,324</u>	<u>\$ 29,107,051</u>	<u>\$ 11,973,965</u>	<u>\$ 18,659,092</u>	<u>\$ 30,633,057</u>

As of March 31, 2019, December 31, 2018 and March 31, 2018, total life policy reserve carrying amounts (including reserve of policyholders payables) of \$29,107,181 thousand, \$29,414,070 thousand and \$30,633,264 thousand, respectively.

- c. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	March 31, 2019	December 31, 2018	March 31, 2018
Life insurance liability reserve	\$ 29,107,051	\$ 29,413,839	\$ 30,633,057
Unearned premium reserve	239,427	233,941	197,330
Premium deficiency reserve	2,386	6,289	16,729
Claims reserve	<u>48,874</u>	<u>44,076</u>	<u>59,026</u>
Book value of insurance reserve	<u>\$ 29,397,738</u>	<u>\$ 29,698,145</u>	<u>\$ 30,906,142</u>
Present value of discounted cash flows	<u>\$ 26,174,150</u>	<u>\$ 26,008,338</u>	<u>\$ 27,349,167</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of March 31, 2019, December 31, 2018 and March 31, 2018, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

	March 31, 2019, December 31, 2018 and March 31, 2018
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

- d. Reserve for insurance contracts with financial instrument features were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Life insurance	<u>\$ 9,303,244</u>	<u>\$ 10,434,066</u>	<u>\$ 11,209,725</u>
	For the Three Months Ended March 31		
		2019	2018
Balance at January 1		\$ 10,434,066	\$ 11,238,116
Insurance claim payments for the period		(1,192,941)	(79,144)
Reserve for insurance contracts with financial instrument features		<u>62,119</u>	<u>50,753</u>
Balance at March 31		<u>\$ 9,303,244</u>	<u>\$ 11,209,725</u>

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve of foreign exchange variation

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 239,440	\$ 149,520
Provisions		
Compulsory provisions	3,180	3,228
Additional provisions	<u>35,292</u>	<u>43,249</u>
	38,472	46,477
Recovery	<u>(7,360)</u>	<u>(8,491)</u>
Balance at March 31	<u>\$ 270,552</u>	<u>\$ 187,506</u>

3) Impact of the reserve of foreign exchange variation

For the three months ended March 31, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 4,090,883	\$ 4,065,993	\$ (24,890)
Earnings per share (NT\$)	0.31	0.31	-
Reserve of foreign exchange variation	-	270,552	270,552
Equity	221,023,972	220,759,641	(264,331)

For the three months ended March 31, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 3,873,048	\$ 3,842,659	\$ (30,389)
Earnings per share (NT\$)	0.30	0.30	-
Reserve of foreign exchange variation	-	187,506	187,506
Equity	210,564,289	210,384,981	(179,308)

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

	For the Three Months Ended March 31	
	2019	2018
Reserve for life insurance liabilities, net	\$ (306,788)	\$ (31,506)
Reserve for insurance contract with financial instrument features, net	62,119	50,753
Others, net	<u>42,042</u>	<u>56,966</u>
	<u>\$ (202,627)</u>	<u>\$ 76,213</u>

- g. Provisions for employee benefits are summarized below:

	March 31, 2019	December 31, 2018	March 31, 2018
Net defined benefit liabilities	\$ 2,802,084	\$ 2,822,786	\$ 2,617,557
Present value of retired employees' preferential interest deposit obligation	<u>4,005,444</u>	<u>4,041,988</u>	<u>3,970,179</u>
	<u>\$ 6,807,528</u>	<u>\$ 6,864,774</u>	<u>\$ 6,587,736</u>

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

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 713,131	\$ 207,387	\$ 18,827	\$ 939,345	\$ 654,832	\$ 1,594,177
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(21)	21	-	-	-	-
Derecognition of financial assets in the current reporting period	(62,188)	(11)	(642)	(62,841)	-	(62,841)
Reversal from financial instruments recognized at the beginning of the current reporting period	(7,930)	(21,300)	794	(28,436)	-	(28,436)
New financial assets purchased or originated	92,144	11	-	92,155	-	92,155
Difference of impairment loss under regulations	-	-	-	-	(83,239)	(83,239)
Change in exchange rates and other changes	<u>769</u>	<u>(5)</u>	<u>-</u>	<u>764</u>	<u>-</u>	<u>764</u>
Balance at March 31, 2019	<u>\$ 735,905</u>	<u>\$ 186,103</u>	<u>\$ 18,979</u>	<u>\$ 940,987</u>	<u>\$ 571,593</u>	<u>\$ 1,512,580</u>
Balance at January 1, 2018	\$ 1,048,697	\$ 3,065	\$ 30,229	\$ 1,081,991	\$ 504,945	\$ 1,586,936
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(269)	269	-	-	-	-
Credit-impaired financial assets	(67)	-	67	-	-	-
12-month ECL	11	(11)	-	-	-	-
Derecognition of financial assets in the current reporting period	(56,548)	(418)	(4,676)	(61,642)	-	(61,642)
Reversal from financial instruments recognized at the beginning of the current reporting period	(55,503)	(777)	1,085	(55,195)	-	(55,195)
New financial assets purchased or originated	108,378	217	-	108,595	-	108,595
Difference of impairment loss under regulations	-	-	-	-	28,065	28,065
Change in exchange rates and other changes	<u>(1,444)</u>	<u>10</u>	<u>-</u>	<u>(1,434)</u>	<u>-</u>	<u>(1,434)</u>
Balance at March 31, 2018	<u>\$ 1,043,255</u>	<u>\$ 2,355</u>	<u>\$ 26,705</u>	<u>\$ 1,072,315</u>	<u>\$ 533,010</u>	<u>\$ 1,605,325</u>

29. 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 \$49,475 thousand and \$42,058 thousand in the consolidated statement of comprehensive income for the three months ended March 31, 2019 and 2018, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

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

For the three months ended March 31, 2019 and 2018, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$198,588 thousand and \$205,500 thousand, respectively. For more information about the defined benefit plan, refer to Note 30 of the consolidated financial statements for the year ended December 31, 2018.

c. Employees’ preferential deposit plan

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

For the three months ended March 31, 2019 and 2018, the employee preferential deposit expense under employee’s preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$171,979 thousand and \$166,694 thousand, respectively. For more information about the employee preferential deposit plan, refer to Note 30 of the consolidated financial statements for the year ended December 31, 2018.

30. OTHER FINANCIAL LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Structured products - host contracts	\$ 3,822,513	\$ 1,905,310	\$ 1,194,430
Guarantee deposits received	1,676,714	1,334,404	1,347,992
Appropriation for loans	18,987	23,608	35,567
Lease payables	-	21,861	24,064
Separate-account liabilities	<u>98,948,398</u>	<u>91,245,818</u>	<u>93,864,917</u>
	<u>\$ 104,466,612</u>	<u>\$ 94,531,001</u>	<u>\$ 96,466,970</u>

The status of the Company's investment-linked products - separate account as of March 31, 2019, December 31, 2018 and March 31, 2018, are summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Separate-account assets (part of other financial assets)			
Demand deposits	\$ 688,280	\$ 2,476,651	\$ 970,283
Financial assets at FVTPL	98,078,513	88,282,280	92,493,926
Other receivables	<u>181,605</u>	<u>486,887</u>	<u>400,708</u>
	<u>\$ 98,948,398</u>	<u>\$ 91,245,818</u>	<u>\$ 93,864,917</u>

Separate-account liabilities (part of other financial liabilities)			
Reserve for separate account - insurance contract	\$ 85,824,176	\$ 81,551,911	\$ 88,651,363
Reserve for separate account - investment contract	12,604,260	9,537,957	4,903,353
Other payables	<u>519,962</u>	<u>155,950</u>	<u>310,201</u>
	<u>\$ 98,948,398</u>	<u>\$ 91,245,818</u>	<u>\$ 93,864,917</u>

	For the Three Months Ended March 31	
	2019	2018
Separate-account revenue		
Premium income	\$ 2,250,428	\$ 3,785,239
Gain (loss) on financial assets at FVTPL	4,483,098	(2,283,289)
Loss on foreign exchange	46,304	(617,825)
Interest income	<u>761</u>	<u>436</u>
	<u>\$ 6,780,591</u>	<u>\$ 884,561</u>
Separate-account expense		
Insurance claims and benefits	\$ 1,587,528	\$ 1,612,373
Reserves for separate accounts, net of releases - insurance contract	4,976,886	(900,675)
Administrative expenses	<u>216,177</u>	<u>172,863</u>
	<u>\$ 6,780,591</u>	<u>\$ 884,561</u>

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

31. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Advance receipts	\$ 1,296,764	\$ 3,103,752	\$ 1,683,088
Others	<u>71,564</u>	<u>91,155</u>	<u>129,290</u>
	<u>\$ 1,368,328</u>	<u>\$ 3,194,907</u>	<u>\$ 1,812,378</u>

32. NET INTEREST

	For the Three Months Ended March 31	
	2019	2018
Interest revenue		
From discounts and loans	\$ 11,291,486	\$ 10,226,357
From investments	2,746,707	2,459,706
From due from banks and call loans to other banks	637,344	731,724
Others	<u>238,907</u>	<u>388,452</u>
	<u>14,914,444</u>	<u>13,806,239</u>
Interest expense		
From deposits	(5,011,000)	(4,206,662)
From funds borrowing from the Central Bank and other banks	(727,409)	(395,046)
From subordinated bank debentures	(203,602)	(217,365)
From due to the Central Bank and other banks	(167,335)	(160,915)
From securities sold under repurchase agreements	(84,703)	(63,318)
From structure products	(11,399)	(11,745)
Others	<u>(33,234)</u>	<u>(19,110)</u>
	<u>(6,238,682)</u>	<u>(5,074,161)</u>
	<u>\$ 8,675,762</u>	<u>\$ 8,732,078</u>

33. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended March 31	
	2019	2018
Service fee and commission revenues		
From trust business	\$ 307,435	\$ 450,354
From insurance service	298,415	242,651
From guarantee	209,952	189,341
From loans	199,864	178,723
From management fees of investment-linked products	150,647	149,505
From credit cards	145,289	140,981
From brokerage service	80,468	102,057
Others	<u>548,690</u>	<u>462,458</u>
	<u>1,940,760</u>	<u>1,916,070</u>

(Continued)

	For the Three Months Ended March 31	
	2019	2018
Service charge and commission expenses		
From insurance business	\$ (97,297)	\$ (85,590)
From cross-bank transactions	(84,638)	(81,787)
From credit cards	(58,329)	(51,426)
From credit cards acquiring	(31,224)	(29,556)
From custody	(17,687)	(19,609)
Others	(44,029)	(47,278)
	<u>(333,204)</u>	<u>(315,246)</u>
	<u>\$ 1,607,556</u>	<u>\$ 1,600,824</u>

(Concluded)

34. PREMIUM INCOME, NET

	For the Three Months Ended March 31	
	2019	2018
Premium income		
Separate-account revenue (Note 30)	\$ 6,780,591	\$ 884,561
Premium income	<u>954,438</u>	<u>1,085,023</u>
	<u>7,735,029</u>	<u>1,969,584</u>
Premium losses		
Separate-account expense (Note 30)	(6,780,591)	(884,561)
Insurance claims and benefits	(882,353)	(776,077)
Reinsurance premium ceded	(43,663)	(40,233)
Others	(4,838)	(15,580)
	<u>(7,711,445)</u>	<u>(1,716,451)</u>
	<u>\$ 23,584</u>	<u>\$ 253,133</u>

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

	For the Three Months Ended March 31, 2019				
	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	\$ 140,199	\$ 2,577,651	\$ 1,030,895	\$ 59,391	\$ 3,808,136
Held-for-trading financial liabilities	-	(1,282,323)	361,574	-	(920,749)
Financial liabilities designated as at fair value through profit or loss	<u>(143,997)</u>	<u>-</u>	<u>(579,429)</u>	<u>-</u>	<u>(723,426)</u>
	<u>\$ (3,798)</u>	<u>\$ 1,295,328</u>	<u>\$ 813,040</u>	<u>\$ 59,391</u>	<u>\$ 2,163,961</u>

For the Three Months Ended March 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	\$ 138,796	\$ 4,671,613	\$ (1,385,393)	\$ 49,753	\$ 3,474,769
Financial assets designated as at fair value through profit or loss	1,747	-	7,808	-	9,555
Held-for-trading financial liabilities	-	(2,120,705)	(1,259,599)	-	(3,380,304)
Financial liabilities designated as at fair value through profit or loss	<u>(131,008)</u>	<u>-</u>	<u>536,065</u>	<u>-</u>	<u>405,057</u>
	<u>\$ 9,535</u>	<u>\$ 2,550,908</u>	<u>\$ (2,101,119)</u>	<u>\$ 49,753</u>	<u>\$ 509,077</u>

36. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Three Months Ended March 31	
	2019	2018
Salaries	\$ 2,140,520	\$ 2,145,514
Incentives	727,519	698,407
Excessive interest from preferential interest deposits	273,685	267,699
Post-employment benefits, termination benefits and compensation	253,567	378,232
Overtime	90,754	98,022
Others	<u>496,538</u>	<u>434,217</u>
	<u>\$ 3,982,583</u>	<u>\$ 4,022,091</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 three months ended March 31, 2019 and 2018, compensations of employees were estimated at \$672 thousand and \$597 thousand and the remuneration of directors were estimated at \$21,731 thousand and \$20,537 thousand, respectively, based on the amended Articles and past experiences.

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

The appropriations of employees' compensation and remuneration of directors for 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 board of directors and the amounts recognized in the consolidated financial statements.

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

b. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2019	2018
Depreciation expenses	\$ 405,123	\$ 295,701
Amortization expenses	<u>43,903</u>	<u>44,058</u>
	<u>\$ 449,026</u>	<u>\$ 339,759</u>

37. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2019	2018
Current tax		
Current period	\$ 714,694	\$ 1,396,105
Deferred tax		
Current period	35,056	(651,439)
Effect of change in tax rate	<u>-</u>	<u>(36,734)</u>
Income tax expense recognized in profit or loss	<u>\$ 749,750</u>	<u>\$ 707,932</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit is \$193,980 thousand (including income tax benefits recognized in profit or loss and other comprehensive income of \$163,012 thousand and \$30,968 thousand, respectively), of which \$126,278 thousand has not been recognized as of March 31, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2019	2018
<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	\$ 9,853	\$ (100,082)
Unrealized gains on financial assets at fair value through other comprehensive income	169,582	(106,697)
Other comprehensive income on reclassification of overlay approach	2,264	(2,571)
Effect of change in tax rate	<u>-</u>	<u>(30,968)</u>
Total income tax recognized in other comprehensive income	<u>\$ 181,699</u>	<u>\$ (240,318)</u>

c. Deferred tax assets and liabilities

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Deferred tax assets</u>			
Temporary differences			
Financial instruments at fair value through other comprehensive income	\$ 740	\$ 135,030	\$ 44,196
Properties and equipment	9,665	9,826	10,332
Payable for annual leave	125,799	101,044	108,062
Employee's preferential interest deposit obligation	801,089	808,398	794,036
Other liabilities	6,051	5,883	5,714
Exchange differences on foreign operations	46,773	56,350	388,337
Allowance for possible losses	70,840	70,153	89,363
Collaterals assumed	372	372	372
Financial instruments at fair value through profit or loss	7,117	7,535	434,989
Pension liabilities	357	348	594
Employee benefit	-	-	900
Unrealized interest expense	443,867	415,068	327,959
Unrealized foreign exchange losses	9,381	26,590	229,051
Revenue from disposal of acquired loans	146,355	146,355	111,457
Reclassification of overlay approach	<u>-</u>	<u>-</u>	<u>1,653</u>
	<u>\$ 1,668,406</u>	<u>\$ 1,782,952</u>	<u>\$ 2,547,015</u>

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 251,832	\$ 189,567	\$ 341
Financial instruments at fair value through other comprehensive income	37,556	-	-
Intangible assets	428,614	428,614	428,614
The reserve for land revaluation increment tax	2,596,230	2,596,230	2,596,230
Exchange differences on foreign operations	521	245	-
Defined benefit obligation	40,488	36,348	-
Investments accounted for using equity method	63,004	60,149	42,710
Collaterals assumed	466	466	466
Lease incentive	10,148	9,419	7,233
Unrealized foreign exchange gains	-	6,667	-
Others	<u>7,797</u>	<u>6,742</u>	<u>17,619</u>
	<u>\$ 3,436,656</u>	<u>\$ 3,334,447</u>	<u>\$ 3,093,213</u>
			(Concluded)

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

<u>TCFHC</u>	<u>TCB</u>	<u>CAM</u>	<u>TCBF</u>	<u>TCS</u>	<u>BPCTLI</u>	<u>TCSIT</u>	<u>TCVC</u>
2013	2013	2013	2013	2013	2016	2014	2015

38. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended March 31, 2019</u>			
Basic EPS	\$ 3,933,739	12,568,785	<u>\$ 0.31</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>143</u>	
Diluted EPS	<u>\$ 3,933,739</u>	<u>12,568,928</u>	<u>\$ 0.31</u>
<u>For the three months ended March 31, 2018</u>			
Basic earnings per share (EPS)	\$ 3,713,385	12,568,785	<u>\$ 0.30</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>153</u>	
Diluted EPS	<u>\$ 3,713,385</u>	<u>12,568,938</u>	<u>\$ 0.30</u>

The weighted-average number of shares outstanding for EPS calculation has been retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earning appropriation. For the three months March 31, 2018, the basic and diluted EPS were still \$0.3, respectively.

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

39. EQUITY

a. Capital stock

Common stocks

	March 31, 2019	December 31, 2018	March 31, 2018
Numbers of shares authorized (in thousands)	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<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>12,568,785</u>	<u>12,202,704</u>
Common stocks issued	<u>\$ 125,687,847</u>	<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 22, 2018, the stockholders 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 the Ministry of Economic Affairs (MOEA).

b. Capital surplus

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

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

The capital surplus as of March 31, 2019 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	618,750
Unclaimed dividends	<u>8,798</u>
	71,469,622

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>\$ 57,973,141</u>

c. Special reserve

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

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

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

	For the Three Months Ended March 31	
	2019	2018
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 March 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. 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 2018 and 2017 were approved in the board of directors' meeting on March 25, 2019 and in the stockholders' meeting on June 22, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 1,476,184	\$ 1,431,780		
Cash dividends	9,426,589	9,152,028	\$0.75	\$0.75
Stock dividends	3,770,635	3,660,811	0.30	0.30

Information on the appropriation of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	For the Three Months Ended March 31	
	2019	2018
Balance on January 1	\$ 4,199,805	\$ 4,344,256
Effect of retrospective application and retrospective restatement	-	84,178
Balance of retrospective application and retrospective restatement at beginning	4,199,805	4,428,434
Attributable to non-controlling interests		
Net income	132,254	129,274
Exchange differences on the translation of financial statements of foreign operations	(3,463)	2,490
Unrealized losses on financial assets at FVTOCI	340,314	(261,742)
Other comprehensive income reclassification of overlay approach	<u>170,558</u>	<u>5,067</u>
Balance on March 31	<u>\$ 4,839,468</u>	<u>\$ 4,303,523</u>

40. RELATED-PARTY TRANSACTIONS

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

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

a. Related parties

Related Party	Relationship with the Company
United Real Estate Management Co., Ltd.	Associated enterprise
TCB Global Emerging Markets Equity Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB S&P 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.
TCB Mobility and Innovation 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 three months ended <u>March 31, 2019</u>				
Others	<u>\$ 4,189,500</u>	<u>\$ 2,650,000</u>	<u>\$ 6,515</u>	0.470-2.850
For the three months ended <u>March 31, 2018</u>				
Others	<u>\$ 3,466,500</u>	<u>\$ -</u>	<u>\$ 6,970</u>	0.350-4.150

2) Due to banks

	For the Three Months Ended March 31			
	2019		2018	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 308,559	\$ 375	\$ 253,132	\$ 364
Others				
Tamshui First Credit				
Bank	24,360,035	53,613	25,515,719	57,495
Others	<u>58,167</u>	<u>-</u>	<u>19,092</u>	<u>-</u>
	<u>\$ 24,726,761</u>	<u>\$ 53,988</u>	<u>\$ 25,787,943</u>	<u>\$ 57,859</u>

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended <u>March 31, 2018</u>				
Others	\$ <u>1,746,000</u>	\$ <u>-</u>	\$ <u>89</u>	1.830

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended <u>March 31, 2019</u>				
Main management	\$ 115,435	\$ 111,566	\$ 795	1.245-1.790
Others	<u>73,131</u>	<u>64,791</u>	<u>469</u>	1.137-2.465
	<u>\$ 188,566</u>	<u>\$ 176,357</u>	<u>\$ 1,264</u>	
For the three months ended <u>March 31, 2018</u>				
Main management	\$ 157,465	\$ 148,503	\$ 427	1.245-1.790
Others	<u>55,136</u>	<u>50,948</u>	<u>179</u>	1.137-2.465
	<u>\$ 212,601</u>	<u>\$ 199,451</u>	<u>\$ 606</u>	

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

5) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended <u>March 31, 2018</u>			
Others	\$ <u>-</u>	\$ <u>4</u>	0.400

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended March 31, 2019			
Associates	\$ 68,459	\$ 73	0-0.640
Main management	559,029	2,123	0-13.000
Others	<u>10,421,771</u>	<u>6,208</u>	0-13.000
	<u>\$ 11,049,259</u>	<u>\$ 8,404</u>	
For the three months ended March 31, 2018			
Associates	\$ 118,780	\$ 97	0-0.800
Main management	540,199	2,156	0-13.000
Others	<u>8,245,279</u>	<u>7,313</u>	0-13.000
	<u>\$ 8,904,258</u>	<u>\$ 9,566</u>	
	March 31, 2019	December 31, 2018	March 31, 2018
7) Accrued income (part of receivables)			
Others	<u>\$ 24,384</u>	<u>\$ 20,900</u>	<u>\$ 14,026</u>
8) Accrued interest (part of receivables)			
Others	<u>\$ 439</u>	<u>\$ -</u>	<u>\$ -</u>
9) Receivable on securities (part of receivables)			
Others	<u>\$ 20,248</u>	<u>\$ 470</u>	<u>\$ 1,189</u>
10) Payable on securities (part of payables)			
Others	<u>\$ 2,091</u>	<u>\$ -</u>	<u>\$ -</u>
		For the Three Months Ended March 31	
		2019	2018
11) Service fee income (part of service fee and commission income, net)			
Associated		\$ 106	\$ -
Main management		-	88
Others		<u>68,833</u>	<u>39,528</u>
		<u>\$ 68,939</u>	<u>\$ 39,616</u>

**For the Three Months Ended
March 31**

2019 2018

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

Main management	\$ 38	\$ 10
Others	<u> 1</u>	<u> 2</u>
	<u><u>\$ 39</u></u>	<u><u>\$ 12</u></u>

13) Other income (part of other non-interest gain, net)

Others	<u><u>\$ 3,921</u></u>	<u><u>\$ 2,598</u></u>
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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.

14) Derivatives

For the Three Months Ended March 31, 2019						
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	2019.03.19-2019.04.15	US\$ 5,550	\$ 35	Financial assets at fair value through profit or loss	\$ 35
	Currency swap	2019.03.08-2019.04.12	US\$ 10,000	715	Financial assets at fair value through profit or loss	715
	Currency swap	2019.03.19-2019.04.15	US\$ 2,700	17	Financial assets at fair value through profit or loss	17
Other - TCB Global High Yield Bond Fund	Currency swap	2019.03.12-2019.04.15	US\$ 3,250	(142)	Financial liabilities at fair value through profit or loss	(142)
	Currency swap	2019.03.05-2019.04.18	US\$ 4,000	(17)	Financial liabilities at fair value through profit or loss	(17)
	Currency swap	2019.03.05-2019.04.18	US\$ 4,000	132	Financial assets at fair value through profit or loss	132
	Currency swap	2019.03.05-2019.04.18	US\$ 3,000	99	Financial assets at fair value through profit or loss	99
Other - TCB S&P Variable Rate Preferred Stock Index Fund	Currency swap	2019.03.15-2019.04.19	US\$ 5,000	(213)	Financial liabilities at fair value through profit or loss	(213)
	Currency swap	2019.03.15-2019.04.19	US\$ 1,000	(43)	Financial liabilities at fair value through profit or loss	(43)
	Currency swap	2019.03.15-2019.09.19	US\$ 10,000	969	Financial assets at fair value through profit or loss	969
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.03.14-2019.09.18	US\$ 850	10	Financial assets at fair value through profit or loss	10
Other - TCB Mobility and Innovation Fund	Currency swap	2019.03.21-2019.04.25	US\$ 8,000	344	Financial assets at fair value through profit or loss	344

For the Three Months Ended March 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	2018.03.13-2018.04.13	US\$ 7,000	\$ (1,289)	Financial liabilities at fair value through profit or loss	\$ (1,289)
	Currency swap	2018.03.13-2018.04.13	US\$ 1,000	(184)	Financial liabilities at fair value through profit or loss	(184)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.03.13-2018.04.13	US\$ 4,000	(737)	Financial liabilities at fair value through profit or loss	(737)
	Currency swap	2018.03.13-2018.04.13	US\$ 9,500	(1,750)	Financial liabilities at fair value through profit or loss	(1,750)
	Currency swap	2018.01.10-2018.04.10	US\$ 5,550	(1,601)	Financial liabilities at fair value through profit or loss	(1,601)
	Currency swap	2018.03.06-2018.04.11	US\$ 15,250	(2,761)	Financial liabilities at fair value through profit or loss	(2,761)
	Currency swap	2018.03.19-2018.05.21	US\$ 4,000	(483)	Financial liabilities at fair value through profit or loss	(483)
	Currency swap	2018.03.28-2018.04.30	US\$ 10,000	(255)	Financial liabilities at fair value through profit or loss	(255)

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

For the Three Months Ended March 31		
	2019	2018
Financial assets and liabilities at fair value through profit or loss		
Others	\$ (4,930)	\$ (24,086)

15) Loans

March 31, 2019

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 31, 2019 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	30	\$ 75,993	\$ 72,482	\$ 72,482	\$ -	Note 2	None
Self-used housing mortgage loans	20	112,573	103,875	103,875	-	Land and buildings	None

March 31, 2018

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 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	43	\$ 75,768	\$ 73,437	\$ 73,437	\$ -	Note 2	None
Self-used housing mortgage loans	31	136,833	126,014	126,014	-	Land and buildings	None

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

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

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

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	March 31, 2019	December 31, 2018	March 31, 2018
Subsidiary	<u>\$ 560,076</u>	<u>\$ 573,442</u>	<u>\$ 598,503</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2019				
Subsidiary	\$ 8,865,276	\$ 8,827,738	\$ 17,341	0.001-3.180
Sister companies	4,600,000	4,600,000	4,820	0.470-0.580
Others	<u>4,189,500</u>	<u>2,650,000</u>	<u>6,515</u>	0.470-2.850
	<u>\$ 17,654,776</u>	<u>\$ 16,077,738</u>	<u>\$ 28,676</u>	
For the three months ended March 31, 2018				
Subsidiary	\$ 8,439,151	\$ 6,943,376	\$ 14,453	0.001-2.600
Sister companies	2,100,000	-	587	0.350-0.430
Others	<u>3,466,500</u>	<u>-</u>	<u>6,970</u>	0.350-4.150
	<u>\$ 14,005,651</u>	<u>\$ 6,943,376</u>	<u>\$ 22,010</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2019				
Sister company TCS	<u>\$ 309,050</u>	<u>\$ 308,400</u>	<u>\$ 2,173</u>	2.750-3.200
For the three months ended March 31, 2018				
Sister company TCS	<u>\$ 296,800</u>	<u>\$ 291,000</u>	<u>\$ 1,453</u>	1.750-2.550

d) Due to banks

	For the Three Months Ended March 31			
	2019		2018	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 1,337	\$ -	\$ 761	\$ -
Main management	308,559	375	253,132	364
Others				
Tamshui First Credit Bank	24,360,035	53,613	25,515,719	57,495
Others	<u>58,167</u>	<u>-</u>	<u>19,092</u>	<u>-</u>
	<u>\$ 24,728,098</u>	<u>\$ 53,988</u>	<u>\$ 25,788,704</u>	<u>\$ 57,859</u>

e) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2018				
Others	<u>\$ 1,746,000</u>	<u>\$ -</u>	<u>\$ 89</u>	1.830

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, 2019				
Sister companies	\$ 89,500	\$ -	\$ 6	2.265
Main management	115,435	111,566	795	1.245-1.790
Others	<u>73,131</u>	<u>64,791</u>	<u>469</u>	1.137-2.465
	<u>\$ 278,066</u>	<u>\$ 176,357</u>	<u>\$ 1,270</u>	
For the three months ended March 31, 2018				
Sister companies	\$ 33,000	\$ -	\$ 2	2.265
Main management	157,465	148,503	427	1.245-1.790
Others	<u>55,136</u>	<u>50,948</u>	<u>179</u>	1.137-2.465
	<u>\$ 245,601</u>	<u>\$ 199,451</u>	<u>\$ 608</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) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the three months ended March 31, 2019</u>			
Parent company	\$ 36,056	\$ -	-
Sister companies	3,526,940	3,367	0-1.065
Associates	68,459	73	0-0.640
Main management	559,029	2,123	0-13.000
Others	<u>10,421,771</u>	<u>6,208</u>	0-13.000
	<u>\$ 14,612,255</u>	<u>\$ 11,771</u>	
<u>For the three months ended March 31, 2018</u>			
Parent company	\$ 55,661	\$ -	-
Sister companies	2,237,488	265	0-1.065
Associates	118,780	97	0-0.800
Main management	540,199	2,156	0-13.000
Others	<u>8,245,279</u>	<u>7,313</u>	0-13.000
	<u>\$ 11,197,407</u>	<u>\$ 9,831</u>	

h) Accrued income (part of receivables)

	March 31, 2019	December 31, 2018	March 31, 2018
Sister company			
BPC TLI	\$ 33,229	\$ 153,207	\$ 45,736
Others	<u>7,128</u>	<u>1,430</u>	<u>-</u>
	<u>\$ 40,357</u>	<u>\$ 154,637</u>	<u>\$ 45,736</u>

i) Receivable on securities (part of receivables)

	March 31, 2019	December 31, 2018	March 31, 2018
Sister company			
TCS	<u>\$ 134,646</u>	<u>\$ 147,499</u>	<u>\$ 47,514</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
TCFHC	<u>\$ 1,297,856</u>	<u>\$ 1,297,856</u>	<u>\$ 1,071,039</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
TCFHC	<u>\$ 742,047</u>	<u>\$ 547,923</u>	<u>\$ 1,356,941</u>

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

	For the Three Months Ended March 31	
	2019	2018
Sister companies		
BPCTLI	\$ 237,850	\$ 172,294
Others	9,245	12,084
Associates	106	-
Main management	-	88
Others	<u>3,411</u>	<u>38</u>
	<u>\$ 250,612</u>	<u>\$ 184,504</u>

- m) Lease agreements - the TCB is lessor

The Company lease out investment properties to its parent company and sister companies under operating leases with lease terms of 2 to 10 years. Rentals which refer to the prices nearby are calculated on the basis of the leased areas and are payable monthly.

- i. Future lease payment receivables was as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Parent company	\$ 81,028	\$ 87,040	\$ 105,076
Sister companies			
BPCTLI	37,166	40,715	51,318
TCS	193,902	204,807	229,951
Others	<u>64,945</u>	<u>71,300</u>	<u>85,718</u>
	<u>\$ 377,041</u>	<u>\$ 403,862</u>	<u>\$ 472,063</u>

- ii. Lease income (part of other non-interest gains, net):

	For the Three Months Ended March 31	
	2019	2018
Parent company	\$ 6,012	\$ 6,012
Sister companies		
TCS	10,905	6,988
Others	<u>9,904</u>	<u>8,435</u>
	<u>\$ 26,821</u>	<u>\$ 21,435</u>

n) Purchases and sales of securities

For the Three Months Ended March 31, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ 99,961	\$ 149,830	\$ -	\$ 3,320,000

For the Three Months Ended March 31, 2018				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ 49,834	\$ 49,799	\$ -	\$ 199,521

o) Derivatives

For the Three Months Ended March 31, 2019						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2019.02.26 2019.05.06	US\$ 5,351	\$ 613	Financial assets at fair value through profit or loss	\$ 613
	Currency swap	2019.03.15 2019.06.19	US\$ 9,681	(169)	Financial liabilities at fair value through profit or loss	(169)
	Currency swap	2019.03.21 2019.04.25	US\$ 5,112	235	Financial assets at fair value through profit or loss	235
	Currency swap	2019.03.21 2019.04.25	US\$ 1,011	46	Financial assets at fair value through profit or loss	46
	Currency swap	2019.03.21 2019.04.25	US\$ 5,116	235	Financial assets at fair value through profit or loss	235
	Currency swap	2019.03.21 2019.04.25	US\$ 10,443	480	Financial assets at fair value through profit or loss	480
	Currency swap	2019.03.21 2019.04.25	US\$ 5,102	235	Financial assets at fair value through profit or loss	235
	Currency swap	2019.03.21 2019.06.25	US\$ 5,254	325	Financial assets at fair value through profit or loss	325
	Currency swap	2019.03.21 2019.04.25	US\$ 5,116	235	Financial assets at fair value through profit or loss	235
	Currency swap	2019.03.21 2019.04.25	US\$ 5,141	236	Financial assets at fair value through profit or loss	236
	Currency swap	2019.03.21 2019.06.25	US\$ 10,259	635	Financial assets at fair value through profit or loss	635
	Currency swap	2019.03.21 2019.06.25	US\$ 20,579	1,274	Financial assets at fair value through profit or loss	1,274
	Currency swap	2019.03.21 2019.06.25	US\$ 8,274	512	Financial assets at fair value through profit or loss	512
	Currency swap	2019.03.21 2019.06.25	US\$ 4,935	306	Financial assets at fair value through profit or loss	306
	Currency swap	2019.03.21 2019.06.25	US\$ 10,033	621	Financial assets at fair value through profit or loss	621

(Continued)

For the Three Months Ended March 31, 2019						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
	Currency swap	2019.03.21 2019.06.25	US\$ 13,000	\$ 805	Financial assets at fair value through profit or loss	\$ 805
	Currency swap	2019.03.22 2019.05.28	US\$ 2,871	88	Financial assets at fair value through profit or loss	88
	Currency swap	2019.03.22 2019.05.28	US\$ 2,000	62	Financial assets at fair value through profit or loss	62
	Currency swap	2019.03.22 2019.05.28	US\$ 10,418	320	Financial assets at fair value through profit or loss	320
	Currency swap	2019.03.22 2019.05.28	US\$ 7,042	217	Financial assets at fair value through profit or loss	217
	Currency swap	2019.03.27 2019.06.28	US\$ 10,029	(107)	Financial liabilities at fair value through profit or loss	(107)
	Currency swap	2019.03.27 2019.06.28	US\$ 3,780	(40)	Financial liabilities at fair value through profit or loss	(40)
	Currency swap	2019.03.27 2019.06.28	US\$ 9,957	(106)	Financial liabilities at fair value through profit or loss	(106)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2019.03.19 2019.04.15	US\$ 5,550	35	Financial assets at fair value through profit or loss	35
	Currency swap	2019.03.08 2019.04.12	US\$ 10,000	715	Financial assets at fair value through profit or loss	715
	Currency swap	2019.03.19 2019.04.15	US\$ 2,700	17	Financial assets at fair value through profit or loss	17
Other - TCB Global High Yield Bond Fund	Currency swap	2019.03.12 2019.04.15	US\$ 3,250	(142)	Financial liabilities at fair value through profit or loss	(142)
	Currency swap	2019.03.12 2019.04.15	US\$ 4,000	(17)	Financial liabilities at fair value through profit or loss	(17)
	Currency swap	2019.03.05 2019.04.18	US\$ 4,000	132	Financial assets at fair value through profit or loss	132
	Currency swap	2019.03.05 2019.04.18	US\$ 3,000	99	Financial assets at fair value through profit or loss	99
Other - TCB S&P Variable Rate Preferred Stock Index Fund	Currency swap	2019.03.15 2019.04.19	US\$ 5,000	(213)	Financial liabilities at fair value through profit or loss	(213)
	Currency swap	2019.03.15 2019.04.19	US\$ 1,000	(43)	Financial liabilities at fair value through profit or loss	(43)
	Currency swap	2019.03.15 2019.09.19	US\$ 10,000	969	Financial assets at fair value through profit or loss	969
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.03.14 2019.09.18	US\$ 850	10	Financial assets at fair value through profit or loss	10
Other - TCB Mobility and Innovation Fund	Currency swap	2019.03.21 2019.04.25	US\$ 8,000	344	Financial assets at fair value through profit or loss	344

(Concluded)

For the Three Months Ended March 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	2018.03.22-2018.05.22	US\$ 4,935	\$ (304)	Financial liabilities at fair value through profit or loss	\$ (304)
	Currency swap	2018.03.22-2018.05.22	US\$ 10,033	(618)	Financial liabilities at fair value through profit or loss	(618)
	Currency swap	2018.03.22-2018.05.22	US\$ 13,000	(800)	Financial liabilities at fair value through profit or loss	(800)
	Currency swap	2018.03.19-2018.05.21	US\$ 1,699	(210)	Financial liabilities at fair value through profit or loss	(210)
	Currency swap	2018.03.19-2018.05.21	US\$ 3,129	(387)	Financial liabilities at fair value through profit or loss	(387)
	Currency swap	2018.03.19-2018.05.21	US\$ 4,850	(600)	Financial liabilities at fair value through profit or loss	(600)
	Currency swap	2018.03.19-2018.05.21	US\$ 3,129	(387)	Financial liabilities at fair value through profit or loss	(387)
	Currency swap	2018.03.19-2018.05.21	US\$ 10,488	(1,297)	Financial liabilities at fair value through profit or loss	(1,297)
	Currency swap	2018.03.19-2018.05.21	US\$ 5,165	(639)	Financial liabilities at fair value through profit or loss	(639)
	Currency swap	2018.03.19-2018.05.21	US\$ 4,814	(595)	Financial liabilities at fair value through profit or loss	(595)
	Currency swap	2018.03.15-2018.05.15	US\$ 9,681	(1,289)	Financial liabilities at fair value through profit or loss	(1,289)
	Currency swap	2018.03.13-2018.04.13	US\$ 7,000	(1,289)	Financial liabilities at fair value through profit or loss	(1,289)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.03.13-2018.04.13	US\$ 1,000	(184)	Financial liabilities at fair value through profit or loss	(184)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.03.13-2018.04.13	US\$ 4,000	(737)	Financial liabilities at fair value through profit or loss	(737)
	Currency swap	2018.03.13-2018.04.13	US\$ 9,500	(1,750)	Financial liabilities at fair value through profit or loss	(1,750)
	Currency swap	2018.01.10-2018.04.10	US\$ 5,550	(1,601)	Financial liabilities at fair value through profit or loss	(1,601)
	Currency swap	2018.03.06-2018.04.11	US\$ 15,250	(2,761)	Financial liabilities at fair value through profit or loss	(2,761)
	Currency swap	2018.03.19-2018.05.21	US\$ 4,000	(483)	Financial liabilities at fair value through profit or loss	(483)
	Currency swap	2018.03.28-2018.04.30	US\$ 10,000	(255)	Financial liabilities at fair value through profit or loss	(255)

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

	For the Three Months Ended March 31	
	2019	2018
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ (39,290)	\$ (68,982)
Others	<u>(4,930)</u>	<u>(24,086)</u>
	<u>\$ (44,220)</u>	<u>\$ (93,068)</u>

p) Loans

March 31, 2019

Type	Account Volume or Name	Highest Balance in the Period Ended March 31, 2019 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	30	\$ 75,993	\$ 72,482	\$ 72,482	\$ -	Note 2	None
Self-used housing mortgage loans	20	112,573	103,875	103,875	-	Land and buildings	None
Other	TCS	89,500	-	-	-	Bonds	None

March 31, 2018

Type	Account Volume or Name	Highest Balance in the Period Ended March 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	43	\$ 75,768	\$ 73,437	\$ 73,437	\$ -	Note 2	None
Self-used housing mortgage loans	31	136,833	126,014	126,014	-	Land and buildings	None
Other	TCS	33,000	-	-	-	Bonds	None

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

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

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

a) Settlement receivable (part of receivable)

	March 31, 2019	December 31, 2018	March 31, 2018
Sister companies	\$ 126,198	\$ 16,943	\$ 27,405
Others	<u>20,248</u>	<u>470</u>	<u>1,189</u>
	<u>\$ 146,446</u>	<u>\$ 17,413</u>	<u>\$ 28,594</u>

b) Settlement payable (part of payables)

	March 31, 2019	December 31, 2018	March 31, 2018
Sister companies	\$ 27,584	\$ 224,482	\$ 35,062
Others	<u>2,091</u>	<u>-</u>	<u>-</u>
	<u>\$ 29,675</u>	<u>\$ 224,482</u>	<u>\$ 35,062</u>

c) TCS applied to TCB for call loans

For the Three Months Ended March 31, 2019				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 309,000</u>	<u>\$ 308,200</u>	<u>\$ 2,175</u>	2.750-3.200
For the Three Months Ended March 31, 2018				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 299,235</u>	<u>\$ 291,050</u>	<u>\$ 1,443</u>	1.750-2.550

d) Purchase and sales of securities

For the Three Months Ended March 31, 2019				
Related Party	Purchase	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 1,607,101</u>	<u>\$ 4,552,267</u>	<u>\$ -</u>	<u>\$ -</u>
For the Three Months Ended March 31, 2018				
Related Party	Purchase	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 49,799</u>	<u>\$ 49,834</u>	<u>\$ -</u>	<u>\$ -</u>

e) To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of March 31, 2019, December 31, 2018 and March 31, 2018, TCS had no borrowing and overdraft. The overdraft for the three months ended March 31, 2019 and 2018 were as follows:

For the Three Months Ended March 31, 2019				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 89,500</u>	<u>\$ -</u>	<u>\$ 6</u>	2.265

For the Three Months Ended March 31, 2018				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	\$ <u>33,000</u>	\$ <u>-</u>	\$ <u>2</u>	2.265
f) Lease agreements - the TCB is lessee				
i. Right-of-use assets, net				
				March 31, 2019
Sister companies				
TCB				\$ <u>180,226</u>
ii. Lease liabilities				
				March 31, 2019
Sister companies				\$ <u>180,581</u>
iii. Interest expense				
				For the Three Months Ended March 31, 2019
Sister companies				\$ <u>737</u>

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended <u>March 31, 2019</u>				
Sister companies	\$ <u>170,423</u>	\$ <u>45,433</u>	\$ <u>1</u>	0.010-1.065
For the three months ended <u>March 31, 2018</u>				
Sister companies	\$ <u>238,263</u>	\$ <u>45,108</u>	\$ <u>1</u>	0.010-1.065

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended <u>March 31, 2019</u>				
Sister companies	<u>\$ 4,600,000</u>	<u>\$ 4,600,000</u>	<u>\$ 4,820</u>	0.470-0.580
For the three months ended <u>March 31, 2018</u>				
Sister companies	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ 587</u>	0.350-0.430

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended <u>March 31, 2019</u>			
Sister companies	<u>\$ 919,167</u>	<u>\$ 1,220</u>	0.460-0.610
For the three months ended <u>March 31, 2018</u>			
Sister companies	<u>\$ 395,640</u>	<u>\$ 201</u>	0.360-0.400
Others	<u>-</u>	<u>4</u>	0.400
	<u>\$ 395,640</u>	<u>\$ 205</u>	

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, refundable deposits and separate account assets)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Sister company						
TCB	<u>\$ 1,701,255</u>	<u>34</u>	<u>\$ 4,500,423</u>	<u>55</u>	<u>\$ 2,073,781</u>	<u>58</u>

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

	For the Three Months Ended March 31, 2019		
	Purchased Securities (Note)	Securities Purchase Under Resell Agreement	
		Amount	Rate (%)
Sister company			
TCBF	<u>\$ 919,167</u>	<u>\$ 3,113,314</u>	0.460-0.610

	For the Three Months Ended March 31, 2018		
	Purchased Securities	Securities Purchase Under Resell Agreement	
	(Note)	Amount	Rate (%)
Sister company TCBF	\$ 395,640	\$ 1,148,037	0.360-0.400

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the three months ended March 31, 2019

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2019.03.15 2019.06.28	US\$ 33,446	\$ 920	Financial assets at fair value through profit or loss	\$ 920
		2019.02.26 2019.06.25	US\$137,055	(5,718)	Financial liabilities at fair value through profit or loss	(5,718)
	Associates Banque Nationale De Paris, Taipei Branch (Note)	2019.03.14 2019.06.18	US\$ 95,711	2,982	Financial assets at fair value through profit or loss	2,982
		2019.01.28 2022.02.19	EUR 9,672	2,916	Financial assets at fair value through profit or loss	2,916
		2019.03.07 2019.06.11	US\$ 44,714	(855)	Financial liabilities at fair value through profit or loss	(855)

For the three months ended March 31, 2018

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2018.3.13- 2018.5.22	US\$ 70,923	\$ 7,124	Financial assets at fair value through profit or loss	\$ 7,124
		2018.1.12- 2018.5.21	US\$186,452	22,014	Financial assets at fair value through profit or loss	22,014

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

For the three months ended March 31, 2019 and 2018, the realized losses on currency swaps with sister companies were \$39,290 thousand and \$68,982 thousand, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$51,895 thousand losses and \$113,647 thousand gains, respectively.

d) Operating expenses - insurance contract expenses

	For the Three Months Ended March 31	
	2019	2018
Sister company TCB	<u>\$ 270,211</u>	<u>\$ 184,569</u>

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

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

	March 31, 2019	December 31, 2018	March 31, 2018
Other payables Parent company	<u>\$ 56,044</u>	<u>\$ 44,194</u>	<u>\$ 133,412</u>

6) Taiwan Cooperative Venture Capital Co., Ltd. (TCVC)

	March 31, 2019	December 31, 2018	March 31, 2018
Deposits TCB	<u>\$ 180,483</u>	<u>\$ 42,356</u>	<u>\$ 7,521</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the three months ended March 31, 2019 and 2018, are summarized as follows:

	For the Three Months Ended March 31	
	2019	2018
Salaries and other short-term employment benefits	\$ 42,796	\$ 38,820
Post-employment benefits	1,967	1,774
Interest arising from the employees' preferential rate in excess of normal rates	<u>450</u>	<u>421</u>
	<u>\$ 45,213</u>	<u>\$ 41,015</u>

41. PLEDGED ASSETS

- a. In addition to those mentioned in other notes, the face values of the pledged bonds and certificates of deposit are summarized as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collaterals for domestic overdraft	31,710,000	31,610,000	31,610,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	2,516,250	1,430,080	1,486,720
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,064,400	1,049,300	1,622,200
Guarantee deposits for the insurance operation	1,010,000	1,010,000	960,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	399,848	376,667	355,942
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	262,000	262,000	227,400
Guarantee deposits for the trust business compensation reserve	240,000	240,000	220,000
Collaterals for overseas branch U.S. dollar settlement	43,774	130,931	54,766
Overseas branches' guarantee deposits for operation	6,168	6,147	5,820
Others	<u>90,000</u>	<u>90,000</u>	<u>90,200</u>
	<u>\$ 89,197,440</u>	<u>\$ 88,060,125</u>	<u>\$ 88,488,048</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 March 31, 2019 and December 31, 2018 and March 31, 2018. 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	Outstanding Balance Loan	Collateral Value
March 31, 2019	<u>\$ 285,720</u>	<u>\$ 206,882</u>
December 31, 2018	<u>\$ 234,446</u>	<u>\$ 165,192</u>
March 31, 2018	<u>\$ 284,718</u>	<u>\$ 210,800</u>

42. 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 March 31, 2019, TCFHC's outstanding major construction and procurement contracts amounted to \$137,244 thousand, of which \$92,322 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) As of March 31, 2019, TCB's outstanding major construction and procurement contracts amounted to \$5,827,336 thousand, of which \$364,077 thousand was still unpaid.

2) 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. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of March 31, 2019, the commitments or contingencies arose from business were as follows:

March 31, 2019

Guarantees of commercial paper	<u>\$ 29,404,800</u>
Purchase of reference-rate commercial paper	<u>\$ 4,440,000</u>

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

1) As of March 31, 2019, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$9,173 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 \$2,086 thousand loss.

43. FINANCIAL INSTRUMENTS

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 553,171,349	\$ 557,368,529	\$ 558,505,884	\$ 561,239,159	\$ 516,084,226	\$ 518,011,140
<u>Financial liabilities</u>						
Bonds payable	55,000,000	56,190,729	55,000,000	56,204,741	64,610,000	65,471,303

Fair value hierarchy as at March 31, 2019, December 31, 2018 and March 31, 2018:

March 31, 2019

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 557,368,529	\$ 9,810,896	\$ 547,557,633	\$ -
<u>Financial liabilities</u>				
Bonds payable	56,190,729	-	56,190,729	-

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	-

March 31, 2018

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 518,011,140	\$ 6,938,749	\$ 511,072,391	\$ -
<u>Financial liabilities</u>				
Bonds payable	65,471,303	-	65,471,303	-

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 GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.6377% and 1.2844%, between 0.6707% and 1.3055%, between 0.5251% and 1.3618% as of March 31, 2019, December 31, 2018 and March 31, 2018, 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 March 31, 2019, December 31, 2018 and March 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:

	March 31, 2019	December 31, 2018	March 31, 2018
Discount for lack of marketability			
Increase 10%	<u>\$ (745,264)</u>	<u>\$ (621,461)</u>	<u>\$ (886,915)</u>
Decrease 10%	<u>\$ 745,264</u>	<u>\$ 621,461</u>	<u>\$ 886,915</u>
Discount for minority interest			
Increase 10%	<u>\$ (240)</u>	<u>\$ (239)</u>	<u>\$ (255)</u>
Decrease 10%	<u>\$ 240</u>	<u>\$ 239</u>	<u>\$ 255</u>

- c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of March 31, 2019, December 31, 2018 and March 31, 2018 were as follows:

1) Fair Value Hierarchy

Financial Instruments Measured at Fair Value	March 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,401,645	\$ 1,945,417	\$ 2,105	\$ 454,123
Debt instruments	9,275,687	4,170,696	5,104,991	-
Others	60,849,397	4,880,530	55,524,751	444,116
Financial assets at FVTOCI				
Equity instruments	13,479,907	8,396,685	-	5,083,222
Debt instruments	315,138,382	24,133,278	291,005,104	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,520,717)	(403,784)	(12,116,933)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	3,844,923	235,688	3,609,235	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,162,595)	-	(1,162,595)	-

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				
Equity instruments	\$ 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				
Equity instruments	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)	-
<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)	-
Financial Instruments Measured at Fair Value	March 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 3,197,003	\$ 3,023,155	\$ 4,788	\$ 169,060
Debt instruments	12,591,096	7,427,811	5,163,285	-
Others	56,448,527	5,875,330	50,573,197	-
Financial assets designated as at fair value through profit or loss	1,057,043	-	1,057,043	-
Financial assets at FVTOCI				
Equity instruments	11,631,671	5,385,168	-	6,246,503
Debt instruments	281,743,449	31,296,508	250,446,941	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(11,722,613)	(814,930)	(10,907,683)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,691,878	235,468	1,456,410	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(4,082,764)	(95)	(4,082,669)	-

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, 2019	\$ 971,972	\$ 4,373,477	\$ 5,345,449
Recognized in profit	101,433	-	101,433
Recognized in OCI (investment in equity instruments at FVTOCI)	-	709,745	709,745
Disposals	(113,879)	-	(113,879)
Transferred out of Level 3	<u>(61,287)</u>	<u>-</u>	<u>(61,287)</u>
Balance at March 31, 2019	<u>\$ 898,239</u>	<u>\$ 5,083,222</u>	<u>\$ 5,981,461</u>
Balance at January 1, 2018	\$ 161,676	\$ 5,521,358	\$ 5,683,034
Recognized in profit	7,384	-	7,384
Recognized in OCI (investment in equity instruments at FVTOCI)	-	650,145	650,145
Purchases	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Balance at March 31, 2018	<u>\$ 169,060</u>	<u>\$ 6,246,503</u>	<u>\$ 6,415,563</u>

The change in unrealized gains for the three months ended March 31, 2019 and 2018 included in profit or loss for assets held at the March 31, 2019 and 2018, respectively, was \$48,915 thousand and \$7,384 thousand.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Difference between carrying amount and contractual amount at maturity			
Fair value	\$ 12,116,933	\$ 11,483,955	\$ 10,907,683
Amount payable at maturity	<u>12,336,000</u>	<u>12,294,000</u>	<u>11,640,000</u>
	<u>\$ (219,067)</u>	<u>\$ (810,045)</u>	<u>\$ (732,317)</u>
			Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period			
For the three months ended March 31, 2019			<u>\$ (11,549)</u>
For the three months ended March 31, 2018			<u>\$ 12,543</u>
Accumulated amount of change			
As of March 31, 2019			<u>\$ 4,117</u>
As of December 31, 2018			<u>\$ 15,666</u>
As of March 31, 2018			<u>\$ 14,957</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 make reports to the risk management committee and board of directors for managements' decision making. Each subsidiary has various authorized investment amounts and stop loss regulations based on the overall risk management target and product attributes and periodically prepare management reports on the control and management of each market risk.

4) Liquidity risk

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

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

Taiwan Cooperative Bank Ltd. and subsidiary

1) Risk management

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

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

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

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

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

2) Credit risk

a) Credit risk management policy

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

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

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

i. Loans business (including loan commitment and guarantees)

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

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

To quantify credit risk, TCB and its subsidiary apply statistical methods using with customers' qualitative data and lending history to develop a rating module for corporate finance and consumer finance. This module is used to create an internal credit rating system for risk evaluation, in which 9 is the base grade of the credit quality of corporate customers, and 9 or 10 on the business segment consumer customers.

The 5P credit analysis and the module rating specifically apply to corporate customers. Micro credits and residential mortgages are assessed by using the credit rating model, and consumer loans are assessed individually for default risks.

ii. Due from and call loans to other banks

TCB and its subsidiary evaluate the credit status of counterparties before closing deals. TCB and its subsidiary grant different limits to the counterparties on the basis of their respective credit ratings as suggested by domestic and foreign credit rating agencies.

iii. Investments in debt instruments and derivatives

TCB and its subsidiary identify and manage credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

TCB and its subsidiary conduct derivative transactions with other banks and sets the credit limits (including lending limits) at their credit rating and the ranking given by the Banker magazine. The credits extended to general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established through normal credit granting processes.

b) Measurement of expected credit losses

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

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

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 March 31, 2019.

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 March 31, 2019.

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, 2018 and 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:

March 31, 2019

	Cross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
<u>Impaired financial assets</u>				
Discount and loans	<u>\$ 21,425,395</u>	<u>\$ 1,718,647</u>	<u>\$ 19,706,748</u>	<u>\$ 57,449,461</u>

December 31, 2018

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

March 31, 2018

	Cross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
<u>Impaired financial assets</u>				
Discount and loans	<u>\$ 18,141,620</u>	<u>\$ 1,937,470</u>	<u>\$ 16,204,150</u>	<u>\$ 43,847,632</u>

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in March 31, 2019, December 31, 2018 and March 31, 2018 were \$7,084,472 thousand, \$6,892,567 thousand and \$7,245,896 thousand, respectively.

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	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 842,805,578	40	\$ 843,564,027	41	\$ 819,414,125	40
Manufacturing	404,162,276	19	387,603,437	19	391,089,633	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:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at fair value through profit or loss - debt instrument	\$ 1,680,913	\$ 2,561,635	\$ 852,407

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

	March 31, 2019	December 31, 2018	March 31, 2018
Irrevocable loan commitments issued	\$ 67,434,522	\$ 67,524,099	\$ 100,140,398
Irrevocable credit card commitments	48,974,644	48,522,934	45,588,625
Letters of credit issued yet unused	21,925,126	19,554,443	19,856,161
Other guarantees	86,510,023	86,626,693	80,266,084

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

	March 31, 2019			Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Discounts and loans	\$ 2,103,656,271	\$ 3,865,301	\$ 32,670,460	\$ -	\$ 2,140,192,032
Allowance for possible losses	(4,315,626)	(19,055)	(3,916,230)	-	(8,250,911)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(18,860,062)	(18,860,062)
	<u>\$ 2,099,340,645</u>	<u>\$ 3,846,246</u>	<u>\$ 28,754,230</u>	<u>\$ (18,860,062)</u>	<u>\$ 2,113,081,059</u>

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 and 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>

March 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 and loans	\$ 2,048,125,931	\$ 7,383,267	\$ 30,429,875	\$ -	\$ 2,085,939,073
Allowance for possible losses	(3,595,657)	(39,977)	(5,368,402)	-	(9,004,036)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(16,782,255)	(16,782,255)
	<u>\$ 2,044,530,274</u>	<u>\$ 7,343,290</u>	<u>\$ 25,061,473</u>	<u>\$ (16,782,255)</u>	<u>\$ 2,060,152,782</u>

	March 31, 2019					
	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	\$ 14,940,721	\$ 38,118	\$ 177,270	\$ 4,130,843	\$ -	\$ 19,286,952
Allowance for possible losses	(46,628)	(8,806)	(59,848)	(509,015)	-	(624,297)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(91,526)	(91,526)
	<u>\$ 14,894,093</u>	<u>\$ 29,312</u>	<u>\$ 117,422</u>	<u>\$ 3,621,828</u>	<u>\$ (91,526)</u>	<u>\$ 18,571,129</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)
	\$ 15,659,935	\$ 33,493	\$ 118,026	\$ 2,755,966	\$ (105,414)	\$ 18,462,006

	March 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	\$ 13,260,520	\$ 51,288	\$ 188,312	\$ 4,494,524	\$ -	\$ 17,994,644
Allowance for possible losses	(39,325)	(10,407)	(52,935)	(523,516)	-	(626,183)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(127,233)	(127,233)
	<u>\$ 13,221,195</u>	<u>\$ 40,881</u>	<u>\$ 135,377</u>	<u>\$ 3,971,008</u>	<u>\$ (127,233)</u>	<u>\$ 17,241,228</u>

b) Credit quality analysis of securities

	March 31, 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 259,002,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,002,442</u>
Investments in debt instruments at amortized cost	\$ 551,182,764	\$ -	\$ -	\$ 551,182,764
Less: Allowance for possible losses	<u>(45,274)</u>	<u>-</u>	<u>-</u>	<u>(45,274)</u>
	<u>\$ 551,137,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 551,137,490</u>
	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>
	March 31, 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 232,624,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,624,565</u>
Investments in debt instruments at amortized cost	\$ 516,112,373	\$ -	\$ -	\$ 516,112,373
Less: Allowance for possible losses	<u>(42,397)</u>	<u>-</u>	<u>-</u>	<u>(42,397)</u>
	<u>\$ 516,069,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 516,069,976</u>

3) Market risks

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

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

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

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

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

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

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

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

Main Risk	Change Scenario	March 31, 2019	December 31, 2018	March 31, 2018
Interest rate risk	Interest rate curve increased 100 basis points	\$ (93,933)	\$ (72,019)	\$ (4,318)
	Interest rate curve fell 100 basis points	97,604	78,211	3,623
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(225,828)	(319,033)	(210,633)
	USD/NT\$, EUR/NT\$ fell 3%	225,828	319,033	210,633
	Others (RMB, AUD etc.)/ NT\$ increased 5%	25,652	16,140	(17,576)
	Others (RMB, AUD etc.)/ NT\$ fell 5%	(25,652)	(16,140)	17,576
Equity security price risk	Equity security price increased by 15%	166,754	66,851	182,286
	Equity security price fell by 15%	(166,754)	(66,751)	(181,523)

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

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

a) Taiwan Cooperative Bank, Ltd.

	For the Three Months Ended March 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets -				
due from banks	\$ 39,588,783	2.71	\$ 36,989,233	2.74
Due from the Central Bank	170,769,344	0.37	165,906,662	0.36
Call loans to banks and other financial assets -				
call loans to security firms	62,379,434	1.54	70,301,645	1.99
Financial assets mandatorily classified as at				
fair value through profit or loss	11,574,701	0.72	7,326,543	0.71
Securities purchased under resell agreements	862,402	0.51	41,673	0.39
Discounts and loans	2,097,963,958	2.17	2,029,104,144	2.03
Financial assets at fair value through other				
comprehensive income	254,826,358	1.96	230,061,772	1.97
Investments in debt instruments at amortized				
cost	561,032,226	0.87	512,922,046	0.84

(Continued)

	For the Three Months Ended March 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	\$ 233,824,376	1.42	\$ 230,799,677	0.90
Financial liabilities designated as at fair value through profit or loss	12,312,200	4.74	11,670,222	4.55
Securities sold under repurchase agreements	10,237,745	0.67	10,274,250	0.23
Demand deposits	513,098,608	0.17	510,934,453	0.15
Savings - demand deposits	866,474,493	0.27	826,814,188	0.27
Time deposits	588,055,721	1.60	497,586,591	1.31
Time savings deposits	628,313,608	1.06	643,663,886	1.07
Treasury deposits	88,094,357	0.68	90,411,740	0.64
Negotiable certificates of deposits	49,958,551	0.78	13,350,397	0.46
Structured products	2,245,241	2.03	1,870,737	2.51
Bank debentures	55,000,000	1.50	64,610,000	1.36
(Concluded)				

b) United Taiwan Bank S.A.

	For the Three Months Ended March 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks	\$ 46,534	1.27	\$ 52,946	0.61
Due from the Central Bank	709,770	-	167,035	-
Discounts and loans	10,015,123	2.54	8,517,749	2.26
Investments in debt instruments at amortized cost	1,210,667	1.08	1,513,196	0.75
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	9,438,059	1.29	7,758,110	1.03
Demand deposits	45,171	-	50,529	-
Time deposits	99,598	2.21	90,614	1.45

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

(In Thousands)

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 11,866,340	30.8400	\$ 365,957,919
RMB	15,402,517	4.5750	70,466,515
AUD	1,310,954	21.8450	28,637,792
EUR	421,117	34.6300	14,583,282
JPY	30,326,610	0.2785	8,445,961
HKD	1,929,892	3.9280	7,580,616
ZAR	2,881,612	2.1100	6,080,202
GBP	65,486	40.3200	2,640,394
KHR	199,607,532	0.0076	1,517,017
NZD	32,499	20.9200	679,888
CAD	26,848	22.9600	616,423
SEK	93,423	3.3200	310,165
CHF	5,760	30.9650	178,344
SGD	2,611	22.7500	59,391
THB	10,407	0.9740	10,136
PHP	4,019	0.5845	2,349
<u>Financial liabilities</u>			
USD	12,729,702	30.8400	392,583,997
RMB	13,039,699	4.5750	59,656,624
AUD	1,196,068	21.8450	26,128,113
JPY	46,809,887	0.2785	13,036,553
EUR	227,120	34.6300	7,865,151
ZAR	3,522,345	2.1100	7,432,148
HKD	1,607,567	3.9280	6,314,522
NZD	124,748	20.9200	2,609,732
GBP	63,760	40.3200	2,570,791
CAD	62,822	22.9600	1,442,384
KHR	141,862,137	0.0076	1,078,152
SEK	144,720	3.3200	480,469
CHF	9,967	30.9650	308,640
SGD	8,736	22.7500	198,754
THB	12,589	0.9740	12,262
PHP	9,216	0.5845	5,387
MYR	-	7.5560	2

	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

	March 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 11,274,609	29.1000	\$ 328,091,123
RMB	13,803,213	4.6460	64,129,730
AUD	1,131,287	22.3450	25,278,600
JPY	39,957,960	0.2739	10,944,485
EUR	347,222	35.8600	12,451,393
HKD	2,030,329	3.7070	7,526,431
ZAR	2,045,463	2.4500	5,011,384
GBP	72,925	40.7800	2,973,881
CAD	3,397	22.5700	76,676
NZD	64,709	21.1000	1,365,352
CHF	4,879	30.4850	148,744
SGD	11,267	22.2000	250,133
THB	7,214	0.9382	6,768
KHR	721,115	0.0072	5,192
PHP	4,689	0.5578	2,616
<u>Financial liabilities</u>			
USD	12,403,096	29.1000	360,930,106
RMB	12,642,633	4.6460	58,737,671
AUD	788,474	22.3450	17,618,447
JPY	54,672,070	0.2739	14,974,680
EUR	207,383	35.8600	7,436,760
HKD	685,419	3.7070	2,540,848
ZAR	3,125,385	2.4500	7,657,193
GBP	57,849	40.7800	2,359,084
CAD	66,083	22.5700	1,491,492
NZD	137,030	21.1000	2,891,326
CHF	10,922	30.4850	332,965
SGD	17,966	22.2000	398,837
SEK	15,434	3.4900	53,866
THB	15,363	0.9382	14,414
KHR	2,890	0.0072	21
PHP	1,317	0.5578	735
MYR	-	7.5320	2

4) Liquidity risk

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

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

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

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

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

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

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

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

TCB's liquidity reserve ratios were 28.57% in March 2019, 27.17% in December 2018 and 26.29% in March 2018.

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

March 31, 2019	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	\$ 167,716,787	\$ 57,345,704	\$ 6,833,294	\$ 1,265,970	\$ -	\$ 233,161,755
Financial liabilities at fair value through profit or loss	100,017	-	-	-	12,336,000	12,436,017
Securities sold under repurchase agreements	3,215,673	2,760,152	1,665,106	100,000	-	7,740,931
Payables	32,086,186	2,799,909	2,686,715	2,348,753	2,127,824	42,049,387
Deposits and remittances	266,443,040	369,289,533	420,754,643	632,878,669	1,100,198,394	2,789,564,279
Bank debentures	-	-	-	8,500,000	46,500,000	55,000,000
Lease liabilities	26,638	52,137	78,779	157,558	1,212,526	1,527,638
Other items of cash outflow on maturity	4,553,849	423	529	825,857	16,802	5,397,460

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

March 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	\$ 195,191,372	\$ 49,105,822	\$ 6,593,335	\$ 70,086	\$ -	\$ 250,960,615
Financial liabilities at fair value through profit or loss	351,144	-	-	-	11,640,000	11,991,144
Securities sold under repurchase agreements	6,033,521	3,190,823	1,529,379	22,561	-	10,776,284
Payables	24,329,472	1,864,066	3,266,607	2,584,768	2,407,605	34,452,518
Deposits and remittances	250,153,654	316,224,523	387,868,742	637,792,543	1,019,080,047	2,611,119,509
Bank debentures	-	10,000,000	4,610,000	-	50,000,000	64,610,000
Other items of cash outflow on maturity	2,445,381	19,771	1,783	3,565	33,921	2,504,421

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of March 31, 2019, December 31, 2018 and March 31, 2018 must be repaid soon, the capital expenditure will be increased by \$1,423,028,807 thousand, \$1,409,026,262 thousand and \$1,356,004,579 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

March 31, 2019	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	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ 46
Interest	(933)	(129)	(1,299)	(1,856)	(1,928)	(6,145)

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)

March 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	\$ 1,456	\$ 991	\$ 689	\$ 729	\$ -	\$ 3,865
Interest	(2,261)	(169)	(4,423)	(6,152)	(475)	(13,480)

b) Derivative financial liabilities to be settled at gross amounts

March 31, 2019	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	\$ 102,307,443	\$ 66,459,314	\$ 12,955,885	\$ 3,443,569	\$ -	\$ 185,166,211
Cash inflow	102,606,386	66,717,317	13,068,716	3,547,968	-	185,940,387
Interest derivatives						
Cash outflow	155,241	622,289	1,124,334	305,049	19,036,452	21,243,365
Cash inflow	154,250	604,980	1,004,736	82,103	27,725,911	29,571,980
Total cash outflow	102,462,684	67,081,603	14,080,219	3,748,618	19,036,452	206,409,576
Total cash inflow	102,760,636	67,322,297	14,073,452	3,630,071	27,725,911	215,512,367
Net cash flow	297,952	240,694	(6,767)	(118,547)	8,689,459	9,102,791

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

March 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	\$ 76,870,955	\$ 68,633,446	\$ 75,602,101	\$ 14,753,739	\$ -	\$ 235,860,241
Cash inflow	77,911,910	69,430,884	76,738,926	14,904,144	-	238,985,864
Interest derivatives						
Cash outflow	62,407	-	85,221	198,257	20,274,853	20,620,738
Cash inflow	529,443	5,252	-	5,340	27,300,489	27,840,524
Total cash outflow	76,933,362	68,633,446	75,687,322	14,951,996	20,274,853	256,480,979
Total cash inflow	78,441,353	69,436,136	76,738,926	14,909,484	27,300,489	266,826,388
Net cash flow	1,507,991	802,690	1,051,604	(42,512)	7,025,636	10,345,409

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

March 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,723,164	\$ 5,490,333	\$ 5,413,133	\$ 10,715,232	\$ 43,092,660	\$ 67,434,522
Irrevocable credit card commitments	596,378	349,538	1,542,132	1,345,105	45,141,491	48,974,644
Letters of credit issued yet unused	6,798,625	9,776,413	2,578,880	1,243,494	1,527,714	21,925,126
Other guarantees	4,580,565	6,182,354	3,561,900	7,998,774	64,186,430	86,510,023

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

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,109,715	\$ 10,108,422	\$ 4,845,104	\$ 37,883,394	\$ 45,193,763	\$ 100,140,398
Irrevocable credit card commitments	12,391	575,185	556,743	1,198,997	43,245,309	45,588,625
Letters of credit issued yet unused	4,161,891	10,567,782	2,413,147	1,536,423	1,176,918	19,856,161
Other guarantees	1,856,050	6,459,581	3,450,562	8,921,606	59,578,285	80,266,084

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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 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 information

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 \$446,257 thousand, \$469,775 thousand and \$491,069 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

ii. Sensitivity analysis

i) Interest rate risk

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

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of March 31, 2019, December 31, 2018 and March 31, 2018 the fair values of financial assets would have decreased by \$23,909 thousand, \$23,876 thousand and \$22,755 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on March 31, 2019, December 31, 2018 and March 31, 2018, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$17,459 thousand, \$17,476 thousand and \$20,095 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the three months ended March 31, 2019, the year ended December 31, 2018 and the three months ended March 31, 2018, the income before income tax would have decreased \$175,378 thousand, \$192,483 thousand and \$189,600 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of March 31, 2019, December 31, 2018 and March 31, 2018.

March 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 17,430	30.83	\$ 537,366
AUD	1,336	21.85	29,178
Receivables			
USD	6,162	30.83	189,970
RMB	4,649	4.576	21,274
Financial assets at FVTPL			
USD	2,728	30.83	84,091
Financial assets at FVTOCI			
USD	537,124	30.83	16,558,994
RMB	311,944	4.576	1,427,456
Financial assets at amortized cost			
USD	5,428	30.83	167,342
EUR	9,585	34.61	331,735

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

March 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 13,735	29.09	\$ 399,538
AUD	971	22.33	21,668
EUR	644	35.83	23,057
Receivables			
USD	7,207	29.09	209,666
RMB	4,716	4.64	21,896
Financial assets at FVTPL			
USD	11,423	29.09	332,304
Financial assets at FVTOCI			
USD	620,346	29.09	18,045,870
RMB	308,985	4.64	1,434,619
<u>Financial liabilities</u>			
Guarantee deposits			
USD	940	29.09	27,345

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 March 31, 2019, December 31, 2018 and March 31, 2018, the losses on financial assets of the BPCTLI would have been \$972,688 thousand, \$913,618 thousand and \$918,264 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

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

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

ii. Stress testing

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

iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

	March 31, 2019		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 15,271,336	\$ 15,282,915	40
Domestic investment - corporate bonds (twAAA - twAA)	2,551,991	2,551,991	7
Overseas investment - government bonds	1,448,159	1,467,000	4
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,071,962	16,072,302	42
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,510,036</u>	<u>2,510,036</u>	<u>7</u>
	<u>\$ 37,853,484</u>	<u>\$ 37,884,244</u>	<u>100</u>

	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>
	March 31, 2018		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 20,429,202	\$ 20,429,202	50
Domestic investment - corporate bonds (twAAA - twAA)	1,438,720	1,438,720	3
Overseas investment - government bonds	585,936	585,936	1
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,065,945	16,065,945	39
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,828,608</u>	<u>2,828,608</u>	<u>7</u>
	<u>\$ 41,348,411</u>	<u>\$ 41,348,411</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. and Moody's Investors Service, Inc.

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

- ii. Maturity analysis of derivatives

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

March 31, 2019				
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ <u>1,791</u>	\$ <u>(732)</u>	\$ <u>-</u>	\$ <u>-</u>
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	\$ <u>19,171</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
March 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	\$ <u>53,708</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.

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	10	
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	8,034	-
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	21,112	21,112	-
2013	19,586	27,531	27,762	28,666	28,555	28,551	28,553	28,553	28,553	28,553	-
2014	25,862	28,357	28,976	31,011	31,016	31,017	31,018	31,018	31,018	31,018	1
2015	35,899	42,080	42,346	42,353	42,355	42,355	42,356	42,356	42,356	42,356	1
2016	26,485	31,219	31,407	31,424	31,429	31,429	31,430	31,430	31,430	31,430	6
2017	53,250	63,055	58,129	59,422	59,431	59,431	59,432	59,432	59,432	59,432	1,303
2018	35,690	45,634	46,107	46,417	46,425	46,425	46,426	46,426	46,426	46,427	793
2019	61,929	78,626	79,260	81,999	82,009	82,009	82,011	82,011	82,011	82,011	20,082
										Incurred but not reported	22,186
										Reported but not paid	26,688
										Balance of claim reserve	<u>\$ 48,874</u>

b) Development of retained business

	Development Ages										Claim Reserve
	1	2	3	4	5	6	7	8	9	10	
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	8,034	-
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	19,065	19,065	-
2013	19,497	26,841	27,071	27,975	27,864	27,860	27,861	27,861	27,861	27,861	-
2014	25,174	27,659	28,278	30,313	30,318	30,319	30,320	30,320	30,320	30,320	1
2015	31,538	37,711	37,977	37,985	37,986	37,986	37,987	37,987	37,987	37,987	1
2016	25,930	30,590	30,778	30,794	30,799	30,799	30,800	30,800	30,800	30,800	6
2017	51,121	58,887	51,939	52,412	52,420	52,420	52,422	52,422	52,422	52,422	483
2018	34,932	44,758	45,222	45,514	45,521	45,521	45,523	45,523	45,523	45,523	765
2019	57,850	72,346	72,980	74,888	74,899	74,899	74,901	74,901	74,901	74,901	17,051
										Incurring but not reported	18,307
										Reported but not paid	25,976
										Balance of claim reserve	<u>\$ 44,283</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.

March 31, 2019			
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 16,641	\$ 13,313
Discount rate	(0.25%)	(16,678)	(13,343)
Mortality rate	10.00%	(5,952)	(4,762)
Mortality rate	(10.00%)	5,952	4,762
Withdrawal rate	30.00%	2,800	2,240
Withdrawal rate	(30.00%)	(2,800)	(2,240)
Illness rate/loss rate	15.00%	(4,402)	(3,234)
Expense rate	10.00%	(17,342)	(13,874)

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)

	March 31, 2018		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 17,800	\$ 14,774
Discount rate	(0.25%)	(17,840)	(14,807)
Mortality rate	10.00%	(4,922)	(4,085)
Mortality rate	(10.00%)	4,921	4,085
Withdrawal rate	30.00%	2,134	1,771
Withdrawal rate	(30.00%)	(2,177)	(1,807)
Illness rate/loss rate	15.00%	(3,472)	(2,882)
Expense rate	10.00%	(18,383)	(15,258)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

g. Transfers of financial assets

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

March 31, 2019					
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	\$ 30,441,094	\$ 30,348,626	\$ 30,441,094	\$ 30,348,626	\$ 92,468
Financial assets at FVTOCI - securities sold under repurchase agreements	19,675,119	20,036,644	19,675,119	20,036,644	(361,525)

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)

March 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	\$ 40,210,938	\$ 40,269,989	\$ 40,210,938	\$ 40,269,989	\$ (59,051)
Financial assets at FVTOCI - securities sold under repurchase agreements	12,098,654	12,427,141	12,098,654	12,427,141	(328,487)

h. Offsetting financial assets and financial liabilities

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

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

March 31, 2019

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	\$ 2,549,890	\$ -	\$ 2,549,890	\$ (2,368,560)	\$ -	\$ 181,330

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	\$ 50,385,270	\$ -	\$ 50,385,270	\$ (49,251,531)	\$ -	\$ 1,133,739

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

March 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	\$ 752,867	\$ -	\$ 752,867	\$ (752,867)	\$ -	\$ -

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	\$ 52,697,130	\$ -	\$ 52,697,130	\$ (51,575,771)	\$ -	\$ 1,121,359

44. CAPITAL MANAGEMENT

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

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

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

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%.

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

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

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

a. Asset quality of Taiwan Cooperative Bank, Ltd.: Table 2 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2019		
	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	18.71
2	Group B Harbor services	15,729,491	7.27
3	Group C Petroleum and coal products manufacturing	13,972,666	6.45
4	Group D Real estate development	13,144,478	6.08
5	Group E Computers and computing peripheral equipment manufacturing	12,730,280	5.88
6	Group F Cotton and textile	11,359,112	5.25
7	Group G Iron and steel smelting	9,939,208	4.59
8	Group H Shipping agency	9,819,019	4.54
9	Group I Cotton and textile	8,925,417	4.13
10	Group J Real estate development	8,295,281	3.83

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 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	\$ 41,951,293	20.46
2	Group B Harbor services	17,518,626	8.55
3	Group C Petroleum and coal products manufacturing	16,298,179	7.95
4	Group F Cotton and textile	13,460,199	6.57
5	Group E Computers and computing peripheral equipment manufacturing	12,262,420	5.98
6	Group I Cotton and textile	11,407,843	5.56
7	Group H Shipping agency	10,143,325	4.95
8	Group J Real estate development	9,782,725	4.77
9	Group D Real estate development	9,354,004	4.56
10	Group G Iron and steel smelting	9,320,213	4.55

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2019		
	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	22.74
2	Group B Real estate development	990,000	15.42
3	Group C Real estate development	953,000	14.84
4	Group D Iron and steel rolls over extends and crowding	872,700	13.59
5	Group E Real estate development	805,000	12.54
6	Group F Other retail sale in non-specialized stores	800,000	12.46
7	Group G Iron and steel rolls over extends and crowding	750,000	11.68
8	Group H Real estate development	708,000	11.03
9	Group I Shipping agency	700,000	10.90
10	Group J Manmade fiber manufacturing	680,000	10.59

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 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	\$ 960,000	18.04
2	Group E Other financial intermediation not elsewhere classified	760,000	14.28
3	Group I Shipping agency	700,000	13.15
4	Group H Real estate development	678,000	12.74
5	Group J Manmade fiber manufacturing	650,000	12.21
6	Group K Wholesale of motor vehicles and motorcycles parts and accessories	650,000	12.21
7	Group L Real estate development	612,000	11.50
8	Group B Real estate development	590,000	11.08
9	Group M Manmade fiber manufacturing	587,000	11.03
10	Group N Real estate development	568,500	10.68

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

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

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

c. Interest rate sensitivity information

1) Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
March 31, 2019**

(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	\$ 2,271,858,533	\$ 99,760,790	\$ 22,891,454	\$ 286,456,291	\$ 2,680,967,068
Interest rate-sensitive liabilities	935,062,406	1,375,698,638	106,875,400	46,556,164	2,464,192,608
Interest rate sensitivity gap	1,336,796,127	(1,275,937,848)	(83,983,946)	239,900,127	216,774,460
Net worth					196,563,705
Ratio of interest rate-sensitive assets to liabilities					108.80
Ratio of interest rate sensitivity gap to net worth					110.28

**Interest Rate Sensitivity
March 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	\$ 2,212,737,583	\$ 140,373,435	\$ 10,248,692	\$ 246,414,670	\$ 2,609,774,380
Interest rate-sensitive liabilities	937,702,216	1,283,919,636	108,105,924	46,874,199	2,376,601,975
Interest rate sensitivity gap	1,275,035,367	(1,143,546,201)	(97,857,232)	199,540,471	233,172,405
Net worth					187,240,845
Ratio of interest rate-sensitive assets to liabilities					109.81
Ratio of interest rate sensitivity gap to net worth					124.53

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

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

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

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

**Interest Rate Sensitivity
March 31, 2019**

(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	\$ 12,531,713	\$ 938,516	\$ 384,836	\$ 1,741,153	\$ 15,596,218
Interest rate-sensitive liabilities	14,151,950	1,831,508	1,005,805	-	16,989,263
Interest rate sensitivity gap	(1,620,237)	(892,992)	(620,969)	1,741,153	(1,393,045)
Net worth					641,806
Ratio of interest rate-sensitive assets to liabilities					91.80
Ratio of interest rate sensitivity gap to net worth					(217.05)

Interest Rate Sensitivity
March 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	\$ 12,286,745	\$ 1,008,427	\$ 289,236	\$ 1,427,248	\$ 15,011,656
Interest rate-sensitive liabilities	14,050,978	1,733,151	853,451	-	16,637,580
Interest rate sensitivity gap	(1,764,233)	(724,724)	(564,215)	1,427,248	(1,625,924)
Net worth					610,286
Ratio of interest rate-sensitive assets to liabilities					90.23
Ratio of interest rate sensitivity gap to net worth					(266.42)

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

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

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

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

2) United Taiwan Bank S.A.

Interest Rate Sensitivity
March 31, 2019

(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	\$ 359,730	\$ 88,195	\$ 6,246	\$ -	\$ 454,171
Interest rate-sensitive liabilities	265,679	89,596	22,176	-	377,451
Interest rate sensitivity gap	94,051	(1,401)	(15,930)	-	76,720
Net worth					71,089
Ratio of interest rate-sensitive assets to liabilities					120.33
Ratio of interest rate sensitivity gap to net worth					107.92

Interest Rate Sensitivity
March 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	\$ 324,403	\$ 59,757	\$ -	\$ -	\$ 384,160
Interest rate-sensitive liabilities	249,395	52,536	1,001	-	302,932
Interest rate sensitivity gap	75,008	7,221	(1,001)	-	81,228
Net worth					76,025
Ratio of interest rate-sensitive assets to liabilities					126.81
Ratio of interest rate sensitivity gap to net worth					106.84

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

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

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

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

d. Profitability

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

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	0.54	0.53
	After income tax	0.46	0.45
Return on equity	Before income tax	8.89	8.75
	After income tax	7.51	7.39
Net income ratio		33.30	31.25

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	6.69	6.63
	After income tax	6.69	6.63
Return on equity	Before income tax	7.42	7.29
	After income tax	7.42	7.29
Net income ratio		98.76	98.88

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	0.51	0.51
	After income tax	0.43	0.42
Return on equity	Before income tax	8.01	8.02
	After income tax	6.73	6.70
Net income ratio		31.61	30.20

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	0.74	1.35
	After income tax	0.70	1.28
Return on equity	Before income tax	6.26	12.11
	After income tax	5.96	11.53
Net income ratio		72.13	95.26

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	1.47	(0.18)
	After income tax	1.31	(0.22)
Return on equity	Before income tax	7.59	(1.03)
	After income tax	6.75	(1.23)
Net income ratio		31.65	(10.58)

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

(%)

Items		March 31, 2019	March 31, 2018
Return on total assets	Before income tax	0.83	0.79
	After income tax	0.73	0.71
Return on equity	Before income tax	13.67	13.82
	After income tax	12.16	12.38
Net income ratio		56.33	54.77

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

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

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

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

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

e. Maturity analysis of assets and liabilities

1) Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
March 31, 2019

(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	\$ 3,117,059,267	\$ 463,987,935	\$ 308,261,265	\$ 268,835,240	\$ 181,850,816	\$ 303,924,758	\$ 1,590,199,253
Main capital outflow on maturity	3,571,122,171	200,840,160	198,887,072	452,734,587	446,252,383	672,729,212	1,599,678,757
Gap	(454,062,904)	263,147,775	109,374,193	(183,899,347)	(264,401,567)	(368,804,454)	(9,479,504)

Maturity Analysis of Assets and Liabilities
March 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	\$ 2,979,918,717	\$ 339,021,707	\$ 326,328,182	\$ 234,430,285	\$ 251,233,108	\$ 306,880,961	\$ 1,522,024,474
Main capital outflow on maturity	3,509,425,926	244,146,639	194,797,402	376,832,857	444,661,183	669,586,897	1,579,400,948
Gap	(529,507,209)	94,875,068	131,530,780	(142,402,572)	(193,428,075)	(362,705,936)	(57,376,474)

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

Maturity Analysis of Assets and Liabilities
March 31, 2019

(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	\$ 24,956,281	\$ 7,609,899	\$ 5,239,246	\$ 2,840,573	\$ 1,255,675	\$ 8,010,888
Main capital outflow on maturity	29,074,224	12,333,098	6,479,438	3,521,566	3,528,835	3,211,287
Gap	(4,117,943)	(4,723,199)	(1,240,192)	(680,993)	(2,273,160)	4,799,601

Maturity Analysis of Assets and Liabilities
March 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	\$ 24,288,864	\$ 9,195,735	\$ 3,873,139	\$ 3,519,242	\$ 1,181,004	\$ 6,519,744
Main capital outflow on maturity	28,166,416	11,961,249	5,523,723	3,807,404	3,760,108	3,113,932
Gap	(3,877,552)	(2,765,514)	(1,650,584)	(288,162)	(2,579,104)	3,405,812

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

2) United Taiwan Bank S.A.

Maturity Analysis of Assets and Liabilities
March 31, 2019

(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	\$ 454,171	\$ 88,536	\$ 10,000	\$ -	\$ 28,512	\$ 327,123
Main capital outflow on maturity	383,082	120,405	145,274	89,596	22,176	5,631
Gap	71,089	(31,869)	(135,274)	(89,596)	6,336	321,492

Maturity Analysis of Assets and Liabilities
March 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	\$ 384,161	\$ 50,329	\$ 13,000	\$ 4,690	\$ 23,482	\$ 292,660
Main capital outflow on maturity	308,135	105,348	144,047	52,536	1,001	5,203
Gap	76,026	(55,019)	(131,047)	(47,846)	22,481	287,457

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

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

March 31, 2019

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 18,693,389	\$ 15,893,382	\$ 6,757,535	\$ -	\$ -
	Bonds	-	-	100,000	898,459	13,291,590
	Cash in bank	231,119	200	70,000	-	-
	Total	18,924,508	15,893,582	6,927,535	898,459	13,291,590
Source of funds	Borrowings	18,430,000	-	-	-	-
	Securities sold under repurchase agreements	32,237,450	690,513	103,201	-	-
	Equity fund	-	-	-	-	-
	Total	50,667,450	690,513	103,201	-	-
Net flows		(31,742,942)	15,203,069	6,824,334	898,459	13,291,590
Accumulated capital net flows		(31,742,942)	(16,539,873)	(9,715,539)	(8,817,080)	4,474,510

March 31, 2018

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 22,753,775	\$ 15,770,337	\$ 4,960,386	\$ 402,059	\$ -
	Bonds	-	-	-	725,000	3,692,851
	Cash in bank	222,515	200	70,000	-	-
	Total	22,976,290	15,770,537	5,030,386	1,127,059	3,692,851
Source of funds	Borrowings	14,270,000	-	-	-	-
	Securities sold under repurchase agreements	29,553,994	125,106	225,204	-	-
	Equity fund	-	-	-	-	-
	Total	43,823,994	125,106	225,204	-	-
Net flows		(20,847,704)	15,645,431	4,805,182	1,127,059	3,692,851
Accumulated capital net flows		(20,847,704)	(5,202,273)	(397,091)	729,968	4,422,819

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

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

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

Balance Sheets of Trust Accounts

Trust Assets	March 31, 2019	December 31, 2018	March 31, 2018	Trust Liabilities	March 31, 2019	December 31, 2018	March 31, 2018
Cash in banks	\$ 5,421,744	\$ 5,038,852	\$ 3,547,240	Payables			
Short-term investments				Accrued expense	\$ 501	\$ 2,661	\$ 1,750
Mutual funds	170,926,841	168,601,296	160,588,905	Others	44	2,294	2,327
Stocks	1,245,946	1,045,199	1,291,950	Mutual funds	400	200	400
Debt instruments	4,277,905	3,976,219	3,010,437		945	5,155	4,477
Structured products	165,074	165,591	178,271	Accounts payable on securities under custody	124,411,360	115,683,741	116,710,535
	176,615,766	173,788,305	165,069,563	Trust capital			
Securities lending	207,089	278,417	339,886	Cash	179,855,271	176,013,465	166,174,193
Receivables	5,850	5,669	8,820	Real estate	68,487,200	73,184,329	63,766,043
Real estate				Leasehold	60,940	60,940	-
Land	53,776,268	56,391,821	50,289,541	Securities	1,325,424	1,324,259	1,444,899
Buildings	7,600	8,523	8,523	Others	92,403	119,350	110,520
Construction in process	13,858,185	15,137,667	12,410,841		249,821,238	250,702,343	231,495,655
	67,642,053	71,538,011	62,708,905	Reserves and retained earnings			
Intangible assets				Net income	68,603	11,725	113,865
Leasehold	60,940	60,940	-	Appropriation	(248,745)	(248,802)	(193,602)
Securities under custody	124,411,360	115,683,741	116,710,535	Retained earnings	311,401	239,773	254,019
					131,259	2,696	174,282
Total	\$ 374,364,802	\$ 366,393,935	\$ 348,384,949	Total	\$ 374,364,802	\$ 366,393,935	\$ 348,384,949

Trust Property List

Investment Items	March 31, 2019	December 31, 2018	March 31, 2018
Cash in banks	\$ 5,421,744	\$ 5,038,852	\$ 3,547,240
Short-term investments			
Mutual funds	170,926,841	168,601,296	160,588,905
Stocks	1,245,946	1,045,199	1,291,950
Debt instruments	4,277,905	3,976,219	3,010,437
Structured products	165,074	165,591	178,271
Securities lending	207,089	278,417	339,886
Receivables			
Accrued interest	3,465	3,857	4,831
Receivable on the sale of securities	400	200	400
Mutual funds	900	-	1,450
Others	1,085	1,612	2,139
Real estate			
Land	53,776,268	56,391,821	50,289,541
Buildings	7,600	8,523	8,523
Construction in process	13,858,185	15,137,667	12,410,841
Intangible assets			
Leasehold	60,940	60,940	-
Securities under custody	<u>124,411,360</u>	<u>115,683,741</u>	<u>116,710,535</u>
Total	<u>\$ 374,364,802</u>	<u>\$ 366,393,935</u>	<u>\$ 348,384,949</u>

Statements of Income on Trust Accounts For the Three Months Ended March 31, 2019 and 2018

	2019	2018
Revenues		
Interest revenue	\$ 1,444	\$ 2,699
Cash dividends	521	474
Unrealized gain on investment - stocks	213,847	200,797
Realized gain on investment - mutual funds	58	7
Rentals	1,252	1,783
Others	-	4
Total revenues	<u>217,122</u>	<u>205,764</u>
Expenses		
Management fees	1,073	1,054
Taxes	30	9
Service charge	45	58
Postage	22	20
Unrealized loss on investment - stocks	147,333	90,721
Realized loss on investment - mutual funds	11	35
Others	5	2
Total expenses	<u>148,519</u>	<u>91,899</u>
Income before income tax	68,603	113,865
Income tax expense	-	-
Net income	<u>\$ 68,603</u>	<u>\$ 113,865</u>

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

47. 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 March 31, 2019, December 31, 2018 and March 31, 2018, TCB's accrued receivables were \$2,356 thousand, \$3,168 thousand and \$2,270 thousand, respectively. TCB's revenues from cross-selling transactions were \$2,356 thousand and \$2,630 thousand for the three months ended March 31, 2019 and 2018, respectively.

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

As of March 31, 2019, December 31, 2018 and March 31, 2018, TCB's accrued receivables were \$939 thousand, \$2,541 thousand and \$3,299 thousand, respectively. TCB's revenues from cross-selling transactions were \$8,689 thousand and \$9,787 thousand for the three months ended March 31, 2019 and 2018, respectively.

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

Table 3 (attached).

49. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

50. NON-CASH FINANCING ACTIVITIES

Undistributed cash dividends approved by stockholders' meetings are \$307,777 thousand, \$305,577 thousand and \$274,604 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

51. ADDITIONAL DISCLOSURES

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

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

- 2) Endorsement/guarantee provided: TCFHC - none; 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 6 (attached).
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company - none.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
 - 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
 - 7) Financial asset securitization by subsidiaries: None.
 - 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
 - 9) Sale of nonperforming loans by subsidiaries: None.
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 7 (attached).
 - 11) Percentage share in investees and related information: Not applicable.
 - 12) Derivative transactions: Notes 8, 40 and 43 to the consolidated financial statements
 - 13) Other significant transactions which may affect the decisions of users of financial reports: None.
- 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 8 (attached).
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 9 (attached).

52. OPERATING SEGMENTS

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

- a. TCB business, including deposit and loan, capital, trust and other business;
- b. Other noncore business.

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

The revenue, expenses and related information of the Company's reportable segments for the three months ended March 31, 2019 and 2018 are as follows:

	For the Three Months Ended March 31, 2019				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 8,365,893	\$ 307,980	\$ 8,673,873	\$ 1,889	\$ 8,675,762
Net revenues and gains other than interest	<u>2,968,687</u>	<u>4,678,039</u>	<u>7,646,726</u>	<u>(4,112,463)</u>	<u>3,534,263</u>
Net revenues	11,334,580	4,986,019	16,320,599	(4,110,574)	12,210,025
Bad-debt expenses and provision for losses on commitment and guarantees	(1,573,983)	(1,259)	(1,575,242)	-	(1,575,242)
Net change in reserves for insurance liabilities	-	202,627	202,627	-	202,627
Operating expenses	<u>(5,495,888)</u>	<u>(587,187)</u>	<u>(6,083,075)</u>	<u>61,408</u>	<u>(6,021,667)</u>
Income before income tax	<u>\$ 4,264,709</u>	<u>\$ 4,600,200</u>	<u>\$ 8,864,909</u>	<u>\$ (4,049,166)</u>	<u>\$ 4,815,743</u>
	For the Three Months Ended March 31, 2018				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 8,281,289	\$ 450,789	\$ 8,732,078	\$ -	\$ 8,732,078
Net revenues and gains other than interest	<u>2,959,750</u>	<u>4,462,255</u>	<u>7,422,005</u>	<u>(3,857,603)</u>	<u>3,564,402</u>
Net revenues	11,241,039	4,913,044	16,154,083	(3,857,603)	12,296,480
Bad-debt expenses and provision for losses on commitment and guarantees	(1,624,510)	29,066	(1,595,444)	-	(1,595,444)
Net change in reserves for insurance liabilities	-	(76,213)	(76,213)	-	(76,213)
Operating expenses	<u>(5,555,487)</u>	<u>(566,745)</u>	<u>(6,122,232)</u>	<u>48,000</u>	<u>(6,074,232)</u>
Income before income tax	<u>\$ 4,061,042</u>	<u>\$ 4,299,152</u>	<u>\$ 8,360,194</u>	<u>\$ (3,809,603)</u>	<u>\$ 4,550,591</u>

TABLE 1

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2019	December 31, 2018	March 31, 2018	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	Note
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	Note
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life insurance	51.00	51.00	51.00	Note
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	Note

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2019	December 31, 2018	March 31, 2018	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the three months ended March 31, 2019 and 2018 are not reviewed.

TABLE 2

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
MARCH 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2019					March 31, 2018				
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		\$ 4,174,892	\$ 691,431,873	0.60	\$ 8,829,411	211.49	\$ 2,767,927	\$ 674,760,009	0.41	\$ 7,115,732	257.08
	Unsecured		533,400	621,114,740	0.09	6,534,111	1,224.99	1,468,977	608,110,404	0.24	7,634,091	519.69
Consumer banking	Housing mortgage (Note 4)		1,533,813	521,113,929	0.29	7,907,872	515.57	1,312,534	502,361,994	0.26	7,624,157	580.87
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		14,159	12,149,513	0.12	159,770	1,128.40	43,863	12,695,000	0.35	120,780	275.36
	Other (Note 6)	Secured	1,260,499	274,775,221	0.46	3,349,807	265.75	1,030,711	271,238,715	0.38	3,006,560	291.70
		Unsecured	23,011	9,185,935	0.25	156,444	679.87	47,578	8,564,099	0.56	139,380	292.95
Loan			7,539,774	2,129,771,211	0.35	26,937,415	357.27	6,671,590	2,077,730,221	0.32	25,640,700	384.33
			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			9,973	3,662,054	0.27	56,181	563.33	8,821	3,530,080	0.25	51,078	579.05
Accounts receivable factored without recourse (Note 7)			-	349,376	-	10,051	-	-	290,410	-	19,367	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			858					1,334				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			6,513					8,669				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			10,811					15,765				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			45,510					46,990				

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

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

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

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

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

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

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

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

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

TABLE 3**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.**Balance Sheets
(In Thousands of New Taiwan Dollars)**

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Cash and cash equivalents	\$ 35,861	\$ 25,293	\$ 55,662	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income	22,875	22,500	25,000	Commercial paper issued, net	\$ 20,917,675	\$ 20,854,385	\$ 18,084,245
Receivables	146	146	490	Payables	263,383	240,318	220,071
Current tax assets	2,031,178	1,817,239	2,516,255	Current tax liabilities	2,037,543	1,823,604	2,536,136
Investments accounted for using equity method	237,046,620	229,324,491	224,323,204	Other financial liabilities	1,302	1,756	1,375
Properties and equipment, net	2,449	2,593	2,187	Lease liabilities	80,769	-	-
Right-of-use assets, net	80,506	-	-	Other liabilities	<u>7,736</u>	<u>6,972</u>	<u>7,752</u>
Intangible assets	259	193	174	Total liabilities	<u>23,308,408</u>	<u>22,927,035</u>	<u>20,849,579</u>
Deferred tax assets	335	335	233	<u>Equity</u>			
Other assets	<u>8,352</u>	<u>8,449</u>	<u>7,832</u>	Capital stock	125,687,847	125,687,847	122,027,036
				Capital surplus	57,973,141	57,964,343	57,964,343
				Retained earnings	26,054,131	22,209,318	23,738,462
				Other equity	<u>6,205,054</u>	<u>2,412,696</u>	<u>2,351,617</u>
				Total equity	<u>215,920,173</u>	<u>208,274,204</u>	<u>206,081,458</u>
Total	<u>\$ 239,228,581</u>	<u>\$ 231,201,239</u>	<u>\$ 226,931,037</u>	Total	<u>\$ 239,228,581</u>	<u>\$ 231,201,239</u>	<u>\$ 226,931,037</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended March 31	
	2019	2018
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,020,940	\$ 3,805,807
Other revenues and gains	<u>87</u>	<u>298</u>
Total revenues and gains	<u>4,021,027</u>	<u>3,806,105</u>
Expenses and losses		
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	1,868	25,872
Operating expenses	49,403	46,295
Other expenses and losses	<u>36,017</u>	<u>20,553</u>
Total expenses and losses	<u>87,288</u>	<u>92,720</u>
Income before income tax	3,933,739	3,713,385
Income tax benefit	<u>-</u>	<u>-</u>
Net income	3,933,739	3,713,385
Other comprehensive income (loss)	<u>3,703,432</u>	<u>(1,313,131)</u>
Total comprehensive income	<u>\$ 7,637,171</u>	<u>\$ 2,400,254</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$0.31</u>	<u>\$0.30</u>
Diluted	<u>\$0.31</u>	<u>\$0.30</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

							Other Equity					Total Equity
							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	
	Capital Stock			Retained Earnings								
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2019	12,568,785	\$ 125,687,847	\$ 57,964,343	\$ 6,451,448	\$ 996,026	\$ 14,761,844	\$ (282,339)	\$ 2,690,032	\$ -	\$ 15,666	\$ (10,663)	\$ 208,274,204
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	-	8,798
Losses on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(88,926)	-	88,926	-	-	-	-
Total comprehensive income												
Net income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	-	-	-	-	-	3,933,739
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	39,413	3,498,051	-	(11,549)	177,517	3,703,432
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	39,413	3,498,051	-	(11,549)	177,517	7,637,171
BALANCE, MARCH 31, 2019	12,568,785	\$ 125,687,847	\$ 57,973,141	\$ 6,451,448	\$ 996,026	\$ 18,606,657	\$ (242,926)	\$ 6,277,009	\$ -	\$ 4,117	\$ 166,854	\$ 215,920,173
BALANCE, JANUARY 1, 2018	12,202,704	\$ 122,027,036	\$ 57,964,343	\$ 5,019,668	\$ 996,026	\$ 14,377,752	\$ (1,177,934)	\$ -	\$ 1,942,735	\$ 2,414	\$ -	\$ 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
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	6,483	-	(6,483)	-	-	-	-
Total comprehensive income												
Net income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	-	-	-	-	-	3,713,385
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	-	(453,015)	(877,932)	-	12,543	5,273	(1,313,131)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	3,713,385	(453,015)	(877,932)	-	12,543	5,273	2,400,254
BALANCE, MARCH 31, 2018	12,202,704	\$ 122,027,036	\$ 57,964,343	\$ 5,019,668	\$ 996,026	\$ 17,722,768	\$ (1,630,949)	\$ 3,779,477	\$ -	\$ 14,957	\$ 188,132	\$ 206,081,458

(Continued)

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended March 31	
	2019	2018
Cash flows from operating activities		
Income before income tax	\$ 3,933,739	\$ 3,713,385
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method, net	(4,019,072)	(3,779,935)
Depreciation and amortization expenses	6,189	245
Interest expense	36,017	20,553
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through other comprehensive income	-	(25,000)
Increase in receivables	-	(340)
Increase (decrease) in other assets	97	(47)
Increase in payables	31,789	21,244
Increase in other liabilities	<u>764</u>	<u>647</u>
Cash used in operations	(10,477)	(49,248)
Interest paid	(32,549)	(25,349)
Income tax paid	<u>-</u>	<u>-</u>
Net cash used in operating activities	<u>(43,026)</u>	<u>(74,597)</u>
Cash flows from investing activities		
Acquisition of properties and equipment	(68)	(78)
Acquisition of intangible assets	<u>(94)</u>	<u>-</u>
Net cash used in investing activities	<u>(162)</u>	<u>(78)</u>
Cash flows from financing activities		
Increase in commercial paper issued	60,000	70,000
Decrease in guarantee deposits received	(454)	-
Repayments of the principal portion of lease liabilities	(5,790)	-
Increase in other financial liabilities	<u>-</u>	<u>1,022</u>
Net cash generated from financing activities	<u>53,756</u>	<u>71,022</u>
Net increase (decrease) in cash and cash equivalents	10,568	(3,653)
Cash and cash equivalents, beginning of the period	<u>25,293</u>	<u>59,315</u>
Cash and cash equivalents, end of the period	<u>\$ 35,861</u>	<u>\$ 55,662</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Cash and cash equivalents	\$ 54,533,194	\$ 53,883,846	\$ 42,462,270	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	280,505,426	271,883,276	251,739,586	Due to the Central Bank and other banks	\$ 231,096,191	\$ 211,479,593	\$ 249,852,440
Financial assets at fair value through profit or loss	19,214,912	9,490,716	9,866,405	Financial liabilities at fair value through profit or loss	13,333,579	12,953,221	15,292,877
Financial assets at fair value through other comprehensive income	272,145,116	256,663,367	243,945,333	Securities sold under repurchase agreements	7,740,931	9,602,141	10,776,284
Investments in debt instruments at amortized cost	549,918,462	554,882,807	514,562,865	Payables	42,425,874	43,885,780	34,863,372
Securities purchased under resell agreements	1,407,422	3,521,000	-	Current tax liabilities	1,320,025	1,120,604	1,973,138
Receivables, net	18,532,188	18,429,376	17,210,608	Deposits and remittances	2,789,415,710	2,728,608,123	2,610,981,033
Current tax assets	1,508,350	1,509,126	1,347,728	Bank debentures	55,000,000	55,000,000	64,610,000
Discounts and loans, net	2,102,326,107	2,050,071,547	2,051,670,794	Other financial liabilities	5,397,460	3,166,974	2,504,421
Investments accounted for using equity method	2,102,924	2,116,666	2,119,543	Provisions	7,885,186	8,022,491	7,661,317
Other financial assets, net	25,472,013	18,727,650	25,645,873	Lease liabilities	1,511,985	-	-
Properties and equipment, net	33,486,541	33,630,953	33,846,175	Deferred tax liabilities	3,364,340	3,292,854	3,071,958
Right-of-use assets, net	1,577,087	-	-	Other liabilities	<u>1,095,769</u>	<u>1,137,459</u>	<u>1,291,957</u>
Investment properties, net	7,140,205	7,151,574	6,990,938	Total liabilities	<u>3,159,587,050</u>	<u>3,078,269,240</u>	<u>3,002,878,797</u>
Intangible assets	3,542,231	3,551,969	3,480,271	<u>Equity</u>			
Deferred tax assets	1,419,000	1,388,293	2,052,871	Capital stock	90,310,300	90,310,300	88,081,300
Other assets, net	<u>1,112,874</u>	<u>1,101,315</u>	<u>937,705</u>	Capital surplus	58,767,245	58,767,245	58,767,245
				Retained earnings	61,686,265	58,153,358	56,073,270
				Other equity	<u>5,593,192</u>	<u>2,503,338</u>	<u>2,078,353</u>
				Total equity	<u>216,357,002</u>	<u>209,734,241</u>	<u>205,000,168</u>
Total	<u>\$ 3,375,944,052</u>	<u>\$ 3,288,003,481</u>	<u>\$ 3,207,878,965</u>	Total	<u>\$ 3,375,944,052</u>	<u>\$ 3,288,003,481</u>	<u>\$ 3,207,878,965</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Cash and cash equivalents	\$ 61,119	\$ 93,142	\$ 52,515	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	42,933,097	34,216,145	44,906,911				
Financial assets at fair value through other comprehensive income	13,575,601	12,770,749	4,515,614	Call loans from banks	\$ 18,430,000	\$ 12,180,000	\$ 14,270,000
Investments in debt instruments at amortized cost	1,055,597	1,056,082	-	Financial liabilities at fair value through profit or loss	-	-	50,078
Receivables, net	676,594	185,888	164,776	Securities sold under repurchase agreements	33,021,004	29,930,007	29,897,065
Current tax assets	93,480	83,662	87,000	Payables	570,040	68,063	60,428
Other financial assets	240,200	240,200	240,200	Provisions	434,922	433,422	525,922
Properties and equipment, net	12,741	13,246	12,246	Lease liabilities	36,145	-	-
Right-of-use assets, net	36,035	-	-	Other liabilities	<u>31,698</u>	<u>50,999</u>	<u>81,522</u>
Intangible assets, net	6,897	5,644	6,473	Total liabilities	<u>52,523,809</u>	<u>42,662,491</u>	<u>44,885,015</u>
Other assets, net	<u>253,010</u>	<u>253,159</u>	<u>221,827</u>	<u>Equity</u>			
				Capital stock	4,237,877	4,237,877	3,547,270
				Capital surplus	312,633	312,633	3,240
				Retained earnings	1,749,402	1,645,006	1,724,765
				Other equity	<u>120,650</u>	<u>59,910</u>	<u>47,272</u>
				Total equity	<u>6,420,562</u>	<u>6,255,426</u>	<u>5,322,547</u>
Total	<u>\$ 58,944,371</u>	<u>\$ 48,917,917</u>	<u>\$ 50,207,562</u>	Total	<u>\$ 58,944,371</u>	<u>\$ 48,917,917</u>	<u>\$ 50,207,562</u>

Taiwan Cooperative Securities Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 26,863,116	\$ 24,471,823	\$ 32,150,666	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income - noncurrent	49,184	48,037	47,774	Current liabilities	\$ 22,323,350	\$ 20,027,942	\$ 27,309,570
Properties and equipment, net	65,505	69,725	50,511	Lease liabilities	147,975	-	-
Right-of-use assets, net	181,312	-	-	Deferred tax liabilities	898	8,162	341
Intangible assets	54,197	55,077	49,999	Other liabilities	<u>2,724</u>	<u>3,311</u>	<u>3,199</u>
Deferred tax assets	2,554	14,294	30,351	Total liabilities	<u>22,474,947</u>	<u>20,039,415</u>	<u>27,313,110</u>
Other noncurrent assets	<u>433,801</u>	<u>437,309</u>	<u>429,817</u>	<u>Equity</u>			
				Capital stock	4,724,200	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	127,291	80,317	427,481
				Other equity	<u>28,791</u>	<u>(42,107)</u>	<u>(113)</u>
				Total equity	<u>5,174,722</u>	<u>5,056,850</u>	<u>5,446,008</u>
Total	<u>\$ 27,649,669</u>	<u>\$ 25,096,265</u>	<u>\$ 32,759,118</u>	Total	<u>\$ 27,649,669</u>	<u>\$ 25,096,265</u>	<u>\$ 32,759,118</u>

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 25,317	\$ 38,250	\$ 19,048	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	444,116	491,655	-	Current liabilities	\$ 3,045,593	\$ 3,161,262	\$ 2,775,646
Financial assets at fair value through other comprehensive income	22,875	22,500	25,000	Lease liabilities	25,310	-	-
Accounts receivable, net	1,499,680	1,634,426	2,037,712	Deferred tax liabilities	34,160	33,431	20,914
Right-of-use assets, net	25,235	-	-	Other liabilities	88,906	91,076	48,244
Investments accounted for using the equity method	981,847	942,715	937,015	Total liabilities	<u>3,193,969</u>	<u>3,285,769</u>	<u>2,844,804</u>
Properties and equipment, net	3,383	3,113	4,506	<u>Equity</u>			
Investment properties, net	3,042,422	2,925,388	2,389,503	Capital stock	2,825,280	2,825,280	2,825,280
Intangible assets	9,522	10,294	2,705	Capital surplus	2,553	2,553	2,553
Deferred tax assets	200,992	205,473	182,179	Retained earnings	674,997	624,912	742,976
Long-term lease payment receivable	130,598	134,064	520,765	Other equity	(52,994)	(71,294)	(39,674)
Other assets	<u>257,818</u>	<u>259,342</u>	<u>257,506</u>	Total equity	<u>3,449,836</u>	<u>3,381,451</u>	<u>3,531,135</u>
Total	<u>\$ 6,643,805</u>	<u>\$ 6,667,220</u>	<u>\$ 6,375,939</u>	Total	<u>\$ 6,643,805</u>	<u>\$ 6,667,220</u>	<u>\$ 6,375,939</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Cash and cash equivalents	\$ 4,313,132	\$ 5,766,662	\$ 2,636,232	<u>Liabilities</u>			
Receivables	1,154,491	772,571	865,670				
Current tax assets	104,219	104,219	34,231	Payables	\$ 414,511	\$ 704,485	\$ 400,621
Investments	42,287,691	43,168,078	46,661,113	Current tax liabilities	4,944	-	213,653
Reinsurance assets	55,441	46,975	141,988	Financial liabilities at fair value through profit or loss	19,552	15,308	-
Equipment, net	89,070	93,605	86,106	Lease liabilities	37,418	-	-
Right-of-use assets	37,316	-	-	Insurance liabilities	29,397,868	29,698,376	30,906,349
Deferred tax assets	15,902	145,620	252,096	Reserve for insurance contracts with financial			
Other assets	1,108,228	1,115,764	1,036,755	instruments features	9,303,244	10,434,066	11,209,725
Separate-account assets	<u>98,948,398</u>	<u>91,245,818</u>	<u>93,864,917</u>	Reserve of foreign exchange variation	270,552	239,440	187,506
				Deferred tax liabilities	37,258	-	-
				Other liabilities	249,765	2,000,717	464,105
				Separate-account liabilities	<u>98,948,398</u>	<u>91,245,818</u>	<u>93,864,917</u>
				Total liabilities	<u>138,683,510</u>	<u>134,338,210</u>	<u>137,246,876</u>
				<u>Equity</u>			
				Capital stock	6,719,466	6,719,466	6,399,532
				Capital surplus	9,310	9,310	9,310
				Retained earnings	1,656,959	1,390,281	1,380,991
				Other equity	<u>1,044,643</u>	<u>2,045</u>	<u>542,399</u>
				Total equity	<u>9,430,378</u>	<u>8,121,102</u>	<u>8,332,232</u>
Total	<u>\$ 148,113,888</u>	<u>\$ 142,459,312</u>	<u>\$ 145,579,108</u>	Total	<u>\$ 148,113,888</u>	<u>\$ 142,459,312</u>	<u>\$ 145,579,108</u>

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 364,987	\$ 382,541	\$ 373,608	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	1,940	1,938	2,384	Current liabilities	\$ 47,760	\$ 33,987	\$ 35,517
Properties and equipment, net	3,772	3,734	2,067	Lease liabilities	8,614	-	-
Right-of-use assets	8,488	-	-	Noncurrent liabilities	<u>406</u>	<u>245</u>	<u>2,797</u>
Intangible assets	1,689	1,982	2,516	Total liabilities	<u>56,780</u>	<u>34,232</u>	<u>38,314</u>
Other assets	<u>56,239</u>	<u>26,238</u>	<u>26,263</u>	<u>Equity</u>			
				Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Retained earnings (accumulated deficit)	4,809	6,677	(7,445)
				Other equity	<u>(334)</u>	<u>(336)</u>	<u>109</u>
				Total equity	<u>380,335</u>	<u>382,201</u>	<u>368,524</u>
	<u>\$ 437,115</u>	<u>\$ 416,433</u>	<u>\$ 406,838</u>	Total	<u>\$ 437,115</u>	<u>\$ 416,433</u>	<u>\$ 406,838</u>

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2019	December 31, 2018	March 31, 2018	Liabilities and Equity	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 1,040,397	\$ 806,575	\$ 962,191	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	-	151,506	-	Current liabilities	\$ 7,570	\$ 6,654	\$ 5,778
Properties and equipment, net	1,055	1,223	1,274	Lease liabilities	11,825	-	-
Right-of-use assets	11,802	-	-	Other liabilities	<u>159</u>	<u>159</u>	<u>622</u>
Intangible assets	13	17	53	Total liabilities	<u>19,554</u>	<u>6,813</u>	<u>6,400</u>
Other assets	<u>474</u>	<u>474</u>	<u>28,689</u>	<u>Equity</u>			
				Capital stock	1,000,000	1,000,000	1,000,000
				Retained earnings (accumulated deficit)	49,080	(20,660)	(3,239)
				Other equity	<u>(14,893)</u>	<u>(26,358)</u>	<u>(10,954)</u>
				Total equity	<u>1,034,187</u>	<u>952,982</u>	<u>985,807</u>
Total	<u>\$ 1,053,741</u>	<u>\$ 959,795</u>	<u>\$ 992,207</u>	Total	<u>\$ 1,053,741</u>	<u>\$ 959,795</u>	<u>\$ 992,207</u>

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Interest revenues	\$ 14,440,050	\$ 13,237,705
Less: Interest expenses	<u>(6,074,157)</u>	<u>(4,956,416)</u>
Net interest	8,365,893	8,281,289
Net revenues and gains other than interest	<u>2,968,687</u>	<u>2,959,750</u>
Total net revenues	11,334,580	11,241,039
Bad-debt expenses and provision for losses on commitment and guarantees	(1,573,983)	(1,624,510)
Operating expenses	<u>(5,495,888)</u>	<u>(5,555,487)</u>
Income before income tax	4,264,709	4,061,042
Income tax expense	<u>(681,556)</u>	<u>(666,053)</u>
Net income	3,583,153	3,394,989
Other comprehensive income	<u>3,039,608</u>	<u>(997,818)</u>
Total comprehensive income	<u>\$ 6,622,761</u>	<u>\$ 2,397,171</u>
Earnings per share (NT\$)		
Basic	<u>\$0.40</u>	<u>\$0.38</u>

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Net interest	\$ 60,040	\$ 55,172
Net revenues and gains other than interest	<u>70,891</u>	<u>103,125</u>
Total net revenues	130,931	158,297
Reversal of allowance for credit losses and provision	807	34,739
Operating expenses	<u>(32,604)</u>	<u>(34,652)</u>
Income before income tax	99,134	158,384
Income tax expense	<u>(4,700)</u>	<u>(7,593)</u>
Net income	94,434	150,791
Other comprehensive income	<u>70,702</u>	<u>(62,121)</u>
Total comprehensive income	<u>\$ 165,136</u>	<u>\$ 88,670</u>
Earnings per share (NT\$)		
Basic	<u>\$0.22</u>	<u>\$0.43</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2019	2018
Revenues	\$ 324,027	\$ 222,930
Service charge	(8,251)	(10,627)
Other operating costs	(49,279)	(51,652)
Employee benefits	(103,216)	(95,334)
Other operating expenses	(72,600)	(78,639)
Other gains and losses	<u>6,376</u>	<u>(677)</u>
Income (expenses) before income tax	97,057	(13,999)
Income tax expense	<u>(10,687)</u>	<u>(2,814)</u>
Net income (loss)	86,370	(16,813)
Other comprehensive income	<u>31,501</u>	<u>(8,932)</u>
Total comprehensive income	<u>\$ 117,871</u>	<u>\$ (25,745)</u>
Earnings per share (NT\$)		
Basic	<u>\$0.18</u>	<u>\$(0.04)</u>

Co-operative Assets Management Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018	2017
Operating revenues	\$ 102,591	\$ 165,305
Operating expenses	<u>(49,641)</u>	<u>(54,578)</u>
Operating benefits	52,950	110,727
Non-operating gains and losses	<u>9,714</u>	<u>4,306</u>
Income before income tax	62,664	115,033
Income tax benefit (expenses)	<u>(12,579)</u>	<u>2,088</u>
Net income	50,085	117,121
Other comprehensive income	<u>18,299</u>	<u>17,623</u>
Total comprehensive income	<u>\$ 68,384</u>	<u>\$ 134,744</u>
Earnings per share (NT\$)		
Basic	<u>\$0.18</u>	<u>\$0.41</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Operating revenues	\$ 8,262,574	\$ 2,455,848
Operating costs	(7,789,191)	(1,982,492)
Operating expenses	<u>(173,423)</u>	<u>(183,830)</u>
Income before income tax	299,960	289,526
Income tax expenses	<u>(33,282)</u>	<u>(30,252)</u>
Net income	266,678	259,274
Other comprehensive income (loss)	<u>1,042,598</u>	<u>(523,825)</u>
Total comprehensive income (loss)	<u>\$ 1,309,276</u>	<u>\$ (264,551)</u>
Earnings per share (NT\$)		
Basic	<u>\$0.40</u>	<u>\$0.41</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Operating revenues	\$ 65,762	\$ 39,892
Operating expenses	<u>(68,240)</u>	<u>(49,591)</u>
Operating loss	(2,478)	(9,699)
Non-operating gains and losses	<u>610</u>	<u>640</u>
Loss before income tax	(1,868)	(9,059)
Income tax expenses	<u>-</u>	<u>-</u>
Net loss	(1,868)	(9,059)
Other comprehensive income (loss)	<u>2</u>	<u>(51)</u>
Total comprehensive loss	<u>\$ (1,866)</u>	<u>\$ (9,110)</u>
Loss per share (NT\$)		
Basic	<u>\$(0.06)</u>	<u>\$(0.30)</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2019	2018
Operating revenues	\$ 78,197	\$ 17,741
Operating expenses	<u>(8,320)</u>	<u>(7,311)</u>
Operating income	69,877	10,430
Non-operating gains and losses	<u>168</u>	<u>369</u>
Income before income tax	70,045	10,799
Income tax expenses	<u>(58)</u>	<u>(123)</u>
Net income	69,987	10,676
Other comprehensive income	<u>11,219</u>	<u>5,318</u>
Total comprehensive income	<u>\$ 81,206</u>	<u>\$ 15,994</u>
Earnings per share (NT\$)		
Basic	<u>\$0.70</u>	<u>\$0.11</u>

(Concluded)

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

Business Segment Items	For the Three Months Ended March 31, 2019				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 8,395,601	\$ (20,515)	\$ 258,965	\$ 41,711	\$ 8,675,762
Net revenues and gains other than interest	2,716,637	157,005	187,397	473,224	3,534,263
Total net revenues	11,112,238	136,490	446,362	514,935	12,210,025
Bad-debt expenses and provision for losses on commitment and guarantees	(1,577,743)	807	-	1,694	(1,575,242)
Net change in reserves for insurance liabilities	-	-	202,627	-	202,627
Operating expenses	(5,511,538)	(30,403)	(160,615)	(319,111)	(6,021,667)
Income before income tax	4,022,957	106,894	488,374	197,518	4,815,743
Income tax expenses	(682,868)	(4,700)	(33,282)	(28,900)	(749,750)
Net income	3,340,089	102,194	455,092	168,618	4,065,993

Business Segment Items	For the Three Months Ended March 31, 2018				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 8,310,198	\$ (26,230)	\$ 261,326	\$ 186,784	\$ 8,732,078
Net revenues and gains other than interest	2,799,636	185,415	382,300	197,051	3,564,402
Total net revenues	11,109,834	159,185	643,626	383,835	12,296,480
Bad-debt expenses and provision for losses on commitment and guarantees	(1,620,640)	34,739	-	(9,543)	(1,595,444)
Net change in reserves for insurance liabilities	-	-	(76,213)	-	(76,213)
Operating expenses	(5,567,915)	(32,503)	(170,997)	(302,817)	(6,074,232)
Income before income tax	3,921,279	161,421	396,416	71,475	4,550,591
Income tax expenses	(666,053)	(7,593)	(30,252)	(4,034)	(707,932)
Net income	3,255,226	153,828	366,164	67,441	3,842,659

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(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	\$ 24,000	\$ 19,500	\$ 19,500	3-8	Short-term financing	\$ -	Operating use	\$ 195	-	\$ -	\$ 338,145 (Note 3)	\$ 1,352,580 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	35,000	33,163	33,163	3-8	Short-term financing	-	Operating use	332	Real estate	49,317	338,145 (Note 3)	1,352,580 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	38,602	36,491	36,491	3-8	Short-term financing	-	Operating use	365	Real estate	56,694	338,145 (Note 3)	1,352,580 (Note 3)
		General Energy Solutions Inc.	Receivables on lending funds	No	41,808	29,416	29,416	3-8	Short-term financing	-	Operating use	294	Guarantee	5,000	338,145 (Note 3)	1,352,580 (Note 3)
		Shinex Machinery Engineering Inc.	Receivables on lending funds	No	49,003	47,657	47,657	3-8	Short-term financing	-	Operating use	477	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	37,500	37,500	3-8	Short-term financing	-	Operating use	375	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	88,980	80,641	80,641	3-8	Short-term financing	-	Operating use	806	Stocks	72,200	338,145 (Note 3)	1,352,580 (Note 3)
		Kuang Ming Shipping Corp.	Receivables on lending funds	No	200,000	200,000	97,932	3-8	Short-term financing	-	Operating use	979	Guarantee	40,000	338,145 (Note 3)	1,352,580 (Note 3)
		San Light Co., Ltd.	Receivables on lending funds	No	194,079	189,598	189,598	3-8	Short-term financing	-	Operating use	1,896	Stocks	200,000	338,145 (Note 3)	1,352,580 (Note 3)
		Tai-Hwei Trade Co, Ltd.	Receivables on lending funds	No	199,630	195,180	195,180	3-8	Short-term financing	-	Operating use	1,952	Real estate	382,013	338,145 (Note 3)	1,352,580 (Note 3)
		Hanky and Partners Taiwan Ltd.	Receivables on lending funds	No	214,874	210,009	210,009	3-8	Short-term financing	-	Operating use	2,100	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	8,694	6,776	6,776	10.61	Short-term financing	-	Operating use	102	Real estate	50,760	144,761 (Note 4)	386,030 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	25,163	18,300	18,300	8.00	Business relationship	478,136	Operating use	275	Real estate	47,626	144,761 (Note 4)	386,030 (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 \$965,075 thousand (RMB210,945 thousand).

TABLE 6

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2019
(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	March 31, 2019				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	-	\$ 981,847	100.00	\$ 981,847	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	22,875	5.00	22,875	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,940	0.38	1,940	
Taiwan Cooperative Venture Capital Co., Ltd.	Lien Hwa Industrial Corp.	-	Financial assets at fair value through profit or loss	816	27,458	0.08	27,458	
	Chicony Electrics Co., Ltd.	-	Financial assets at fair value through profit or loss	203	14,525	0.03	14,525	
	RiTdisplay Corporation	-	Financial assets at fair value through profit or loss	320	22,554	0.47	22,554	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	306	45,135	0.25	45,135	
	Tanvex BioPharma, Inc.	-	Financial assets at fair value through profit or loss	190	14,041	0.08	14,041	
	SuperAlloy International Co., Ltd.	-	Financial assets at fair value through profit or loss	62	3,534	0.03	3,534	
	GEOSAT Aerospace & Technology Inc.	-	Financial assets at fair value through profit or loss	1,755	42,488	5.58	42,488	
	Lin Bio Science, Inc.	-	Financial assets at fair value through profit or loss	409	15,542	0.69	15,542	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	117,351	2.82	117,351	
	eLand Information Co., Ltd.	-	Financial assets at fair value through profit or loss	550	36,927	3.44	36,927	
	M2 Communication Inc.	-	Financial assets at fair value through profit or loss	500	3,540	1.14	3,540	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	21,024	2.75	21,024	
	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	386	66,340	1.29	66,340	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	29,060	2.47	29,060	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Taiwan Intelligent Robotics Company, Ltd.		Financial assets at fair value through profit or loss	95	\$ 1,434	2.95	\$ 1,434	
	First Financial Holding Co., Ltd	-	Financial assets at fair value through other comprehensive income	534	11,266	-	11,266	
	Mega Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income	600	16,830	-	16,830	
	Taiwan Mobile Corp.	-	Financial assets at fair value through other comprehensive income	239	26,649	0.01	26,649	
	China Motor Corporation	-	Financial assets at fair value through other comprehensive income	240	26,280	-	26,280	
	MiTAC Holdings Corporation	-	Financial assets at fair value through other comprehensive income	567	17,899	0.06	17,899	
	Nan Ya Plastics Corporation	-	Financial assets at fair value through other comprehensive income	209	21,224	-	21,224	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	19,940	2.45	19,940	

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

(Concluded)

TABLE 7

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
MARCH 31, 2019
(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	742,047	-	-	-	-	-

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

TABLE 8

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					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)	\$ 87,982	100	\$ 87,982	\$ 5,816,789	\$ -
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)	33,099	100	33,099	3,143,817	-
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)	26,281	100	26,281	3,202,019	-
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)	17,340	100	17,340	2,769,226	-

Accumulated Investment in Mainland China as of March 31, 2019	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)	\$ 129,945,351

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019
					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)	\$ 16,726	100	\$ 16,726	\$ 981,847	\$ -

Accumulated Investment in Mainland China as of March 31, 2019	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)	\$ 2,069,902

(Continued)

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

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

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

(Concluded)

TABLE 9

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE THREE MONTHS ENDED MARCH 31, 2019

(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	\$ 742,047	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	742,047	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	560,076	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	560,076	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	8,827,738	Note 4	0.24
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	8,827,738	Note 4	0.24
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,012,975	Note 4	0.03
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,012,975	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	228,984	Note 4	1.88
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	228,984	Note 4	1.88
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	4,600,000	Note 4	0.13
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	4,600,000	Note 4	0.13
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	919,167	Note 4	0.03
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	919,167	Note 4	0.03

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
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	4.75
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	308,400	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	308,400	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Payable on securities	124,438	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Receivable on securities	124,438	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	180,226	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	180,581	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	737	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	10,211	Note 4	0.08
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	10,593	Note 4	0.09
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Venture Capital Co., Ltd.	c	Deposits and remittances	180,483	Note 4	-
7	Taiwan Cooperative Venture Capital Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents	180,483	Note 4	-

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

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

Note 2: Transaction flows are as follows:

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

(Continued)

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

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

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

(Concluded)