

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of June 30, 2019, December 31, 2018 and June 30, 2018, the related consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2019, December 31, 2018 and June 30, 2018, and its consolidated financial performance for the three months ended June 30, 2019 and 2018 and its consolidated financial performance and consolidated cash flows for the six months ended June 30, 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 (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries for the six months ended June 30, 2019 were as follows:

Impairment Assessment on Loans

The discounts and loans of the Company as of June 30, 2019 amounted to \$2,154,642,166 thousand, consisting 59% of the total consolidated assets. Therefore, the assessment on the impairment loss of discounts and loans may have significant impacts on the consolidated financial statements. The impairment assessment on loans performed by the Company's management is based on expected credit losses models. The amount of impairment loss is recognized using the 12-month or lifetime expected credit losses models. Also, provisions for impairment loss should be made in accordance with the FSC guidelines. Impairment assessment on loans was identified as a key audit matter due to the critical judgements and estimations involved. For the accounting policies and critical accounting judgements and estimations, please refer to Notes 4b. and 5a. to the consolidated financial statements; for the relevant information about loans impairment assessment, refer to Note 13 to the consolidated financial statements.

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

1. Understand and test the internal control of impairment assessment on loans performed by the Company.
2. Test the reasonableness of the main assumptions used in the expected credit losses valuation model.
3. Test the reasonableness of amounts of expected credit losses of selected samples from loans.
4. Test the classification of credit assets of the Company to evaluate whether the classification of credit assets and provisions of impairment loss are in accordance with the FSC guidelines by considering the length of overdue of the loans and the value of collaterals.

Correctness of Recognized Loan Interest Revenue

The loan interest revenue of Taiwan Cooperative Bank, Ltd. (the bank) and subsidiaries for the six months ended June 30, 2019 was \$22,739,646 thousand, consisting 75% of total interest revenue. Of the amount, domestic loan interest revenue was \$18,854,717 thousand, consisting 83% of total interest revenue on loans, the major source of income of the Bank. Therefore, the correctness of recognized domestic loan interest revenue has a significant impact on the consolidated financial statements. In addition, since loan interest revenue depends highly on automated calculation of information systems, the information technology environment and the effectiveness of general information technology controls also have significant impact on the recognition of domestic loan interest revenue recognition. Therefore, recognition of interest revenue was identified as a key audit matter. For accounting policies, refer to Note 4e. to the consolidated financial statements; for the relevant information about recognized loan interest revenue, please refer to Note 32 to the consolidated statements.

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

1. Understand and test the internal controls on the calculation of domestic loan interest revenue of the Bank.
2. Understand the information technology environment and general information technology controls of the Bank particularly on domestic loan interest revenue, and test the effectiveness of the controls, which include the automated controls of relevant application systems.
3. Select samples from the Bank's domestic loan interest revenue summary table, and verify the correctness of major parameters set for calculation of loan interest revenue, including amount of loans, loan period and interest rate.
4. Select samples of domestic loan information in a certain period from the Bank's information system, including amount of loans, loan period, interest rate and other major parameters. Understand and assess the reasonableness of the computing of the Bank's loan interest in each category, and recalculate loan interest revenue and verify the correctness of recognized interest revenue.

Assessment on the Insurance Liabilities and the Liability Adequacy Test

The insurance liabilities of insurance contracts and financial instruments with discretionary participation features of the Company were recognized in compliance with Regulations Governing the Recognition of Reserves by Insurance Enterprises. The key assumptions include discount rates, mortality rates, withdrawal rates and illness rates. All of the aforementioned insurance contracts should undergo liability adequacy test to assess whether the best current estimated amount of the future cash flows of the insurance contracts is higher than the carrying amounts of the insurance liabilities. A key assumption was that the discount rate of every year was based on the best estimated scenario as well as the rate of return on investments with current information. The assessment on the insurance liabilities and the liability adequacy test were complicated and related to the management's subjective judgment of the internal and external future events of the Company. Any changes in the assumptions will have significant impact on the assessment of insurance liabilities and the liability adequacy test. Therefore, the assessment of the insurance liabilities and the liability adequacy test were identified as a key audit matter. For accounting policies and critical accounting judgements and estimations, please refer to Notes 4d. and 5b. to the consolidated financial statements. For the relevant information about the assessment of the insurance liabilities and the liabilities adequacy test, please refer to Note 28 to the consolidated financial statements.

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

1. Understand the process and related internal operations of assessment of insurance liabilities and liability adequacy test, and assess the compliance with related internal operations by performing the tests.
2. Obtain the actuarial information summary evaluated by the management of the Company, and sample and test whether the information of policyholders is consistent with the information of insurance liabilities and the liability adequacy test.

3. Perform the following procedures with respect to insurance liabilities:
 - a. Sample the insurance products to test whether the actuarial memorandum was approved by the Insurance Bureau before introducing the insurance products to the market and whether the calculation of the reserves in the memorandum was in accordance with the regulations and was applicable to the insurance products.
 - b. Sample the insurance policies and recalculate the insurance liabilities of the insurance policies to ensure that the calculation of the Company was in accordance with the Regulations Governing the Recognition of Reserves by Insurance Enterprises and was consistent with the formula and parameters submitted to the regulatory authority.
4. With respect to liability adequacy test, the procedures we performed were as follows:
 - a. Sample the assumptions for audit prepared by the Company to test whether the assumptions were in accordance with the Actuarial Standards of Practice of IFRS 4 - "Classification of Contracts and Liability Adequacy Test" issued by the Actuarial Institute of the Republic of China, and were consistent with the assumptions made in the liability adequacy test.
 - b. Sample the insurance policies, recalculate the cash flow of the insurance policies to assess the reasonableness of the calculation results of the Company.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries, for the six months ended June 30, 2019 and are therefore deemed to be the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 26, 2019

Notice to Readers

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 58,469,470	2	\$ 57,203,098	2	\$ 59,967,314	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 40 and 41)	261,819,876	7	264,471,052	7	281,988,848	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 40 and 41)	90,172,254	3	58,462,230	2	67,655,657	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 41)	342,558,451	10	311,892,762	9	292,098,625	8
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)	555,045,868	15	558,505,884	16	513,973,016	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	2,110,685	-	1,886,314	-	798,397	-
RECEIVABLES, NET (Notes 4, 12, 40 and 41)	33,871,877	1	31,292,805	1	35,792,412	1
CURRENT TAX ASSETS	1,894,546	-	1,540,589	-	1,509,199	-
DISCOUNTS AND LOANS, NET (Notes 4, 13, 40 and 41)	2,126,448,053	58	2,060,487,809	59	2,087,036,250	59
REINSURANCE ASSETS, NET	50,332	-	46,975	-	18,902	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14)	130,210	-	127,094	-	124,198	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 30 and 41)	123,341,139	3	110,358,805	3	119,974,930	4
INVESTMENT PROPERTIES, NET (Note 16)	9,960,231	-	9,496,539	-	8,774,147	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	33,652,807	1	33,824,507	1	34,157,342	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	1,649,527	-	-	-	-	-
INTANGIBLE ASSETS (Note 19)	3,666,806	-	3,631,035	-	3,536,317	-
DEFERRED TAX ASSETS (Notes 4 and 37)	1,669,080	-	1,782,952	-	1,879,310	-
OTHER ASSETS, NET (Notes 18 and 20)	2,976,431	-	3,277,138	-	4,286,567	-
TOTAL	\$ 3,649,487,643	100	\$ 3,508,287,588	100	\$ 3,513,571,431	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 40)	\$ 237,912,659	7	\$ 226,264,806	6	\$ 262,745,757	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 26 and 40)	14,196,645	-	13,133,240	-	17,511,785	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 11, 22 and 40)	43,648,466	1	44,369,293	1	39,327,825	1
COMMERCIAL PAPER ISSUED, NET (Note 23)	25,572,421	1	26,091,523	1	18,845,751	1
PAYABLES (Notes 24 and 40)	60,287,848	2	51,166,336	2	59,517,519	2
CURRENT TAX LIABILITIES	1,184,141	-	997,439	-	1,061,799	-
DEPOSITS AND REMITTANCES (Notes 25 and 40)	2,825,022,404	77	2,726,474,349	78	2,699,186,249	77
BONDS PAYABLE (Note 26)	60,000,000	2	55,000,000	2	54,610,000	2
OTHER BORROWINGS (Notes 23 and 27)	2,612,535	-	2,425,405	-	2,184,169	-
PROVISIONS (Notes 4, 28 and 29)	45,347,346	1	48,830,833	1	49,831,837	1
OTHER FINANCIAL LIABILITIES (Notes 16 and 30)	106,632,910	3	94,531,001	3	97,431,128	3
LEASE LIABILITIES (Notes 4 and 18)	1,564,810	-	-	-	-	-
DEFERRED TAX LIABILITIES (Notes 4, 17 and 37)	3,839,863	-	3,334,447	-	3,647,532	-
OTHER LIABILITIES (Note 31)	3,239,960	-	3,194,907	-	1,719,447	-
Total liabilities	3,431,062,008	94	3,295,813,579	94	3,307,620,798	94
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	125,687,847	4	125,687,847	3	122,027,036	4
Reserve for capitalization	3,770,635	-	-	-	3,660,811	-
Total capital stock	129,458,482	4	125,687,847	3	125,687,847	4
Capital surplus	57,973,141	2	57,964,343	2	57,964,343	2
Retained earnings						
Legal reserve	7,927,632	-	6,451,448	-	6,451,448	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	8,379,697	-	14,761,844	1	7,662,926	-
Total retained earnings	17,303,355	-	22,209,318	1	15,110,400	-
Other equity	8,631,124	-	2,412,696	-	3,002,325	-
Total equity attributable to owners of TCFHC	213,366,102	6	208,274,204	6	201,764,915	6
NON-CONTROLLING INTERESTS	5,059,533	-	4,199,805	-	4,185,718	-
Total equity	218,425,635	6	212,474,009	6	205,950,633	6
TOTAL	\$ 3,649,487,643	100	\$ 3,508,287,588	100	\$ 3,513,571,431	100

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 32 and 40)	\$ 15,364,621	129	\$ 14,364,392	136	\$ 30,279,065	126	\$ 28,170,631	123
INTEREST EXPENSE (Notes 4, 32 and 40)	<u>(6,422,668)</u>	<u>(54)</u>	<u>(5,444,224)</u>	<u>(52)</u>	<u>(12,661,350)</u>	<u>(53)</u>	<u>(10,518,385)</u>	<u>(46)</u>
NET INTEREST	<u>8,941,953</u>	<u>75</u>	<u>8,920,168</u>	<u>84</u>	<u>17,617,715</u>	<u>73</u>	<u>17,652,246</u>	<u>77</u>
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 4, 33 and 40)	1,763,829	15	1,548,789	15	3,371,385	14	3,149,613	14
Premium income, net (Notes 30 and 34)	(345,110)	(3)	(314,329)	(3)	(321,526)	(1)	(61,196)	-
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 35 and 40)	1,043,027	9	1,648,528	16	3,206,988	13	2,157,605	9
Realized gains on financial assets at fair value through other comprehensive income (Note 4)	572,011	5	396,026	4	895,241	4	770,340	3
Gains on derecognition of financial assets at amortized cost, net	-	-	-	-	857	-	-	-
Foreign exchange losses, net	(307,053)	(3)	(1,876,158)	(18)	(593,026)	(3)	(1,035,267)	(4)
Reversal of impairment losses (impairment losses) on assets (Notes 4, 9 and 10)	(6,705)	-	1,395	-	(3,073)	-	1,694	-
Share of gains of associates and joint ventures accounted for using the equity method (Note 14)	5,941	-	1,042	-	9,185	-	3,754	-
Gain or loss on reclassification of overlay approach (Note 8)	51,362	1	49,375	-	(298,977)	(1)	41,469	-
Other noninterest gains, net (Notes 16 and 40)	<u>166,532</u>	<u>1</u>	<u>190,447</u>	<u>2</u>	<u>211,043</u>	<u>1</u>	<u>181,505</u>	<u>1</u>
Total net revenues and gains other than interest	<u>2,943,834</u>	<u>25</u>	<u>1,645,115</u>	<u>16</u>	<u>6,478,097</u>	<u>27</u>	<u>5,209,517</u>	<u>23</u>
TOTAL NET REVENUES	<u>11,885,787</u>	<u>100</u>	<u>10,565,283</u>	<u>100</u>	<u>24,095,812</u>	<u>100</u>	<u>22,861,763</u>	<u>100</u>
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 13)	<u>(892,765)</u>	<u>(7)</u>	<u>(21,669)</u>	<u>-</u>	<u>(2,468,007)</u>	<u>(10)</u>	<u>(1,617,113)</u>	<u>(7)</u>
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 28)	<u>623,254</u>	<u>5</u>	<u>564,651</u>	<u>5</u>	<u>825,881</u>	<u>3</u>	<u>488,438</u>	<u>2</u>
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 29 and 36)								
Employee benefits	(4,197,861)	(36)	(4,022,216)	(38)	(8,180,444)	(34)	(8,044,307)	(35)
Depreciation and amortization	(464,550)	(4)	(338,048)	(3)	(913,576)	(4)	(677,807)	(3)
General and administrative	<u>(1,698,433)</u>	<u>(14)</u>	<u>(1,750,919)</u>	<u>(17)</u>	<u>(3,288,491)</u>	<u>(13)</u>	<u>(3,463,301)</u>	<u>(15)</u>
Total operating expenses	<u>(6,360,844)</u>	<u>(54)</u>	<u>(6,111,183)</u>	<u>(58)</u>	<u>(12,382,511)</u>	<u>(51)</u>	<u>(12,185,415)</u>	<u>(53)</u>

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 5,255,432	44	\$ 4,997,082	47	\$ 10,071,175	42	\$ 9,547,673	42
INCOME TAX EXPENSE (Notes 4 and 37)	<u>(826,380)</u>	<u>(7)</u>	<u>(745,797)</u>	<u>(7)</u>	<u>(1,576,130)</u>	<u>(7)</u>	<u>(1,453,729)</u>	<u>(7)</u>
NET INCOME	<u>4,429,052</u>	<u>37</u>	<u>4,251,285</u>	<u>40</u>	<u>8,495,045</u>	<u>35</u>	<u>8,093,944</u>	<u>35</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	(2,636)	-	1,791	-	(14,185)	-	14,334	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	<u>847,818</u>	<u>7</u>	<u>(650,652)</u>	<u>(6)</u>	<u>2,242,113</u>	<u>9</u>	<u>(3,131)</u>	<u>-</u>
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>845,182</u>	<u>7</u>	<u>(648,861)</u>	<u>(6)</u>	<u>2,227,928</u>	<u>9</u>	<u>11,203</u>	<u>-</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	286,709	2	1,559,808	15	332,512	1	968,719	4
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	1,146	-	-	-	1,662	-
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	1,856,377	16	(59,370)	(1)	4,470,029	19	(1,944,401)	(8)
Other comprehensive income on reclassification of overlay approach	(51,362)	-	(49,375)	-	298,977	1	(41,469)	-
Income tax attributable to other comprehensive income	<u>(171,306)</u>	<u>(1)</u>	<u>(233,473)</u>	<u>(2)</u>	<u>(353,005)</u>	<u>(1)</u>	<u>6,845</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>1,920,418</u>	<u>17</u>	<u>1,218,736</u>	<u>12</u>	<u>4,748,513</u>	<u>20</u>	<u>(1,008,644)</u>	<u>(4)</u>
Other comprehensive income (losses) , net of income tax	<u>2,765,600</u>	<u>24</u>	<u>569,875</u>	<u>6</u>	<u>6,976,441</u>	<u>29</u>	<u>(997,441)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,194,652</u>	<u>61</u>	<u>\$ 4,821,160</u>	<u>46</u>	<u>\$ 15,471,486</u>	<u>64</u>	<u>\$ 7,096,503</u>	<u>31</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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 4,325,121	36	\$ 4,153,185	39	\$ 8,258,860	34	\$ 7,866,570	34
Non-controlling interests	<u>103,931</u>	<u>1</u>	<u>98,100</u>	<u>1</u>	<u>236,185</u>	<u>1</u>	<u>227,374</u>	<u>1</u>
	<u>\$ 4,429,052</u>	<u>37</u>	<u>\$ 4,251,285</u>	<u>40</u>	<u>\$ 8,495,045</u>	<u>35</u>	<u>\$ 8,093,944</u>	<u>35</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 6,872,518	58	\$ 4,835,485	46	\$ 14,509,689	60	\$ 7,235,739	32
Non-controlling interests	<u>322,134</u>	<u>3</u>	<u>(14,325)</u>	<u>-</u>	<u>961,797</u>	<u>4</u>	<u>(139,236)</u>	<u>(1)</u>
	<u>\$ 7,194,652</u>	<u>61</u>	<u>\$ 4,821,160</u>	<u>46</u>	<u>\$ 15,471,486</u>	<u>64</u>	<u>\$ 7,096,503</u>	<u>31</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)								
Basic	<u>\$ 0.33</u>		<u>\$ 0.32</u>		<u>\$ 0.64</u>		<u>\$ 0.61</u>	
Diluted	<u>\$ 0.33</u>		<u>\$ 0.32</u>		<u>\$ 0.64</u>		<u>\$ 0.61</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)

	Equity Attributable to Owners of TCFHC							Other Equity						Total Equity
	Capital Stock (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)	
	Shares (In Thousands)	Common Stock	Reserve for Capitalization	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)	\$ 4,199,805	\$ 212,474,009
Unclaimed dividends	-	-	-	8,798	-	-	-	-	-	-	-	-	-	8,798
Appropriation of the 2018 earnings														
Legal reserve	-	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,426,589)	-	-	-	-	-	-	(9,426,589)
Stock dividends	-	-	3,770,635	-	-	-	(3,770,635)	-	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	32,401	-	(32,401)	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(102,069)	(102,069)
Net income for the six months ended June 30, 2019	-	-	-	-	-	-	8,258,860	-	-	-	-	-	236,185	8,495,045
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	265,484	5,848,865	-	(14,185)	150,665	725,612	6,976,441
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	8,258,860	265,484	5,848,865	-	(14,185)	150,665	961,797	15,471,486
BALANCE, JUNE 30, 2019	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 3,770,635</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 8,379,697</u>	<u>\$ (16,855)</u>	<u>\$ 8,506,496</u>	<u>\$ -</u>	<u>\$ 1,481</u>	<u>\$ 140,002</u>	<u>\$ 5,059,533</u>	<u>\$ 218,425,635</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
Appropriation of the 2017 earnings														
Legal reserve	-	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,152,028)	-	-	-	-	-	-	(9,152,028)
Stock dividends	-	-	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	38,075	-	(38,075)	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(103,480)	(103,480)
Net income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	-	-	-	-	-	227,374	8,093,944
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	817,927	(1,439,860)	-	14,334	(23,232)	(366,610)	(997,441)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	817,927	(1,439,860)	-	14,334	(23,232)	(139,236)	7,096,503
BALANCE, JUNE 30, 2018	<u>12,202,704</u>	<u>\$ 122,027,036</u>	<u>\$ 3,660,811</u>	<u>\$ 57,964,343</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 7,662,926</u>	<u>\$ (360,007)</u>	<u>\$ 3,185,957</u>	<u>\$ -</u>	<u>\$ 16,748</u>	<u>\$ 159,627</u>	<u>\$ 4,185,718</u>	<u>\$ 205,950,633</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)

	For the Six Months Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,071,175	\$ 9,547,673
Adjustments for:		
Depreciation expenses	824,511	592,287
Amortization expenses	89,065	85,520
Expected credit losses/bad-debt expenses	2,530,757	1,669,486
Gains on financial assets and liabilities at fair value through profit or loss	(3,206,988)	(2,157,605)
Interest expense	12,661,350	10,518,385
Interest revenue	(30,279,065)	(28,170,631)
Dividend income	(196,834)	(170,243)
Net changes in reserves for insurance liabilities	(825,881)	(488,438)
Reversal of provision for losses on guarantees	(68,422)	(108,284)
Net changes in reserves for other liabilities	5,672	55,911
Share of gains of associates and joint ventures accounted for using equity method	(9,185)	(3,754)
Losses (gains) on reclassification of overlay approach	298,977	(41,469)
Losses on disposal of properties and equipment	2,238	709
Gains on disposal of investments	(698,407)	(600,097)
Impairment losses on financial assets	4,195	4,172
Reversal of impairment losses on financial assets	(1,122)	(5,866)
Unrealized gains on foreign exchange	(223,299)	(643,683)
Other lease gains	(3)	-
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	15,582,907	(18,286,603)
Decrease (increase) in financial assets at fair value through profit or loss	(23,315,585)	6,434,970
Decrease (increase) in financial assets at fair value through other comprehensive income	(22,420,922)	2,537,490
Decrease in investments in debt instruments at amortized cost	2,364,328	3,792,722
Decrease (increase) in receivables	337,893	(2,180,418)
Increase in discounts and loans	(68,347,167)	(85,830,323)
Decrease in reinsurance assets	1,725	106,797
Increase in other financial assets	(1,063,990)	(4,447,945)
Decrease (increase) other assets	(56,940)	13,631
Increase in due to the Central Bank and other banks	11,647,853	34,948,326
Decrease in financial liabilities at fair value through profit or loss	(4,362,980)	(5,838,501)
Decrease in securities sold under repurchase agreements	(720,830)	(2,972,013)
Decrease in payables	(3,736,619)	(1,484,366)
Increase in deposits and remittances	98,548,055	75,645,673
Decrease in provision for employee benefits	(159,457)	(58,998)
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	2018
Decrease in provisions	\$ (2,441,991)	\$ (193,290)
Increase (decrease) in other financial liabilities	93,375	(214,046)
Increase (decrease) in other liabilities	<u>(158)</u>	<u>125,314</u>
Cash used in operations	(7,071,769)	(7,817,507)
Interest received	31,320,521	30,062,712
Dividends received	226,347	366,319
Interest paid	(12,396,882)	(10,561,185)
Income tax paid	<u>(1,478,535)</u>	<u>(1,221,821)</u>
Net cash generated from operating activities	<u>10,599,682</u>	<u>10,828,518</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(370,959)	(1,011,287)
Increase in refundable deposits	(839,495)	(2,208,179)
Decrease in refundable deposits	1,143,711	619,357
Acquisition of intangible assets	(118,954)	(47,370)
Acquisition of investment properties	(507,592)	-
Increase in other assets	(29,552)	(11,877)
Decrease in other assets	<u>12,026</u>	<u>-</u>
Net cash used in investing activities	<u>(710,815)</u>	<u>(2,659,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper issued	(525,000)	(6,813,000)
Proceeds of the issuance of bank debentures	5,000,000	-
Repayments of bank debentures	-	(10,000,000)
Increase in other borrowings	19,109,507	10,557,138
Decrease in other borrowings	(18,928,772)	(9,176,271)
Increase in guarantee deposits received	95,435	611,797
Decrease in guarantee deposits received	(17,602)	(977,391)
Repayments of the principal portion of lease liabilities	(279,743)	-
Increase in other liabilities	-	2,113
Decrease in other liabilities	<u>(9,576)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>4,444,249</u>	<u>(15,795,614)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>89,359</u>	<u>253,172</u>
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	2018
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 14,422,475	\$ (7,373,280)
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>\$ 88,101,015</u>	<u>\$ 98,822,267</u>
Cash and cash equivalents reconciliations:		
	June 30	
	2019	2018
Cash and cash equivalents in the consolidated balance sheets	\$ 58,469,470	\$ 59,967,314
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”	27,520,860	37,871,956
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	2,110,685	798,397
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	-	184,600
Cash and cash equivalents, end of period	<u>\$ 88,101,015</u>	<u>\$ 98,822,267</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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) was established by Taiwan Cooperative Bank, Ltd. (TCB), Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) and Co-operative Assets Management Co., Ltd. (CAM) through a share swap on December 1, 2011 under the Financial Holding Companies Act and related regulations in the Republic of China (ROC). TCFHC's shares have been listed on the Taiwan Stock Exchange (TWSE) 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 offices as of June 30, 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 is engaged in life and property insurance brokering. In order to integrate resources and enhance operating effectiveness, the board of directors of TCB and CIB decided to merge TCB with CIB. The effective date of the merger was June 24, 2016. In this merger, TCB was the survivor entity.

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

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

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

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

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

As of June 30, 2019 and 2018, TCFHC and its subsidiaries (the Company) had 9,173 and 9,085 employees, respectively.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by TCFHC's board of directors on August 26, 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	\$ 33,824,507	\$ (21,298)	\$ 33,803,209
Right-of-use assets	\$ -	1,607,660	\$ 1,607,660
Other assets	\$ 3,277,138	(92,452)	\$ 3,184,686
Total effect on assets		\$ 1,493,910	
Lease liabilities	\$ -	\$ 1,528,139	\$ 1,528,139
Accounts payable	\$ 51,166,336	(12,368)	\$ 51,153,968
Other financial liabilities - lease payables	\$ 21,861	(21,861)	\$ -
Total effect on liabilities		\$ 1,493,910	
Retained earnings	\$ 22,209,318	\$ -	\$ 22,209,318
Other equity	\$ 2,412,696	-	\$ 2,412,696
Total effect on equity		\$ -	

- b. The Company has applied the IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: 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 2: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

The Company assessed the application of the standards above would not have any material impact on the Company’s financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

- IFRS 17 “Insurance Contracts”

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

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, properties 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. Impairment of financial assets

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

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

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

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

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

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

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

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

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

c. 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, TCB 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, TCB 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, TCB 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, TCB should recognize the amount within 10 years.

d. Provisions

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

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

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

1) Life policy reserve

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

2) Unearned premium reserve

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

3) Claim reserve

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

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

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

b) Injury insurance

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

4) Deficiency reserve

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

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

5) Reserve for liability adequacy

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

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

6) Insurance contract with financial instrument features

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

7) Reserve for foreign exchange valuation

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

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

- a) Special reserve is reclassified to reserve for foreign exchange valuation for three years from the reclassification date. For the first year, the amount cannot be less than one third of the initial amount of net income. For the first two years, the cumulative amounts cannot less than two thirds of the initial amount of net income. In this reclassification, the recovered amount should be calculated in accordance with Regulations Governing the Reserves by Insurance Enterprises.
- b) Provisions: Except for provisions calculated at the total amounts of foreign investments multiplied by the ratio of exposures and the ratio of 0.042 percent, if there is the profit on non-hedging foreign exchange assets, the Company should provide a reserve at 50 percent of the profit.
- c) Write-off amounts: The loss on foreign exchange of the assets without hedge should be written off against the reserve at 50 percent of the loss. The balance of the reserve at the end of a month cannot be less than 20 percent of the amount of the end of the previous year’s cumulative balances. The cumulative balance in 2012 refers to the initial amount of the reserve.
- d) The maximum cumulative reserve is 9.5 percent of the current year’s total foreign investment.
- e) If the Company has savings on hedging cost, it should appropriate from the current year’s net profit an amount the same as that of these savings. However, if the net profit is not enough for this appropriation, the appropriation should be made in the year a profit is made. This reserve should be used for capital increase or for offsetting the deficit at least once in three years.

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

- e. Recognition of revenue

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

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

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

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

The Company recognizes revenue from insurance contracts in accordance with IFRS 4 "Insurance Contracts". Refer to the premium income section of the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2018.

- f. Employee benefits

- 1) Retirement benefits

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

- 2) Preferential interest deposits for employees

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

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

g. Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In addition to the following, refer to the critical accounting judgments and key sources of estimation uncertainty of the consolidated financial statements for the year ended December 31, 2018.

a. Impairment losses on loans

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

b. Insurance liability and liability adequacy test

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ 22,618,679	\$ 22,726,112	\$ 22,729,331
Notes and checks in clearing	19,579,990	21,869,459	22,893,539
Due from banks	<u>16,270,801</u>	<u>12,607,527</u>	<u>14,344,444</u>
	<u>\$ 58,469,470</u>	<u>\$ 57,203,098</u>	<u>\$ 59,967,314</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of June 30, 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

	June 30, 2019	December 31, 2018	June 30, 2018
Reserves for deposits - account A	\$ 24,038,876	\$ 62,508,712	\$ 39,821,764
Reserves for deposits - account B	74,852,033	71,549,801	69,884,810
Reserves for deposits - community financial institutions	59,275,237	58,185,258	57,167,709
Reserves for deposits - foreign-currency deposits	399,023	393,676	391,763
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Due from the Central Bank - others	11,428,021	12,494,330	8,114,195
Due from the Central Bank - central government agencies’ deposits	5,790,257	4,211,689	2,829,539
Call loans to banks	<u>46,836,429</u>	<u>15,927,586</u>	<u>64,579,068</u>
	<u>\$ 261,819,876</u>	<u>\$ 264,471,052</u>	<u>\$ 281,988,848</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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Commercial paper	\$ 64,166,232	\$ 29,672,612	\$ 27,560,544
Beneficial certificates	4,836,316	4,892,193	5,834,190
Corporate bonds	4,361,961	3,783,583	2,174,560
Negotiable certificates of deposit	3,499,793	7,049,267	12,847,336
Government bonds	2,839,603	2,152,749	917,926
Investment in equity instruments	2,346,986	2,018,437	2,610,159
Bank debentures	1,532,905	3,015,334	4,227,519
Convertible bonds	1,078,204	1,141,636	1,288,167
Acquired loans	408,387	491,654	-
Commercial paper contracts with reference rate	1,701	1,987	1,368
Currency swap contracts	3,766,026	1,668,499	7,169,998
Convertible bonds assets swap contracts	688,132	2,101,005	2,536,853
Futures exchange margins	241,010	282,792	267,252
Interest rate swap contracts	234,793	10,784	13,299
Foreign-currency margin contracts	131,770	145,684	127,381
Forward contracts	17,830	11,509	48,581
Currency option contracts - buy	17,676	12,908	29,336
Cross-currency swap contracts	<u>2,929</u>	<u>9,597</u>	<u>1,188</u>
Financial assets at fair value through profit or loss	<u>\$ 90,172,254</u>	<u>\$ 58,462,230</u>	<u>\$ 67,655,657</u>
<u>Held-for-trading financial liabilities</u>			
Payable - security borrowing	\$ 168,187	\$ 50,235	\$ 170,720
Securities purchased under resell agreements - short sale	-	100,256	-
Currency swap contracts	1,280,857	916,402	4,868,866
Forward contracts	167,270	127,435	155,873
Asset swap options	23,195	17,979	38,227
Interest rate swap contracts	19,155	415,939	787,294
Currency option contract - sell	17,729	13,050	35,598
Cross-currency swap contracts	10,064	7,989	45,114
Foreign-currency margin contracts	<u>-</u>	<u>-</u>	<u>95</u>
	1,686,457	1,649,285	6,101,787
<u>Financial liabilities designated as at fair value through profit or loss</u>			
Bank debentures (Note 26)	<u>12,510,188</u>	<u>11,483,955</u>	<u>11,409,998</u>
Financial liabilities at fair value through profit or loss	<u>\$ 14,196,645</u>	<u>\$ 13,133,240</u>	<u>\$ 17,511,785</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, financial assets at fair value through profit or loss amounting to \$23,911,060 thousand, \$25,558,693 thousand and \$26,867,729 thousand, respectively, have been sold under repurchase agreements.

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the contract (notional) amounts of derivative transactions of TCB were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Currency swap contracts	\$ 404,879,772	\$ 468,620,179	\$ 446,033,081
Interest rate swap contracts	16,340,829	15,605,012	17,032,625
Forward contracts	7,239,045	9,483,058	11,129,147
Currency option contracts - sell	4,732,640	4,299,752	7,227,730
Currency option contracts - buy	4,732,640	4,299,752	6,769,105
Cross-currency swap contracts	1,437,146	2,150,028	2,294,860
Foreign-currency margin contracts	666,535	826,095	842,535

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

		December 31, 2018			
		Open Position		Contract	
Items	Products	Buy/Sell	Number of	Amounts or	
				Paid	Fair Values
				(Charged)	
Futures contracts	Commodity futures	Sell	272	\$ 823,109	\$ 832,110

		June 30, 2018			
		Open Position		Contract	
Items	Products	Buy/Sell	Number of	Amounts or	
				Paid	Fair Values
				(Charged)	
Futures contracts	Commodity futures	Sell	230	\$ 766,712	\$ 768,222

As of June 30, 2019, December 31, 2018 and June 30, 2018, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		June 30, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Interest rate futures	Buy	1	\$ 5,510	\$ 5,515
	Stock index futures	Buy	20	39,214	38,850
	Single-stock futures	Buy	190	34,207	34,462
	Commodity futures	Buy	2	8,774	8,782
	Interest rate futures	Sell	66	411,605	414,022
	Stock index futures	Sell	322	426,156	428,002
	Single-stock futures	Sell	36	14,534	14,909
	Commodity futures	Sell	37	69,743	69,582
	Foreign exchange futures	Sell	6	21,828	21,736
		December 31, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Stock index futures	Buy	94	\$ 140,214	\$ 142,205
	Single-stock futures	Buy	43	1,913	1,885
	Commodity futures	Buy	38	51,727	53,001
	Interest rate futures	Sell	144	929,681	935,876
	Stock index futures	Sell	131	186,362	185,238
	Single-stock futures	Sell	44	10,774	10,401
	Commodity futures	Sell	36	67,045	66,214
	Foreign exchange futures	Sell	3	10,385	10,563
		June 30, 2018			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Future contracts	Stock index futures	Buy	238	\$ 82,006	\$ 83,587
	Single-stock futures	Buy	380	72,506	69,290
	Commodity futures	Buy	6	11,992	12,700
	Interest rate futures	Sell	211	1,162,748	1,163,039
	Stock index futures	Sell	234	266,870	271,092
	Single-stock futures	Sell	545	15,572	15,794
	Commodity futures	Sell	49	128,778	129,226
	Foreign exchange futures	Sell	11	38,320	37,977

As of June 30, 2019, December 31, 2018 and June 30, 2018, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Asset swap contracts	\$ 340,500	\$ 223,400	\$ 503,500

As of June 30, 2019, December 31, 2018 and June 30, 2018, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Currency swap contracts	\$ 40,321	\$ 421,807	\$ 405,925
Interest rate swap contracts	39,000,000	75,200,000	76,540,000

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Currency swap contracts	\$ 13,843,502	\$ 12,976,054	\$ 18,897,514

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:

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets at FVTPL</u>			
Beneficial certificates	\$ 3,945,698	\$ 4,292,643	\$ 4,737,464
Investment in equity instruments	523,877	550,978	584,988

For the six months ended June 30, 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 Six Months Ended June 30	
	2019	2018
Profit or loss on application of IFRS 9	\$ 547,405	\$ 147,906
Less: Profit or loss from application of IAS 39	<u>(248,428)</u>	<u>(189,375)</u>
Gain or loss on reclassification of overlay approach	<u>\$ 298,977</u>	<u>\$ (41,469)</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Investment in equity instruments at FVTOCI</u>			
Listed shares and emerging market shares	\$ 11,902,074	\$ 7,026,779	\$ 6,680,203
Unlisted shares	<u>5,013,183</u>	<u>4,373,477</u>	<u>5,487,071</u>
	<u>16,915,257</u>	<u>11,400,256</u>	<u>12,167,274</u>
<u>Investments in debt instruments at FVTOCI</u>			
Government bonds	159,198,586	141,610,607	121,666,229
Corporate bonds	102,942,873	100,828,618	96,542,496
Bank debentures	<u>63,501,735</u>	<u>58,053,281</u>	<u>61,722,626</u>
	<u>325,643,194</u>	<u>300,492,506</u>	<u>279,931,351</u>
	<u>\$ 342,558,451</u>	<u>\$ 311,892,762</u>	<u>\$ 292,098,625</u>

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

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments for the six months ended June 30, 2019 and 2018. The accumulated unrealized gain of financial assets at FVTOCI under other equity in the amount of \$32,401 thousand and \$38,075 thousand has been transferred to retained earnings, respectively.

For the three months and the six months ended June 30, 2019 and 2018, the Company recognized dividends revenue \$196,834 thousand, \$170,243 thousand, \$196,834 thousand and \$170,243 thousand, respectively, also derecognized amounts related to investments \$6,086 thousand, \$0 thousand, \$6,086 thousand and \$0 thousand, respectively, compared to the amounts held on June 30, 2019 and 2018 which were \$190,748 thousand and \$170,243 thousand, respectively.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$94,804 thousand, \$93,772 thousand and \$90,841 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the three months ended June 30, 2019, and for the six months ended June 30, 2019 and 2018 were \$5,615 thousand, \$5,248 thousand and \$1,425 thousand, respectively. A reversal of impairment loss recognized in profit or loss for the three months ended June 30, 2018 was \$1,000 thousand.

As of June 30, 2019, December 31, 2018 and June 30, 2018, financial assets at fair value through other comprehensive income amounting to \$18,793,372 thousand, \$18,985,764 thousand and \$12,429,142 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
Negotiable certificates of deposit in the Central Bank	\$ 388,180,000	\$ 400,180,000	\$ 381,875,000
Government bonds	104,209,674	100,069,300	78,299,756
Corporate bonds	39,504,673	38,112,575	33,608,310
Bank debentures	22,909,613	19,807,229	19,933,962
Certificates of deposit	<u>288,858</u>	<u>385,836</u>	<u>298,449</u>
	555,092,818	558,554,940	514,015,477
Less: Allowance for impairment loss	<u>46,950</u>	<u>49,056</u>	<u>42,461</u>
	<u>\$ 555,045,868</u>	<u>\$ 558,505,884</u>	<u>\$ 513,973,016</u>

Impairment loss recognized in profit or loss for the three months ended June 30, 2019 was \$1,090 thousand. A reversal of impairment loss recognized in profit or loss for the three months ended June 30, 2018 and for the six months ended June 30, 2019 and 2018 were \$395 thousand, \$2,175 thousand and \$3,119 thousand, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$2,110,685 thousand \$1,886,314 thousand and \$798,397 thousand under resell agreements as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively, will subsequently be sold for \$2,111,867 thousand, \$1,886,999 thousand and \$798,916 thousand, respectively.

As of June 30, 2019 and 2018, securities purchased under resell agreements amounting to \$32,113 thousand and \$137,690 thousand, respectively had been sold under repurchase agreements.

12. RECEIVABLES, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Accrued interest	\$ 9,635,121	\$ 9,618,041	\$ 8,320,542
Credit cards	5,879,415	3,654,314	5,437,442
Margin loans receivable	3,934,992	3,955,680	5,898,676
Lease payment receivable	2,620,333	2,320,061	2,381,600
Settlement consideration	2,470,904	1,979,845	2,734,423
Acceptances	2,410,750	3,533,576	3,377,960
Receivable on securities	2,172,387	1,222,451	1,282,478
Settlement receivable	2,011,780	1,499,851	2,533,465
Receivables on financing provided	852,404	1,081,279	889,564
Receivables on merchant accounts in the credit card business	816,464	832,720	749,160
Accounts receivable	544,983	538,258	395,349
Credits receivable	457,878	459,866	461,793
Accounts receivable factored without recourse	223,652	456,346	342,030
Refundable deposits receivable in leasehold agreements	183,993	183,993	183,993
Receivable - separated account	-	155,950	376,017

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
Acquired loans	\$ -	\$ -	\$ 560,165
Others	<u>660,653</u>	<u>772,654</u>	<u>782,833</u>
	34,875,709	32,264,885	36,707,490
Less: Allowance for possible losses	821,068	817,010	753,194
Less: Unrealized interest revenue	<u>182,764</u>	<u>155,070</u>	<u>161,884</u>
	<u>\$ 33,871,877</u>	<u>\$ 31,292,805</u>	<u>\$ 35,792,412</u>

(Concluded)

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	(26,055)	26,118	(63)	-
Credit-impaired financial assets	(11,023)	(2,102)	13,125	-
12-month ECL	9,968	(8,885)	(1,083)	-
New financial assets purchased or originated	25,832,359	52,912	60,177	25,945,448
Write-offs	-	-	(14,941)	(14,941)
Derecognition of financial assets in the current reporting period	(25,038,087)	(67,046)	(47,110)	(25,152,243)
Changes in exchange rates and other changes	<u>(144,983)</u>	<u>-</u>	<u>26</u>	<u>(144,957)</u>
Balance at June 30, 2019	<u>\$ 20,979,938</u>	<u>\$ 45,948</u>	<u>\$ 164,311</u>	<u>\$ 21,190,197</u>

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	\$ 22,194,858	\$ 53,206	\$ 184,769	\$ 22,432,833
Transfers to				
Lifetime ECL	(18,068)	18,169	(101)	-
Credit-impaired financial assets	(7,057)	(7,696)	14,753	-
12-month ECL	11,760	(11,544)	(216)	-
New financial assets purchased or originated	16,732,247	53,083	128,671	16,914,001

(Continued)

Gross Carrying Amount	12-month ECL	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)		Total
		Lifetime ECL (Collective Assessment)	Lifetime ECL (Collective Assessment)	
Write-offs	\$ -	\$ -	\$ (23,544)	\$ (23,544)
Derecognition of financial assets in the current reporting period	(17,085,627)	(57,474)	(147,501)	(17,290,602)
Changes in exchange rates and other changes	<u>374,649</u>	<u>81</u>	<u>45</u>	<u>374,775</u>
Balance at June 30, 2018	<u>\$ 22,202,762</u>	<u>\$ 47,825</u>	<u>\$ 156,876</u>	<u>\$ 22,407,463</u> (Concluded)

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)		Difference of Impairment Loss under Regulations	Total
			Lifetime ECL (Collective Assessment)	Impairment Loss under IFRS 9		
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	(331)	337	(6)	-	-	-
Credit-impaired financial assets	(318)	(467)	785	-	-	-
12-month ECL	2,279	(1,991)	(288)	-	-	-
Derecognition of financial assets in the current reporting period	(38,006)	(19,569)	(33,644)	(91,219)	-	(91,219)
Reversal from financial instruments recognized at the beginning of the current reporting period	(1,845)	5,119	35,750	39,024	-	39,024
New financial assets purchased or originated	28,911	16,600	31,667	77,178	-	77,178
Difference of impairment loss under regulations	-	-	-	-	(9,613)	(9,613)
Write-offs	-	-	(14,941)	(14,941)	-	(14,941)
Recovery of written-off receivables	-	-	2,724	2,724	-	2,724
Changes in exchange rates and other changes	<u>2,126</u>	<u>-</u>	<u>(2,008)</u>	<u>118</u>	<u>-</u>	<u>118</u>
Balance at June 30, 2019	<u>\$ 39,902</u>	<u>\$ 11,487</u>	<u>\$ 56,193</u>	<u>\$ 107,582</u>	<u>\$ 95,801</u>	<u>\$ 203,383</u>

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

Impairment assessment, except the above receivables was based on the expected credit loss model at the beginning of the current reporting period by the simplified method. On June 30, 2019, December 31, 2018 and June 30, 2018, the amounts of impairment of receivables were assessed as \$13,685,512 thousand, \$11,707,995 thousand and \$14,300,027 thousand, respectively, and the amounts of allowance for possible losses were \$617,685 thousand, \$616,898 thousand and \$546,314 thousand, respectively.

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

	For the Six Months Ended	
	June 30	
	2019	2018
Balance, January 1	\$ 616,898	\$ 601,913
Provision for possible losses	4,938	1,917
Write-offs	(9,306)	(61,476)
Recovery of written-off receivables	5,042	3,681
Effects of exchange rate changes	<u>113</u>	<u>279</u>
Balance, June 30	<u>\$ 617,685</u>	<u>\$ 546,314</u>

13. DISCOUNTS AND LOANS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Bills discounted	\$ 2,362,499	\$ 2,342,530	\$ 1,617,602
Overdraft			
Unsecured	102,942	116,491	126,801
Secured	74,746	67,220	81,188
Import and export negotiations	1,136,282	480,986	663,660
Short-term loans			
Unsecured	283,147,009	270,175,609	314,468,055
Accounts receivable financing	628,166	599,595	670,704
Secured	204,168,624	203,826,944	196,435,346
Medium-term loans			
Unsecured	332,961,183	305,619,561	304,285,612
Secured	303,701,758	291,276,124	292,714,129
Long-term loans			
Unsecured	28,810,044	27,650,364	28,562,557
Secured	990,334,364	979,349,185	966,107,212
Overdue loans	6,430,028	5,056,933	5,860,902
Life insurance loan	740,482	747,084	785,914
Temporary insurance paid	<u>44,039</u>	<u>41,042</u>	<u>33,902</u>
	2,154,642,166	2,087,349,668	2,112,413,584
Less: Allowance for possible losses	27,659,349	26,398,310	24,916,249
Less: Adjustment of discount	<u>534,764</u>	<u>463,549</u>	<u>461,085</u>
	<u>\$ 2,126,448,053</u>	<u>\$ 2,060,487,809</u>	<u>\$ 2,087,036,250</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	(3,005,470)	3,053,519	(48,049)	-
Credit-impaired financial assets	(4,976,324)	(589,225)	5,565,549	-
12-month ECL	2,012,729	(753,575)	(1,259,154)	-
New financial assets purchased or originated	576,083,160	154,050	2,107,096	578,344,306
Write-offs	-	-	(2,206,584)	(2,206,584)
Derecognition of financial assets in the current reporting period	(502,142,921)	(678,523)	(3,156,910)	(505,978,354)
Changes in exchange rates and other changes	<u>(2,892,826)</u>	<u>27,599</u>	<u>(1,643)</u>	<u>(2,866,870)</u>
Balance at June 30, 2019	<u>\$ 2,117,056,543</u>	<u>\$ 4,174,217</u>	<u>\$ 33,411,406</u>	<u>\$ 2,154,642,166</u>

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	\$ 1,991,651,844	\$ 6,619,720	\$ 30,231,174	\$ 2,028,502,738
Transfers to				
Lifetime ECL	(2,740,041)	2,781,749	(41,708)	-
Credit-impaired financial assets	(4,627,973)	(1,534,245)	6,162,218	-
12-month ECL	1,458,992	(1,312,489)	(146,503)	-
New financial assets purchased or originated	570,664,992	437,141	872,306	571,974,439
Write-offs	-	-	(2,458,276)	(2,458,276)
Derecognition of financial assets in the current reporting period	(486,589,258)	(606,951)	(4,189,034)	(491,385,243)
Changes in exchange rates and other changes	<u>5,735,973</u>	<u>13,718</u>	<u>30,235</u>	<u>5,779,926</u>
Balance at June 30, 2018	<u>\$ 2,075,554,529</u>	<u>\$ 6,398,643</u>	<u>\$ 30,460,412</u>	<u>\$ 2,112,413,584</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	\$ 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	(4,438)	9,092	(4,654)	-	-	-
Credit-impaired financial assets	(17,080)	(2,474)	19,554	-	-	-
12-month ECL	92,259	(1,316)	(90,943)	-	-	-
Derecognition of financial assets in the current reporting period	(1,262,803)	(1,759)	(572,134)	(1,836,696)	-	(1,836,696)
Reversal from financial instruments recognized at the beginning of the current reporting period	120,693	8,052	1,018,156	1,146,901	-	1,146,901
New financial assets purchased or originated	1,597,672	639	474,060	2,072,371	-	2,072,371
Difference of impairment loss under regulations	-	-	-	-	1,097,182	1,097,182
Write-offs	-	-	(2,206,584)	(2,206,584)	-	(2,206,584)
Recovery of write-off credits	-	-	959,044	959,044	-	959,044
Changes in exchange rates and other changes	<u>19,490</u>	<u>923</u>	<u>8,408</u>	<u>28,821</u>	<u>-</u>	<u>28,821</u>
Balance at June 30, 2019	<u>\$ 4,331,406</u>	<u>\$ 22,162</u>	<u>\$ 4,175,447</u>	<u>\$ 8,529,015</u>	<u>\$ 19,130,334</u>	<u>\$ 27,659,349</u>

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

The bad-debt expenses and provision for losses on guarantees for the three months and the six months ended June 30, 2019 and 2018 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Provision for possible losses on discounts and loans	\$ 860,712	\$ 123,197	\$ 2,479,758	\$ 1,702,925
Provision (reversal of provision) for possible losses on receivables	15,637	(40,947)	20,308	(49,533)
Provision (reversal of provision) for possible losses on overdue receivables	(3,195)	11,615	30,691	16,094
Provision (reversal of provision) for possible losses on guarantees	25,324	(73,397)	(68,422)	(108,284)
Provision (reversal of provision) for possible losses on loan commitment	458	(1,807)	9,391	43,064
Provision (reversal of provision) for other possible losses	(6,171)	3,008	(3,719)	12,847
	<u>\$ 892,765</u>	<u>\$ 21,669</u>	<u>\$ 2,468,007</u>	<u>\$ 1,617,113</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, TCB was in compliance with the FSC-required provision for credit assets.

As of June 30, 2019, December 31, 2018 and June 30, 2018, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$64,974 thousand and \$55,669 thousand for the six months ended June 30, 2019 and 2018, respectively, based on the average loan interest rate for the year.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	<u>\$ 130,210</u>	30.00	<u>\$ 127,094</u>	30.00	<u>\$ 124,198</u>	30.00

Aggregate information of associate that is not individually material:

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2019	2018	2019	2018
The Company's share of:				
Net income	\$ 5,941	\$ 1,042	\$ 9,185	\$ 3,754
Other comprehensive income	<u>-</u>	<u>1,146</u>	<u>-</u>	<u>1,662</u>
Total comprehensive income for the period	<u>\$ 5,941</u>	<u>\$ 2,188</u>	<u>\$ 9,185</u>	<u>\$ 5,416</u>

The Company should have received \$6,069 thousand and \$5,564 thousand dividends from United Real Estate Management Co., Ltd. for the six months ended June 30, 2019 and 2018, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of the investments for the six months ended June 30, 2019 and 2018 were based on the associate's financial statements audited by the auditors for the same periods.

15. OTHER FINANCIAL ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Overdue receivables	\$ 105,946	\$ 142,683	\$ 59,007
Less: Allowance for possible losses	<u>95,638</u>	<u>108,532</u>	<u>16,921</u>
Overdue receivables, net	10,308	34,151	42,086
Due from banks	19,875,010	18,980,261	25,182,019
Security borrowing margin	257,877	98,575	350,965
Call loans to security firms	-	-	184,600
Separate-account assets (Note 30)	<u>103,197,944</u>	<u>91,245,818</u>	<u>94,215,260</u>
	<u>\$ 123,341,139</u>	<u>\$ 110,358,805</u>	<u>\$ 119,974,930</u>

Due from banks (part of other financial assets, net) held by the Company were demand deposits and time deposits that 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

	June 30, 2019	December 31, 2018	June 30, 2018
Land	\$ 7,499,964	\$ 7,207,192	\$ 6,719,804
Buildings	<u>2,460,267</u>	<u>2,289,347</u>	<u>2,054,343</u>
	<u>\$ 9,960,231</u>	<u>\$ 9,496,539</u>	<u>\$ 8,774,147</u>
	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	292,772	214,820	507,592
Reclassification	<u>-</u>	<u>(3,077)</u>	<u>(3,077)</u>
Balance at June 30, 2019	<u>\$ 7,499,964</u>	<u>\$ 3,318,560</u>	<u>\$ 10,818,524</u>
Balance at January 1, 2018	\$ 6,532,839	\$ 2,610,676	\$ 9,143,515
Reclassification	<u>186,965</u>	<u>193,539</u>	<u>380,504</u>
Balance at June 30, 2018	<u>\$ 6,719,804</u>	<u>\$ 2,804,215</u>	<u>\$ 9,524,019</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Depreciation expenses	<u>-</u>	<u>40,823</u>	<u>40,823</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 858,293</u>	<u>\$ 858,293</u>
Balance at January 1, 2018	\$ -	\$ 716,811	\$ 716,811
Depreciation expenses	-	32,305	32,305
Reclassification	<u>-</u>	<u>756</u>	<u>756</u>
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 749,872</u>	<u>\$ 749,872</u>

Investment properties (except for land) are depreciated using 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 six months ended June 30, 2019 and 2018.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Rental income from investment properties (part of other noninterest gains, net)	\$ 125,898	\$ 102,908	\$ 248,536	\$ 184,197
Direct operating expenses for investment properties that generate rental income	<u>(36,956)</u>	<u>(33,117)</u>	<u>(73,240)</u>	<u>(60,382)</u>
	<u>\$ 88,942</u>	<u>\$ 69,791</u>	<u>\$ 175,296</u>	<u>\$ 123,815</u>

Lease agreements on investment properties owned by the Company and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of June 30, 2019, December 31, 2018 and June 30, 2018, guarantee deposits on these leases totaled \$86,460 thousand, \$84,704 thousand, \$73,475 thousand, respectively. Minimum future annual rentals are as follows:

	June 30, 2019	
Year 1	\$	409,106
Year 2		346,286
Year 3		317,879
Year 4		261,616
Year 5		198,131
Over five years		<u>566,714</u>
		<u>\$ 2,099,732</u>
	December 31,	June 30, 2018
	2018	
Within one year	\$ 417,145	\$ 356,354
One to five years	1,237,639	1,078,771
Over five years	<u>833,163</u>	<u>681,803</u>
	<u>\$ 2,487,947</u>	<u>\$ 2,116,928</u>

17. PROPERTIES AND EQUIPMENT, NET

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Carrying amount</u>			
Land	\$ 20,971,250	\$ 20,933,668	\$ 21,103,573
Buildings	11,385,508	11,662,068	11,973,272
Machinery and equipment	417,610	440,852	479,037
Transportation equipment	98,392	79,383	87,692
Other equipment	222,551	233,601	215,641
Leasehold improvements	147,051	137,003	130,089
Leased assets	-	21,298	22,997
Prepayments for equipment, land and buildings and construction in progress	<u>410,445</u>	<u>316,634</u>	<u>145,041</u>
	<u>\$ 33,652,807</u>	<u>\$ 33,824,507</u>	<u>\$ 34,157,342</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
<u>Cost</u>									
Balance, January 1, 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	-	26,640	67,256	30,152	28,194	36,686	-	182,031	370,959
Disposals	-	-	(149,686)	(7,243)	(9,903)	(1,490)	-	-	(168,322)
Reclassification	37,554	29,290	13,707	-	520	688	-	(88,251)	(6,492)
Effects of exchange rate changes	28	59	1,450	217	435	1,432	-	31	3,652
Balance, June 30, 2019	<u>\$ 20,986,427</u>	<u>\$ 19,119,041</u>	<u>\$ 4,240,320</u>	<u>\$ 646,722</u>	<u>\$ 1,379,360</u>	<u>\$ 990,484</u>	<u>\$ -</u>	<u>\$ 410,445</u>	<u>\$ 47,772,799</u>
Balance, January 1, 2018	\$ 21,122,708	\$ 18,675,258	\$ 4,592,586	\$ 648,149	\$ 1,311,963	\$ 904,230	\$ 13,352	\$ 112,527	\$ 47,380,773
Additions	-	395,478	34,601	7,707	27,612	45,121	12,773	487,995	1,011,287
Disposals	-	-	(61,607)	(30,363)	(15,564)	(19,416)	-	-	(126,950)
Reclassification	(4,035)	2,887	20,748	-	44,813	-	-	(455,505)	(391,092)
Effects of exchange rate changes	77	162	3,091	367	978	860	-	24	5,559
Balance, June 30, 2018	<u>\$ 21,118,750</u>	<u>\$ 19,073,785</u>	<u>\$ 4,589,419</u>	<u>\$ 625,860</u>	<u>\$ 1,369,802</u>	<u>\$ 930,795</u>	<u>\$ 26,125</u>	<u>\$ 145,041</u>	<u>\$ 47,879,577</u>
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total	
<u>Accumulated depreciation and impairment</u>									
Balance, January 1, 2019	\$ 15,177	\$ 7,400,984	\$ 3,866,741	\$ 544,213	\$ 1,126,513	\$ 816,165	\$ 4,827	\$ 13,774,620	\$ 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	-	-	(147,472)	(7,231)	(9,891)	(1,490)	-	-	(166,084)
Depreciation expenses	-	332,500	102,326	11,576	40,446	27,782	-	-	514,630
Effects of exchange rate changes	-	49	1,115	(228)	(259)	976	-	-	1,653
Balance, June 30, 2019	<u>\$ 15,177</u>	<u>\$ 7,733,533</u>	<u>\$ 3,822,710</u>	<u>\$ 548,330</u>	<u>\$ 1,156,809</u>	<u>\$ 843,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119,992</u>
Balance, January 1, 2018	\$ 15,177	\$ 6,779,143	\$ 4,011,489	\$ 553,023	\$ 1,130,910	\$ 793,214	\$ 1,748	\$ 13,284,704	\$ 13,284,704
Disposals	-	-	(61,161)	(30,361)	(15,524)	(19,195)	-	-	(126,241)
Depreciation expenses	-	321,998	157,564	15,264	38,029	25,746	1,380	-	559,981
Reclassification	-	(756)	-	-	-	-	-	-	(756)
Effects of exchange rate changes	-	128	2,490	242	746	941	-	-	4,547
Balance, June 30, 2018	<u>\$ 15,177</u>	<u>\$ 7,100,513</u>	<u>\$ 4,110,382</u>	<u>\$ 538,168</u>	<u>\$ 1,154,161</u>	<u>\$ 800,706</u>	<u>\$ 3,128</u>	<u>\$ -</u>	<u>\$ 13,722,235</u>

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As of June 30, 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
Leased assets	7 to 10 years

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for properties and equipment. The discount rates for the CGUs' value in use were 8.69%, 8.69% and 9.34% as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

18. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019
<u>Carrying amounts</u>	
Land	\$ 2,912
Buildings	1,569,818
Transportation equipment	52,503
Other equipment	<u>24,294</u>
	<u>\$ 1,649,527</u>
	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	<u>\$ 309,610</u>
Depreciation charge for right-of-use assets	
Land	\$ 419
Buildings	254,029
Transportation equipment	12,362
Other equipment	<u>2,248</u>
	<u>\$ 269,058</u>

b. Lease liabilities - 2019

	June 30, 2019
Carrying amounts	<u>\$ 1,564,810</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Land	1.617%-1.620%
Buildings	1.617%-8.880%
Transportation equipment	1.040%-8.880%
Other equipment	2.445%-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 June 30, 2019, refundable deposits on these leases totaled \$134,899 thousand.

d. Other lease information

2019

	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	<u>\$ 50,695</u>
Expenses relating to low-value asset leases	<u>\$ 1,129</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 1,162</u>
Total cash outflow for leases	<u>\$ (332,353)</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 six months ended June 30, 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 \$44,724 thousand as of June 30, 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 June 30, 2018, refundable deposits on these leases totaled \$134,182 thousand and \$130,014 thousand, respectively. Minimum future annual rentals are as follows:

	December 31, 2018	June 30, 2018
Within one year	\$ 591,680	\$ 607,321
One to five years	1,207,933	1,416,754
Over five years	<u>133,169</u>	<u>127,134</u>
	<u>\$ 1,932,782</u>	<u>\$ 2,151,209</u>

The lease payments recognized as expenses are as follows:

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Minimum lease payments	\$ 149,774	\$ 303,845
Contingent rentals	<u>3,532</u>	<u>4,099</u>
	<u>\$ 153,306</u>	<u>\$ 307,944</u>

19. INTANGIBLE ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>496,801</u>	<u>461,030</u>	<u>366,312</u>
	<u>\$ 3,666,806</u>	<u>\$ 3,631,035</u>	<u>\$ 3,536,317</u>
	Goodwill	Computer Software	Total
Balance, January 1, 2019	\$ 3,170,005	\$ 461,030	\$ 3,631,035
Separate acquisition	-	118,954	118,954
Amortization expenses	-	(89,054)	(89,054)
Reclassification	-	5,564	5,564
Effect of exchange rate changes	<u>-</u>	<u>307</u>	<u>307</u>
Balance, June 30, 2019	<u>\$ 3,170,005</u>	<u>\$ 496,801</u>	<u>\$ 3,666,806</u>
Balance, January 1, 2018	\$ 3,170,005	\$ 418,485	\$ 3,588,490
Separate acquisition	-	47,370	47,370
Amortization expenses	-	(85,508)	(85,508)
Reclassification	-	1,656	1,656
Effect of exchange rate changes	<u>-</u>	<u>(15,691)</u>	<u>(15,691)</u>
Balance, June 30, 2018	<u>\$ 3,170,005</u>	<u>\$ 366,312</u>	<u>\$ 3,536,317</u>

Computer software with limited useful lives are 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 June 30, 2019, December 31, 2018 and June 30, 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 June 30, 2019, December 31, 2018 and June 30, 2018.

20. OTHER ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	\$ 1,587,923	\$ 1,862,013	\$ 2,927,600
Operating deposits and settlement funds	710,860	699,596	670,709
Prepaid expenses	305,677	339,299	295,307
Collaterals assumed, net	255,144	255,144	255,144
Others	<u>116,827</u>	<u>121,086</u>	<u>137,807</u>
	<u>\$ 2,976,431</u>	<u>\$ 3,277,138</u>	<u>\$ 4,286,567</u>

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	June 30, 2019	December 31, 2018	June 30, 2018
Due to banks	\$ 137,825,515	\$ 138,794,751	\$ 132,596,208
Call loans from banks	96,566,005	84,072,185	126,506,551
Bank overdraft	2,501,673	1,569,412	1,527,398
Deposits from Chunghwa Post Co., Ltd.	589,604	1,474,134	1,755,410
Due to the Central Bank	<u>429,862</u>	<u>354,324</u>	<u>360,190</u>
	<u>\$ 237,912,659</u>	<u>\$ 226,264,806</u>	<u>\$ 262,745,757</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$43,648,466 thousand, \$44,369,293 thousand and \$39,327,825 thousand under repurchase agreements as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively, would subsequently be purchased for \$43,666,783 thousand, \$44,391,054 thousand and \$39,342,336 thousand, respectively.

23. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$25,585,000 thousand, \$26,110,000 thousand and \$18,857,000 thousand and the annual discount rates were from 0.568% to 0.988%, from 0.658% to 1.088% and from 0.498% to 0.898% as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively, and the commercial paper will mature by September 23, 2019, March 5, 2019 and September 5, 2018, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of June 30, 2019, the Company had not used the amount of \$55,286,265 thousand, the sum of the amount of the commercial paper issued and the credit.

24. PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Checks for clearing	\$ 19,579,990	\$ 21,869,459	\$ 22,893,539
Dividends payable	9,826,227	305,577	9,611,791
Accrued interest	5,896,205	5,390,930	4,698,176
Collections payable	4,407,437	4,382,105	4,527,495
Accrued expenses	3,547,508	5,316,528	3,177,172
Payable on securities	3,122,291	2,239,059	1,624,891
Settlement payable	2,820,876	1,605,380	2,417,221
Acceptances	2,528,911	3,678,990	3,423,676
Settlement consideration	2,130,398	1,666,905	2,865,216
Separate account payable	2,071,609	-	-
Collections of notes and checks for various financial institutions in other cities	640,472	733,967	599,540
Tax payable	619,163	493,974	589,894
Payables for short-sale transactions	287,870	339,992	138,208
Payables on notes and checks collected for others	263,826	368,090	347,462
Deposits on short-sale transactions	262,736	313,676	129,896
Factored accounts payable	113,138	125,071	110,651
Insurance claims and benefits payable	76,925	206,161	67,750
Others	<u>2,092,266</u>	<u>2,130,472</u>	<u>2,294,941</u>
	<u>\$ 60,287,848</u>	<u>\$ 51,166,336</u>	<u>\$ 59,517,519</u>

25. DEPOSITS AND REMITTANCES

	June 30, 2019	December 31, 2018	June 30, 2018
Deposits			
Checking	\$ 45,648,520	\$ 48,864,458	\$ 42,339,698
Demand	520,615,882	512,077,364	503,801,031
Savings - demand	869,172,138	839,919,122	818,214,935
Time	614,611,620	556,156,837	565,306,290
Negotiable certificates of deposit	48,246,565	48,351,856	46,957,759
Savings - time	626,696,704	628,015,834	635,848,508
Treasury	99,617,980	92,894,432	86,544,176
Remittances	<u>412,995</u>	<u>194,446</u>	<u>173,852</u>
	<u>\$ 2,825,022,404</u>	<u>\$ 2,726,474,349</u>	<u>\$ 2,699,186,249</u>

26. BONDS PAYABLE

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

	June 30, 2019	December 31, 2018	June 30, 2018
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
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

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
First non-cumulative perpetual subordinated bonds in 2018: Fixed rated of 2.28%; TCB may exercise its redemption rights after 5 years and 2 months	\$ 5,000,000	\$ 5,000,000	\$ -
First non-cumulative perpetual subordinated bonds in 2019: Fixed rated of 1.9%; TCB may exercise its redemption rights after 5 years and 1 months	<u>5,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 60,000,000</u>	<u>\$ 55,000,000</u>	<u>\$ 54,610,000</u> (Concluded)

To expand its long-term USD capital, TCB applied for the issuance of unsecured bank debentures amounting to US\$1,000,000 thousand. The application was approved by the Financial Supervisory Commission (FSC) on January 22, 2015. TCB issued unsecured bank debentures with an aggregate face value of US\$400,000 thousand, consisting of type A bonds worth US\$300,000 thousand with 0% interest rate and type B bonds worth US\$100,000 thousand with 0% interest rate; TCB may exercise its redemption rights at an agreed price after two years and three years, respectively, from the issue dates. If TCB does 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, TCB enters into interest rate swap contracts measured at fair value through profit or loss and to eliminate a measurement or recognition inconsistency, the unsecured bank debentures are reclassified as designated as at FVTPL upon initial recognition. They were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,382,902	\$ 8,613,482	\$ 8,558,203
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,127,286</u>	<u>2,870,473</u>	<u>2,851,795</u>
	<u>\$ 12,510,188</u>	<u>\$ 11,483,955</u>	<u>\$ 11,409,998</u>

TCB has been approved by the FSC to issue unsecured subordinated bonds amounting to \$10,000,000 thousand on April 30, 2019. As of June 30, 2019, the amount of unissued unsecured subordinated bonds of TCB was \$5,000,000 thousand.

27. OTHER BORROWINGS

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 23)	<u>\$ 2,612,535</u>	0.900-5.795	<u>\$ 2,425,405</u>	0.860-5.938	<u>\$ 2,184,169</u>	0.860-5.655

28. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Reserve for life insurance liabilities	\$ 28,432,550	\$ 29,414,070	\$ 29,994,083
Reserve for insurance contracts with financial instrument features	8,096,886	10,434,066	11,149,499
Provision for employee benefits	6,705,317	6,864,774	6,676,771
Provision for losses on guarantees	1,356,781	1,425,121	1,318,299
Provision for losses on loan commitment	153,154	142,335	203,096
Provision for others	23,053	26,721	16,468
Other provision for insurance	<u>579,605</u>	<u>523,746</u>	<u>473,621</u>
	<u>\$ 45,347,346</u>	<u>\$ 48,830,833</u>	<u>\$ 49,831,837</u>

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

	<u>June 30, 2019</u>		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,255,650	\$ 5,988,072	\$ 17,243,722
Health insurance	543,129	-	543,129
Annuity insurance	-	10,578,380	10,578,380
Investment insurance	<u>67,139</u>	<u>-</u>	<u>67,139</u>
	11,865,918	16,566,452	28,432,370
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,865,918</u>	<u>\$ 16,566,452</u>	<u>\$ 28,432,370</u>
	<u>December 31, 2018</u>		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,761,660	\$ 6,195,170	\$ 17,956,830
Health insurance	484,010	-	484,010
Annuity insurance	-	10,901,113	10,901,113
Investment insurance	<u>71,886</u>	<u>-</u>	<u>71,886</u>
	12,317,556	17,096,283	29,413,839
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,317,556</u>	<u>\$ 17,096,283</u>	<u>\$ 29,413,839</u>

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

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

	For the Six Months Ended June 30					
	2019			2018		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance, January 1	\$ 12,317,556	\$ 17,096,283	\$ 29,413,839	\$ 11,452,624	\$ 19,211,939	\$ 30,664,563
Provision	798,291	177,934	976,225	1,061,545	180,388	1,241,933
Recovery	<u>(1,249,929)</u>	<u>(707,765)</u>	<u>(1,957,694)</u>	<u>(578,811)</u>	<u>(1,333,816)</u>	<u>(1,912,627)</u>
Ending balance	11,865,918	16,566,452	28,432,370	11,935,358	18,058,511	29,993,869
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30	<u>\$ 11,865,918</u>	<u>\$ 16,566,452</u>	<u>\$ 28,432,370</u>	<u>\$ 11,935,358</u>	<u>\$ 18,058,511</u>	<u>\$ 29,993,869</u>

- b. As of June 30, 2019, December 31, 2018 and June 30, 2018, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$28,432,550 thousand, \$29,414,070 thousand and \$29,994,083 thousand, respectively.
- c. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	June 30, 2019	December 31, 2018	June 30, 2018
Life insurance liability reserve	\$ 28,432,370	\$ 29,413,839	\$ 29,993,869
Unearned premium reserve	245,720	233,941	207,132
Claims reserve	63,898	44,076	35,161
Premium deficiency reserve	<u>1,004</u>	<u>6,289</u>	<u>12,100</u>
Book value of insurance reserve	<u>\$ 28,742,992</u>	<u>\$ 29,698,145</u>	<u>\$ 30,248,262</u>
Present value of discounted cash flows	<u>\$ 25,898,265</u>	<u>\$ 26,008,338</u>	<u>\$ 26,824,516</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

June 30, 2019, December 31, 2018 and June 30, 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Life insurance	<u>\$ 8,096,886</u>	<u>\$ 10,434,066</u>	<u>\$ 11,149,499</u>
		For the Six Months Ended June 30	
		2019	2018
Balance at January 1		\$ 10,434,066	\$ 11,238,116
Insurance claim payments for the period		(2,441,991)	(193,290)
Reserve for insurance contracts with financial instrument features		<u>104,811</u>	<u>104,673</u>
Balance at June 30		<u>\$ 8,096,886</u>	<u>\$ 11,149,499</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 currency swap to hedge exchange rate risks. BPCTLI maintains the hedging ratio at over 95%.

2) Reconciliation of the reserve of foreign exchange variation

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ 239,440	\$ 149,520
Provisions		
Compulsory provisions	6,304	5,166
Additional provisions	<u>51,778</u>	<u>73,033</u>
	58,082	78,199
Recovery	<u>(28,539)</u>	<u>(8,491)</u>
Balance at June 30	<u>\$ 268,983</u>	<u>\$ 219,228</u>

3) Impact of the reserve of foreign exchange variation

For the six months ended June 30, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 8,518,679	\$ 8,495,045	\$ (23,634)
Earnings per share (NT\$)	0.64	0.64	-
Reserve of foreign exchange variation	-	268,983	268,983
Equity	218,670,124	218,425,635	(244,489)

For the six months ended June 30, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 8,149,710	\$ 8,093,944	\$ (55,766)
Earnings per share (NT\$)	0.61	0.61	-
Reserve of foreign exchange variation	-	219,228	219,228
Equity	206,155,318	205,950,633	(204,685)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Reserve for life insurance liabilities, net	\$ (674,681)	\$ (639,188)	\$ (981,469)	\$ (670,694)
Reserve for insurance contract with financial instrument features, net	42,692	53,920	104,811	104,673
Others, net	<u>8,735</u>	<u>20,617</u>	<u>50,777</u>	<u>77,583</u>
	<u>\$ (623,254)</u>	<u>\$ (564,651)</u>	<u>\$ (825,881)</u>	<u>\$ (488,438)</u>

g. Provisions for employee benefits are summarized below:

	June 30, 2019	December 31, 2018	June 30, 2018
Net defined benefit liabilities	\$ 2,736,416	\$ 2,822,786	\$ 2,585,943
Present value of retired employees' preferential interest deposit obligation	<u>3,968,901</u>	<u>4,041,988</u>	<u>4,090,828</u>
	<u>\$ 6,705,317</u>	<u>\$ 6,864,774</u>	<u>\$ 6,676,771</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	(26)	26	-	-	-	-
Credit-impaired financial assets	(1)	-	1	-	-	-
Derecognition of financial assets in the current reporting period	(92,977)	(342)	(657)	(93,976)	-	(93,976)
Reversal from financial instruments recognized at the beginning of the current reporting period	(15,249)	(43,424)	873	(57,800)	-	(57,800)
New financial assets purchased or originated	154,575	-	13	154,588	-	154,588
Difference of impairment loss under regulations	-	-	-	-	(65,562)	(65,562)
Change in exchange rates and other changes	1,561	-	-	1,561	-	1,561
Balance at June 30, 2019	<u>\$ 761,014</u>	<u>\$ 163,647</u>	<u>\$ 19,057</u>	<u>\$ 943,718</u>	<u>\$ 589,270</u>	<u>\$ 1,532,988</u>

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	\$ 667,534	\$ 294,665	\$ 30,229	\$ 992,428	\$ 594,508	\$ 1,586,936
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(26)	26	-	-	-	-
Credit-impaired financial assets	(118)	-	118	-	-	-
Derecognition of financial assets in the current reporting period	(100,273)	(543)	(16,711)	(117,527)	-	(117,527)
Reversal from financial instruments recognized at the beginning of the current reporting period	(24,913)	(43,461)	6,673	(61,701)	-	(61,701)
New financial assets purchased or originated	144,285	346	-	144,631	-	144,631
Difference of impairment loss under regulations	-	-	-	-	(17,776)	(17,776)
Change in exchange rates and other changes	3,302	(2)	-	3,300	-	3,300
Balance at June 30, 2018	<u>\$ 689,791</u>	<u>\$ 251,031</u>	<u>\$ 20,309</u>	<u>\$ 961,131</u>	<u>\$ 576,732</u>	<u>\$ 1,537,863</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 \$101,550 thousand and \$87,673 thousand in the consolidated statement of comprehensive income for the six months ended June 30, 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 contributes amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); TCB has no right to influence the investment policy and strategy. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, TCB assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, TCB is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

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

For the six months ended June 30, 2019 and 2018, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$397,175 thousand and \$410,353 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

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

For the six months ended June 30, 2019 and 2018, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$346,231 thousand and \$494,592 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

	June 30, 2019	December 31, 2018	June 30, 2018
Structured products - host contracts	\$ 1,998,650	\$ 1,905,310	\$ 1,916,311
Guarantee deposits received	1,412,673	1,334,404	1,238,057
Appropriation for loans	23,643	23,608	38,133
Lease payables	-	21,861	23,367
Separate-account liabilities	<u>103,197,944</u>	<u>91,245,818</u>	<u>94,215,260</u>
	<u>\$ 106,632,910</u>	<u>\$ 94,531,001</u>	<u>\$ 97,431,128</u>

The status of the Company's investment-linked products - separate account as of June 30, 2019, December 31, 2018 and June 30, 2018, are summarized as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Separate-account assets (part of other financial assets)			
Cash in banks	\$ 1,295,388	\$ 2,476,651	\$ 960,733
Financial assets at FVTPL	99,608,776	88,282,280	93,017,833
Other receivables	<u>2,293,780</u>	<u>486,887</u>	<u>236,694</u>
	<u>\$ 103,197,944</u>	<u>\$ 91,245,818</u>	<u>\$ 94,215,260</u>

Separate-account liabilities (part of other financial liabilities)			
Reserve for separate account-insurance contract	\$ 87,704,913	\$ 81,551,911	\$ 88,660,450
Reserve for separate account-investment contract	15,493,031	9,537,957	5,178,793
Other payables	<u>-</u>	<u>155,950</u>	<u>376,017</u>
	<u>\$ 103,197,944</u>	<u>\$ 91,245,818</u>	<u>\$ 94,215,260</u>

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2019	2018	2019	2018
Separate-account revenue				
Premium income	\$ 1,965,588	\$ 3,187,489	\$ 4,216,016	\$ 6,972,728
Gain (loss) on financial assets at FVTPL	932,479	(1,752,298)	5,415,577	(4,035,587)
Interest revenue	402	420	1,163	856
Gain (Loss) on foreign exchange	<u>846,853</u>	<u>(129,050)</u>	<u>893,157</u>	<u>(746,875)</u>
	<u>\$ 3,745,322</u>	<u>\$ 1,306,561</u>	<u>\$ 10,525,913</u>	<u>\$ 2,191,122</u>
Separate-account expense				
Insurance claims and benefits	\$ 1,730,926	\$ 1,488,054	\$ 3,318,454	\$ 3,100,427
Reserves for separate accounts, net of releases - insurance contract	1,797,836	(369,167)	6,774,722	(1,269,842)
Administrative expenses	<u>216,560</u>	<u>187,674</u>	<u>432,737</u>	<u>360,537</u>
	<u>\$ 3,745,322</u>	<u>\$ 1,306,561</u>	<u>\$ 10,525,913</u>	<u>\$ 2,191,122</u>

Separate-account revenue and expense were recognized under premium income, net.

31. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Advance receipts	\$ 3,160,205	\$ 3,103,752	\$ 1,631,442
Others	<u>79,755</u>	<u>91,155</u>	<u>88,005</u>
	<u>\$ 3,239,960</u>	<u>\$ 3,194,907</u>	<u>\$ 1,719,447</u>

32. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest revenue				
From discounts and loans	\$ 11,481,073	\$ 10,670,984	\$ 22,772,559	\$ 20,897,341
From investments	2,784,086	2,516,088	5,530,793	4,975,794
From due from banks and call loans to other banks	661,854	764,078	1,299,198	1,495,802
Others	<u>437,608</u>	<u>413,242</u>	<u>676,515</u>	<u>801,694</u>
	<u>15,364,621</u>	<u>14,364,392</u>	<u>30,279,065</u>	<u>28,170,631</u>
Interest expense				
From deposits	(5,231,406)	(4,481,781)	(10,242,406)	(8,688,443)
From funds borrowing from the Central Bank and other banks	(713,306)	(514,238)	(1,440,715)	(909,284)
From subordinated bank debentures	(206,041)	(209,285)	(409,643)	(426,650)
From due to the Central Bank and other banks	(159,706)	(155,907)	(327,041)	(316,822)
From securities sold under repurchase agreements	(65,689)	(59,021)	(150,392)	(122,339)
From structure products	(16,407)	(5,324)	(27,806)	(17,069)
Others	<u>(30,113)</u>	<u>(18,668)</u>	<u>(63,347)</u>	<u>(37,778)</u>
	<u>(6,422,668)</u>	<u>(5,444,224)</u>	<u>(12,661,350)</u>	<u>(10,518,385)</u>
	<u>\$ 8,941,953</u>	<u>\$ 8,920,168</u>	<u>\$ 17,617,715</u>	<u>\$ 17,652,246</u>

33. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Service fee and commission revenues				
From trust business	\$ 347,375	\$ 364,068	\$ 654,810	\$ 814,422
From insurance service	305,495	230,459	603,910	473,110
From guarantee	218,639	191,848	428,591	381,189
From loans	219,936	188,848	419,800	367,571
From management fees of investment-linked products	170,537	134,499	321,184	284,004
From credit cards	143,750	138,165	289,039	279,146
From brokerage service	98,610	123,602	179,078	225,659
From remittance	71,934	74,530	147,445	162,290
From cross-bank transactions	72,049	67,555	145,436	135,337
Others	<u>420,661</u>	<u>322,865</u>	<u>820,453</u>	<u>629,781</u>
	<u>2,068,986</u>	<u>1,836,439</u>	<u>4,009,746</u>	<u>3,752,509</u>
Service charge and commission expenses				
From cross-bank transactions	(84,037)	(82,566)	(168,675)	(164,353)
From credit cards	(62,346)	(49,878)	(120,675)	(101,304)
From insurance business	(52,965)	(60,320)	(150,262)	(145,910)
From credit cards acquiring	(30,771)	(29,711)	(61,995)	(59,267)
From custody	(22,922)	(18,702)	(40,609)	(38,311)
Others	<u>(52,116)</u>	<u>(46,473)</u>	<u>(96,145)</u>	<u>(93,751)</u>
	<u>(305,157)</u>	<u>(287,650)</u>	<u>(638,361)</u>	<u>(602,896)</u>
	<u>\$ 1,763,829</u>	<u>\$ 1,548,789</u>	<u>\$ 3,371,385</u>	<u>\$ 3,149,613</u>

34. PREMIUM INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Separate-account revenue (Note 30)	\$ 3,745,322	\$ 1,306,561	\$ 10,525,913	\$ 2,191,122
Premium income	<u>948,739</u>	<u>1,009,033</u>	<u>1,903,177</u>	<u>2,094,056</u>
	<u>4,694,061</u>	<u>2,315,594</u>	<u>12,429,090</u>	<u>4,285,178</u>
Separate-account expense (Note 30)	(3,745,322)	(1,306,561)	(10,525,913)	(2,191,122)
Insurance claims and benefits	(1,241,217)	(1,274,293)	(2,123,570)	(2,050,370)
Reinsurance premium ceded	(48,963)	(40,808)	(92,626)	(81,041)
Others	<u>(3,669)</u>	<u>(8,261)</u>	<u>(8,507)</u>	<u>(23,841)</u>
	<u>(5,039,171)</u>	<u>(2,629,923)</u>	<u>(12,750,616)</u>	<u>(4,346,374)</u>
	<u>\$ (345,110)</u>	<u>\$ (314,329)</u>	<u>\$ (321,526)</u>	<u>\$ (61,196)</u>

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

	For the Three Months Ended June 30, 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	\$ 154,309	\$ 2,623,256	\$ 2,587,635	\$ 37,264	\$ 5,402,464
Held-for-trading financial liabilities	-	(3,562,212)	(341,402)	-	(3,903,614)
Financial liabilities designated as at fair value through profit or loss	<u>(153,204)</u>	<u>-</u>	<u>(302,619)</u>	<u>-</u>	<u>(455,823)</u>
	<u>\$ 1,105</u>	<u>\$ (938,956)</u>	<u>\$ 1,943,614</u>	<u>\$ 37,264</u>	<u>\$ 1,043,027</u>
	For the Three Months Ended June 30, 2018				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 144,669	\$ 1,183,961	\$ 5,559,448	\$ 48,019	\$ 6,936,097
Held-for-trading financial liabilities	-	(3,750,965)	(1,480,473)	-	(5,231,438)
Financial liabilities designated as at fair value through profit or loss	<u>(142,025)</u>	<u>-</u>	<u>85,894</u>	<u>-</u>	<u>(56,131)</u>
	<u>\$ 2,644</u>	<u>\$ 2,567,004</u>	<u>\$ 4,164,869</u>	<u>\$ 48,019</u>	<u>\$ 1,648,528</u>
	For the Six Months Ended June 30, 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	\$ 294,508	\$ 5,200,907	\$ 3,618,530	\$ 96,655	\$ 9,210,600
Held-for-trading financial liabilities	-	(4,844,535)	20,172	-	(4,824,363)
Financial liabilities designated as at fair value through profit or loss	<u>(297,201)</u>	<u>-</u>	<u>(882,048)</u>	<u>-</u>	<u>(1,179,249)</u>
	<u>\$ (2,693)</u>	<u>\$ 356,372</u>	<u>\$ 2,756,654</u>	<u>\$ 96,655</u>	<u>\$ 3,206,988</u>
	For the Six Months Ended June 30, 2018				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 285,212	\$ 5,855,574	\$ 4,181,863	\$ 97,772	\$ 10,420,421
Held-for-trading financial liabilities	-	(5,871,670)	(2,740,072)	-	(8,611,742)
Financial liabilities designated as at fair value through profit or loss	<u>(273,033)</u>	<u>-</u>	<u>621,959</u>	<u>-</u>	<u>348,926</u>
	<u>\$ 12,179</u>	<u>\$ (16,096)</u>	<u>\$ 2,063,750</u>	<u>\$ 97,772</u>	<u>\$ 2,157,605</u>

36. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Salaries	\$ 2,182,472	\$ 2,052,923	\$ 4,322,992	\$ 4,198,437
Incentives	842,759	579,102	1,570,278	1,277,509
Excessive interest from preferential interest deposits	279,976	433,066	553,661	700,765
Post-employment benefits, termination benefits and compensation	255,536	317,584	509,103	695,816
Overtime	106,272	105,481	197,026	203,503
Others	<u>530,846</u>	<u>534,060</u>	<u>1,027,384</u>	<u>968,277</u>
	<u>\$ 4,197,861</u>	<u>\$ 4,022,216</u>	<u>\$ 8,180,444</u>	<u>\$ 8,044,307</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 six months ended June 30, 2019 and 2018, compensations of employees were estimated at \$1,407 thousand and \$1,262 thousand and the remuneration of directors were estimated at \$45,543 thousand and \$43,381 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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Depreciation expenses	\$ 419,388	\$ 296,586	\$ 824,511	\$ 592,287
Amortization expenses	<u>45,162</u>	<u>41,462</u>	<u>89,065</u>	<u>85,520</u>
	<u>\$ 464,550</u>	<u>\$ 338,048</u>	<u>\$ 913,576</u>	<u>\$ 677,807</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
Current period	\$ 585,838	\$ (154,869)	\$ 1,300,532	\$ 1,241,236
Additional income tax on unappropriated earnings	16,267	-	16,267	-
Prior year's adjustment	<u>(6,952)</u>	<u>(5,715)</u>	<u>(6,952)</u>	<u>(5,715)</u>
	595,153	(160,584)	1,309,847	1,235,521
Deferred tax				
Current period	231,227	960,694	266,283	309,255
Effect of change in tax rate	-	(40,337)	-	(77,071)
Prior year's adjustment	<u>-</u>	<u>(13,976)</u>	<u>-</u>	<u>(13,976)</u>
Income tax expense recognized in profit or loss	<u>\$ 826,380</u>	<u>\$ 745,797</u>	<u>\$ 1,576,130</u>	<u>\$ 1,453,729</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 \$85,940 thousand has not been recognized as of June 30, 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	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	\$ 56,327	\$ 291,825	\$ 66,180	\$ 191,743
Unrealized gains on financial assets at fair value through other comprehensive income	113,687	(64,869)	283,269	(171,566)
Other comprehensive income on reclassification of overlay approach	1,292	6,517	3,556	3,946
Effect of change in tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,968)</u>
Total income tax recognized in other comprehensive income	<u>\$ 171,306</u>	<u>\$ 233,473</u>	<u>\$ 353,005</u>	<u>\$ (6,845)</u>

c. Deferred tax assets and liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Deferred tax assets</u>			
Temporary differences			
Financial instruments at fair value through other comprehensive income	\$ 193	\$ 135,030	\$ 111,334
Properties and equipment	9,504	9,826	10,171
Payable for annual leave	152,104	101,044	132,974
Employee's preferential interest deposit obligation	793,780	808,398	818,166
Other liabilities	5,883	5,883	5,949
Exchange differences on foreign operations	15,270	56,350	76,187
Allowance for possible losses	70,018	70,153	88,618
Collaterals assumed	372	372	372
Financial instruments at fair value through profit or loss	728	7,535	135,543
Pension liabilities	366	348	330
Employee benefit	-	-	600
Unrealized interest expense	474,507	415,068	356,363
Unrealized foreign exchange losses	-	26,590	31,246
Revenue from disposal of acquired loans	<u>146,355</u>	<u>146,355</u>	<u>111,457</u>
	<u>\$ 1,669,080</u>	<u>\$ 1,782,952</u>	<u>\$ 1,879,310</u>

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 473,766	\$ 189,567	\$ 541,252
Financial instruments at fair value through other comprehensive income	151,988	-	-
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	25,345	245	143
Defined benefit obligation	53,957	36,348	-
Investments accounted for using equity method	66,820	60,149	46,510
Collaterals assumed	466	466	466
Lease incentive	10,877	9,419	7,962
Unrealized foreign exchange losses	22,954	6,667	16,447
Overlay approach	-	-	4,862
Others	<u>8,846</u>	<u>6,742</u>	<u>5,046</u>
	<u>\$ 3,839,863</u>	<u>\$ 3,334,447</u>	<u>\$ 3,647,532</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 June 30, 2019</u>			
Basic earnings per share (EPS)	\$ 4,325,121	12,945,848	<u>\$ 0.33</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>68</u>	
Diluted EPS	<u>\$ 4,325,121</u>	<u>12,945,916</u>	<u>\$ 0.33</u>
<u>For the three months ended June 30, 2018</u>			
Basic earnings per share (EPS)	\$ 4,153,185	12,945,848	<u>\$ 0.32</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>71</u>	
Diluted EPS	<u>\$ 4,153,185</u>	<u>12,945,919</u>	<u>\$ 0.32</u>
			(Continued)

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the six months ended June 30, 2019</u>			
Basic earnings per share (EPS)	\$ 8,258,860	12,945,848	<u>\$ 0.64</u>
Effect of dilutive common stock:			
Employees' compensation	<u> -</u>	<u> 122</u>	
Diluted EPS	<u>\$ 8,258,860</u>	<u>12,945,970</u>	<u>\$ 0.64</u>
<u>For the six months ended June 30, 2018</u>			
Basic earnings per share (EPS)	\$ 7,866,570	12,945,848	<u>\$ 0.61</u>
Effect of dilutive common stock:			
Employees' compensation	<u> -</u>	<u> 128</u>	
Diluted EPS	<u>\$ 7,866,570</u>	<u>12,945,976</u>	<u>\$ 0.61</u> (Concluded)

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

	<u>Before Adjusted Retrospectively</u>		<u>After Adjusted Retrospectively</u>	
	<u>For the Three Months Ended June 30, 2018</u>	<u>For the Six Months Ended June 30, 2018</u>	<u>For the Three Months Ended June 30, 2018</u>	<u>For the Six Months Ended June 30, 2018</u>
Basic EPS (NT\$)	<u>\$ 0.33</u>	<u>\$ 0.63</u>	<u>\$ 0.32</u>	<u>\$ 0.61</u>
Diluted EPS (NT\$)	<u>\$ 0.33</u>	<u>\$ 0.63</u>	<u>\$ 0.32</u>	<u>\$ 0.61</u>

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

	June 30, 2019	December 31, 2018	June 30, 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).

On June 21, 2019, the stockholders of TCFHC resolved to issue 377,064 thousand shares, which included the 2018 earnings amounting to \$3,770,635 thousand. This issuance was approved by the FSC and the change in registration is awaiting the approval of the MOEA.

b. Capital surplus

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

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

The capital surplus as of June 30, 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)
Subsidiaries' disposal of the shares of TCFHC regarded as reissuance 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 Six Months Ended	
	June 30	
	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 June 30	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

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 stockholders' meeting on June 21, 2019 and June 22, 2018, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
	<u>2018</u>	<u>2017</u>	<u>(NT\$)</u>	
			<u>2018</u>	<u>2017</u>
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 at the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	<u>For the Six Months Ended</u>	
	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 4,199,805	\$ 4,344,256
Effect of retrospective application and retrospective restatement	<u>-</u>	<u>84,178</u>
Balance of retrospective application and retrospective restatement at beginning	4,199,805	4,428,434
Attributable to non-controlling interests		
Net income	236,185	227,374
Exchange differences on the translation of financial statements of foreign operations	848	(469)
Unrealized losses on financial assets at FVTOCI	580,008	(343,821)
Other comprehensive income reclassification of overlay approach	144,756	(22,320)
Cash dividends distributed by subsidiary	<u>(102,069)</u>	<u>(103,480)</u>
Balance on June 30	<u>\$ 5,059,533</u>	<u>\$ 4,185,718</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

<u>Related Party</u>	<u>Relationship with the Company</u>
United Real Estate Management Co., Ltd.	Associated enterprise
TCB Global Emerging Markets Equity Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 6 Year Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
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 (%)
<u>For the six months ended June 30, 2019</u>				
Others	<u>\$ 5,687,100</u>	<u>\$ 2,600,000</u>	<u>\$ 615,141</u>	0.440-2.850
<u>For the six months ended June 30, 2018</u>				
Others	<u>\$ 5,961,800</u>	<u>\$ 1,728,750</u>	<u>\$ 14,711</u>	0.350-4.150

2) Due to banks

	For the Six Months Ended June 30			
	2019		2018	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 286,807	\$ 801	\$ 259,958	\$ 766
Others				
Tamshui First Credit Bank	24,470,825	113,000	25,060,774	119,318
Others	<u>16,549</u>	<u>6</u>	<u>12,521</u>	<u>7</u>
	<u>\$ 24,774,181</u>	<u>\$ 113,807</u>	<u>\$ 25,333,253</u>	<u>\$ 120,091</u>

3) Call loans from banks

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

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>				
Main management	\$ 263,870	\$ 232,995	\$ 1,611	1.245-1.790
Others	<u>129,400</u>	<u>103,536</u>	<u>910</u>	1.137-2.465
	<u>\$ 393,270</u>	<u>\$ 336,531</u>	<u>\$ 2,521</u>	
<u>For the six months ended June 30, 2018</u>				
Main management	\$ 216,709	\$ 200,601	\$ 981	1.245-1.790
Others	<u>61,136</u>	<u>51,741</u>	<u>358</u>	1.137-2.465
	<u>\$ 277,845</u>	<u>\$ 252,342</u>	<u>\$ 1,339</u>	

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

5) Securities sold under repurchase agreements

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2018</u>			
Others	\$ <u>53,895</u>	\$ <u>22</u>	0.390-0.540

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>			
Associates	\$ 85,947	\$ 127	0-0.640
Main management	658,208	4,850	0-13.000
Others	<u>12,022,469</u>	<u>34,728</u>	0-13.000
	<u>\$ 12,766,624</u>	<u>\$ 39,705</u>	

(Continued)

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2018</u>			
Associates	\$ 99,456	\$ 225	0-0.900
Main management	607,409	5,062	0-13.000
Others	<u>9,219,288</u>	<u>14,717</u>	0-13.000
	<u>\$ 9,926,153</u>	<u>\$ 20,004</u>	
			(Concluded)
	June 30, 2019	December 31, 2018	June 30, 2018
7) Accrued income (part of receivables)			
Others	<u>\$ 26,234</u>	<u>\$ 20,900</u>	<u>\$ 15,849</u>
8) Accrued dividends (part of receivables)			
Associate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,564</u>
9) Accrued interest (part of receivables)			
Others	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ 75</u>
10) Receivable on securities (part of receivables)			
Others	<u>\$ 5,239</u>	<u>\$ 470</u>	<u>\$ -</u>
11) Accrued interest (part of payables)			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
12) Payable on securities (part of payables)			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352</u>
		For the Six Months Ended June 30	
		2019	2018
13) Service fee income (part of service fee and commission income, net)			
Associate		\$ -	\$ 88
Main management		50	180
Others		<u>153,803</u>	<u>89,436</u>
		<u>\$ 153,853</u>	<u>\$ 89,704</u>

	For the Six Months Ended June 30	
	2019	2018
14) Service charge (part of service fee and commission income, net)		
Main management	\$ 38	\$ 23
Others	<u>2</u>	<u>2</u>
	<u>\$ 40</u>	<u>\$ 25</u>
15) Other income (part of other noninterest gain, net)		
Others	<u>\$ 3,779</u>	<u>\$ 4,136</u>

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

16) Purchases and sales of securities

Related Party	For the Six Months Ended June 30, 2018			
	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Others	<u>\$ 99,984</u>	<u>\$ 50,052</u>	<u>\$ 229,203</u>	<u>\$ -</u>

17) Derivatives

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
Other - TCB Global High Yield Bond Fund	Currency swap	2019.06.24-2019.07.31	US\$ 7,000	231	Financial assets at fair value through profit or loss	231
	Currency swap	2019.06.17-2019.07.17	US\$ 7,250	(159)	Financial liabilities at fair value through profit or loss	(159)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2019.04.12-2019.08.26	US\$ 10,000	969	Financial assets at fair value through profit or loss	969
	Currency swap	2019.03.19-2019.09.19	US\$ 6,000	(256)	Financial liabilities at fair value through profit or loss	(256)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.03.18-2019.09.18	US\$ 10,850	725	Financial assets at fair value through profit or loss	725
Other - TCB Mobility and Innovation Fund	Currency swap	2019.06.24-2019.07.08	US\$ 8,000	344	Financial assets at fair value through profit or loss	344

For the Six Months Ended June 30, 2018						Amounts on the Consolidated Balance Sheet	
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Account	Amounts	
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.05.03-2018.07.11	US\$ 9,510	\$ (9,498)	Financial liabilities at fair value through profit or loss	\$ (9,498)	
Other - TCB Global High Yield Bond Fund	Currency swap	2018.06.11-2018.07.11	US\$ 22,250	(14,509)	Financial liabilities at fair value through profit or loss	(14,509)	
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.06.12-2018.07.13	US\$ 15,000	(12,291)	Financial liabilities at fair value through profit or loss	(12,291)	

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

For the Six Months Ended June 30		
	2019	2018
Financial assets and liabilities at fair value through profit or loss		
Others	\$ (29,169)	\$ 26,229

18) Loans

June 30, 2019

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 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	66	\$ 142,214	\$ 123,209	\$ 123,209	\$ -	Note 2	None
Self-used housing mortgage loans	45	251,056	213,322	213,322	-	Land and buildings	None

June 30, 2018

Type	Account Volume or Name	Highest Balance in the Six Months Ended June 30, 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	50	\$ 127,528	\$ 118,614	\$ 118,614	\$ -	Note 2	None
Self-used housing mortgage loans	33	150,317	133,728	133,728	-	Land and buildings	None

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

	June 30, 2019	December 31, 2018	June 30, 2018
Subsidiary	<u>\$ 570,528</u>	<u>\$ 573,442</u>	<u>\$ 586,437</u>

- b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>				
Subsidiary	\$ 9,561,739	\$ 9,400,284	\$ 29,406	0.001-3.180
Sister companies	5,000,000	5,000,000	10,413	0.400-0.700
Others	<u>5,687,100</u>	<u>2,600,000</u>	<u>615,141</u>	0.440-2.850
	<u>\$ 20,248,839</u>	<u>\$ 17,000,284</u>	<u>\$ 654,960</u>	
<u>For the six months ended June 30, 2018</u>				
Subsidiary	\$ 8,866,909	\$ 6,917,664	\$ 30,857	0.001-2.820
Sister companies	2,540,000	2,540,000	1,142	0.350-0.510
Others	<u>5,961,800</u>	<u>1,728,750</u>	<u>14,711</u>	0.350-4.150
	<u>\$ 17,368,709</u>	<u>\$ 11,186,414</u>	<u>\$ 46,710</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>				
Sister company TCS	<u>\$ 316,200</u>	<u>\$ 310,600</u>	<u>\$ 4,347</u>	2.740-3.200
<u>For the six months ended June 30, 2018</u>				
Sister company TCS	<u>\$ 305,770</u>	<u>\$ 305,750</u>	<u>\$ 3,181</u>	1.750-2.550

d) Due to banks

	For the Six Months Ended June 30			
	2019		2018	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 1,331	\$ -	\$ 1,498	\$ -
Main management	286,807	801	259,958	766
Others				
Tamshui First Credit				
Bank	24,470,825	113,000	25,060,774	119,318
Others	<u>16,549</u>	<u>6</u>	<u>12,521</u>	<u>7</u>
	<u>\$ 24,775,512</u>	<u>\$ 113,807</u>	<u>\$ 25,334,751</u>	<u>\$ 120,091</u>

e) Call loans from banks

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

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months <u>ended June 30, 2019</u>				
Sister companies	\$ 89,500	\$ -	\$ 8	2.265
Main management	263,870	232,995	1,611	1.245-1.790
Others	<u>129,400</u>	<u>103,536</u>	<u>910</u>	1.137-2.465
	<u>\$ 482,770</u>	<u>\$ 336,531</u>	<u>\$ 2,529</u>	
For the six months <u>ended June 30, 2018</u>				
Sister companies	\$ 33,000	\$ -	\$ 3	2.265
Main management	216,709	200,601	981	1.245-1.790
Others	<u>61,136</u>	<u>51,741</u>	<u>358</u>	1.137-2.465
	<u>\$ 310,845</u>	<u>\$ 252,342</u>	<u>\$ 1,342</u>	

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

g) Securities purchased under resell agreement

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>			
Sister companies	\$ <u>2,733,694</u>	\$ <u>2,421</u>	0.440-0.695
<u>For the six months ended June 30, 2018</u>			
Sister companies	\$ <u>-</u>	\$ <u>33</u>	0.425

h) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>			
Parent company	\$ 98,312	\$ 22	0-0.080
Sister companies	4,347,074	6,279	0-1.065
Associates	85,947	127	0-0.640
Main management	658,208	4,850	0-13.000
Others	<u>12,022,469</u>	<u>34,728</u>	0-13.000
	<u>\$ 17,212,010</u>	<u>\$ 46,006</u>	

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

i) Accrued income (part of receivables)

	June 30, 2019	December 31, 2018	June 30, 2018
Sister company			
BPC TLI	\$ 189,630	\$ 153,207	\$ 48,334
Others	<u>3,161</u>	<u>1,430</u>	<u>-</u>
	<u>\$ 192,791</u>	<u>\$ 154,637</u>	<u>\$ 48,334</u>

j) Receivable on securities (part of receivables)

	June 30, 2019	December 31, 2018	June 30, 2018
Sister company			
TCS	<u>\$ 189,696</u>	<u>\$ 147,499</u>	<u>\$ 78,315</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Parent company	<u>\$ 1,608,330</u>	<u>\$ 1,297,856</u>	<u>\$ 1,304,087</u>

l) Dividends payable (part of payables)

	June 30, 2019	December 31, 2018	June 30, 2018
Parent company	<u>\$ 2,953,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Parent company	<u>\$ 473,539</u>	<u>\$ 547,923</u>	<u>\$ 486,679</u>

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

	For the Six Months Ended June 30	
	2019	2018
Sister companies		
BPCTLI	\$ 553,055	\$ 375,655
Others	16,632	17,820
Associate	-	88
Main management	50	180
Others	<u>6,850</u>	<u>90</u>
	<u>\$ 576,587</u>	<u>\$ 393,833</u>

o) 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Parent company	\$ 75,016	\$ 87,040	\$ 99,064
Sister companies			
TCS	186,374	204,807	227,027
BPCTLI	33,619	40,715	48,939
Others	<u>59,458</u>	<u>71,300</u>	<u>84,273</u>
	<u>\$ 354,467</u>	<u>\$ 403,862</u>	<u>\$ 459,303</u>

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

	For the Six Months Ended June 30	
	2019	2018
Parent company	\$ 12,024	\$ 12,024
Sister companies		
TCS	22,498	13,976
Others	<u>20,161</u>	<u>16,934</u>
	<u>\$ 54,683</u>	<u>\$ 42,934</u>

p) Purchases and sales of securities

For the Six Months Ended June 30, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 5,813,666</u>	<u>\$ 1,860,452</u>	<u>\$ -</u>	<u>\$ 14,581,540</u>
For the Six Months Ended June 30, 2018				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ 49,834	\$ 149,830	\$ -	\$ 199,521
Others	<u>99,984</u>	<u>50,052</u>	<u>-</u>	<u>-</u>
	<u>\$ 149,818</u>	<u>\$ 199,882</u>	<u>\$ -</u>	<u>\$ 199,521</u>

q) Derivatives

For the Six Months Ended June 30, 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	2019.05.06-2019.08.06	US\$ 5,351	\$ 1,563	Financial assets at fair value through profit or loss	\$ 1,563
	Currency swap	2019.06.19-2019.09.30	US\$120,641	(10,473)	Financial liabilities at fair value through profit or loss	(10,473)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2019.06.06-2019.07.22	US\$ 8,250	52	Financial assets at fair value through profit or loss	52
Other - TCB Global High Yield Bond Fund	Currency swap	2019.06.24-2019.07.31	US\$ 7,000	231	Financial assets at fair value through profit or loss	231
	Currency swap	2019.06.17-2019.07.17	US\$ 7,250	(159)	Financial liabilities at fair value through profit or loss	(159)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2019.04.12-2019.08.26	US\$10,000	969	Financial assets at fair value through profit or loss	969
	Currency swap	2019.03.19-2019.09.19	US\$ 6,000	(256)	Financial liabilities at fair value through profit or loss	(256)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.03.18-2019.09.18	US\$10,850	725	Financial assets at fair value through profit or loss	725
Other - TCB Mobility and Innovation Fund	Currency swap	2019.06.24-2019.07.08	US\$ 8,000	344	Financial assets at fair value through profit or loss	344

For the Six Months Ended June 30, 2018						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2018.06.25-2018.07.26	US\$16,998	\$ 5,084	Financial assets at fair value through profit or loss	\$ 5,084
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.05.03-2018.07.11	US\$ 9,510	(9,498)	Financial liabilities at fair value through profit or loss	(9,498)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.06.11-2018.07.11	US\$22,250	(14,509)	Financial liabilities at fair value through profit or loss	(14,509)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.06.12-2018.07.13	US\$15,000	(12,291)	Financial liabilities at fair value through profit or loss	(12,291)

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

	For the Six Months Ended June 30	
	2019	2018
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ 114,243	\$ (6,417)
Others	<u>(29,169)</u>	<u>26,229</u>
	<u>\$ 85,074</u>	<u>\$ 19,812</u>

r) Loans

June 30, 2019

Type	Account Volume or Name	Highest Balance in the Period Ended June 30, 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	66	\$ 142,214	\$ 123,209	\$ 123,209	\$ -	Note 2	None	
Self-used housing mortgage loans	45	251,056	213,322	213,322	-	Land and buildings	None	
Other	TCS	89,500	-	-	-	Bonds	None	

June 30, 2018

Type	Account Volume or Name	Highest Balance in the Period Ended June 30, 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	50	\$ 127,528	\$ 118,614	\$ 118,614	\$ -	Note 2	None	
Self-used housing mortgage loans	33	150,317	133,728	133,728	-	Land and buildings	None	
Other	TCS	33,000	-	-	-	Bonds	None	

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

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

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

a) Settlement payable (part of payables)

	June 30, 2019	December 31, 2018	June 30, 2018
Sister companies	\$ 197,692	\$ 224,482	\$ 73,290
Others	<u>-</u>	<u>-</u>	<u>352</u>
	<u>\$ 197,692</u>	<u>\$ 224,482</u>	<u>\$ 73,642</u>

b) TCS applied to TCB for call loans

For the Six Months Ended June 30, 2019				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	\$ <u>316,000</u>	\$ <u>310,600</u>	\$ <u>4,353</u>	2.740-3.200

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

c) Purchases and sales of securities

For the Six Months Ended June 30, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ <u>1,860,452</u>	\$ <u>5,813,666</u>	\$ <u>-</u>	\$ <u>-</u>

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

d) To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of June 30, 2019, December 31, 2018 and June 30, 2018, TCS had no borrowing and overdraft. The overdraft for the six months ended June 30, 2019 and 2018 were as follows:

For the Six Months Ended June 30, 2019				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	\$ <u>89,500</u>	\$ <u>-</u>	\$ <u>8</u>	2.265

For the Six Months Ended June 30, 2018				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	\$ <u>33,000</u>	\$ <u>-</u>	\$ <u>3</u>	2.265

e) Lease agreements - the TCS is lessee

i. Right-of-use assets, net

June 30, 2019

Sister companies	
TCB	<u>\$ 170,015</u>

ii. Lease liabilities

June 30, 2019

Sister companies	<u>\$ 170,674</u>
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iii. Interest expense

**For the Six
Months Ended
June 30, 2019**

Sister companies	<u>\$ 1,422</u>
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3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>June 30, 2019</u>				
Sister companies	<u>\$ 170,423</u>	<u>\$ 36,297</u>	<u>\$ 9</u>	0.010-1.065
<u>December 31, 2018</u>				
Sister companies	<u>\$ 1,049,646</u>	<u>\$ 81,703</u>	<u>\$ 22</u>	0.010-1.065
<u>June 30, 2018</u>				
Sister companies	<u>\$ 1,045,143</u>	<u>\$ 1,045,143</u>	<u>\$ 11</u>	0.010-1.065

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>				
Sister companies	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 10,413</u>	0.400-0.700
<u>For the six months ended June 30, 2018</u>				
Sister companies	<u>\$ 2,540,000</u>	<u>\$ 2,540,000</u>	<u>\$ 1,142</u>	0.350-0.510

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the six months ended June 30, 2019</u>			
Sister companies	\$ 3,511,011	\$ 4,677	0.440-0.700
<u>For the six months ended June 30, 2018</u>			
Sister companies	163,717	514	0.360-0.520
Others	53,985	22	0.390-0.540

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)

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	Amount	%	Amount	%	Amount	%
Sister company						
TCB	<u>\$ 4,056,804</u>	<u>43</u>	<u>\$ 4,500,423</u>	<u>55</u>	<u>\$ 2,038,594</u>	<u>66</u>

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

	<u>For the Six Months Ended June 30, 2019</u>			
	Purchased Securities	Securities Purchase Under Resell Agreement		
	(Note)	Amount	Rate (%)	
Sister company				
TCBF	\$ 6,467,227	\$ 777,317	0.440-0.670	
	<u>For the Six Months Ended June 30, 2018</u>			
	Purchased Securities	Securities Purchase Under Resell Agreement		
	(Note)	Amount	Rate (%)	
Sister company				
TCBF	\$ 2,312,668	\$ 163,717	0.360-0.520	

Note: The amount includes securities purchased under resell agreements.

c) Payables

	June 30, 2019	December 31, 2018	June 30, 2018
Parent company	\$ 131,162	\$ 136,340	\$ 59,702
Associates	<u>-</u>	<u>-</u>	<u>2,518</u>
	<u>\$ 131,162</u>	<u>\$ 136,340</u>	<u>\$ 62,220</u>

d) Dividends payables

	June 30, 2019	December 31, 2018	June 30, 2018
Parent company	\$ 106,235	\$ -	\$ 107,704
Associates	<u>102,068</u>	<u>-</u>	<u>103,480</u>
	<u>\$ 208,303</u>	<u>\$ -</u>	<u>\$ 211,184</u>

e) Derivatives

For the six months ended June 30, 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	2019.6.17-2019.9.30	US\$120,641	\$ 9,231	Financial assets at fair value through profit or loss	\$ 9,231
		2019.5.2-2019.8.06	US\$ 5,351	(1,614)	Financial liabilities at fair value through profit or loss	(1,614)
	Associates - Banque Nationale De Paris, Taipei Branch	2019.5.20-2022.6.30	US\$139,259	46,408	Financial assets at fair value through profit or loss	46,408
		2019.6.21-2021.6.25	US\$ 10,047	(102)	Financial liabilities at fair value through profit or loss	(102)
		2019.1.28-2021.2.19	EUR 9,672	(4,069)	Financial liabilities at fair value through profit or loss	(4,069)

For the six months ended June 30, 2018

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

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

For the six months ended June 30, 2019 and 2018, the realized gains or losses on currency swaps with sister companies were \$114,243 thousand losses and \$6,417 thousand gains, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$162,656 thousand losses and \$38,329 thousand losses, respectively.

The BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (reported as other assets - refundable deposits other liabilities) depending on the value of the swaps. As of June 30, 2019, December 31, 2018 and June 30, 2018, the BPCTLI had received deposits of \$27,638 thousand, refundable deposits of \$2,767 thousand and \$178,184 thousand, respectively.

f) Operating expenses - insurance contract expenses

	For the Six Months Ended June 30	
	2019	2018
Sister company		
TCB	<u>\$ 529,603</u>	<u>\$ 381,201</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)

	June 30, 2019	December 31, 2018	June 30, 2018
Dividends payable			
Parent company	<u>\$ 272,510</u>	<u>\$ -</u>	<u>\$ -</u>

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

	For the Six Months Ended June 30	
	2019	2018
Management fee income		
Sister company	\$ 482	\$ 505
Others	<u>146,743</u>	<u>88,968</u>
	<u>\$ 147,225</u>	<u>\$ 89,473</u>

7) Taiwan Cooperative Venture Capital Co., Ltd.

	June 30, 2019	December 31, 2018	June 30, 2018
Cash in banks			
TCB	<u>\$ 134,740</u>	<u>\$ 42,356</u>	<u>\$ 24,823</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the six months ended June 30, 2019 and 2018, are summarized as follows:

	For the Six Months Ended June 30	
	2019	2018
Salaries and other short-term employment benefits	\$ 87,898	\$ 80,418
Post-employment benefits	3,922	3,585
Interest arising from the employees' preferential rate in excess of normal rates	<u>903</u>	<u>887</u>
	<u>\$ 92,723</u>	<u>\$ 84,890</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:

	June 30, 2019	December 31, 2018	June 30, 2018
Collateral for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collateral for domestic overdraft	32,310,000	31,610,000	31,610,000
Collateral for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collateral for overdraft of domestic RMB settlement	2,483,800	1,430,080	1,471,680
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,189,300	1,049,300	1,274,700
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	403,079	376,667	374,200
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	260,000	240,000	240,000
Collateral for overseas branch U.S. dollar settlement	34,943	130,931	34,703
Overseas branches' guarantee deposits for operation	6,212	6,147	6,115
Others	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>\$ 89,904,334</u>	<u>\$ 88,060,125</u>	<u>\$ 88,143,798</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 June 30, 2019, December 31, 2018 and June 30, 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	<u>Outstanding Balance Loan</u>	<u>Collateral Value</u>
June 30, 2019	<u>\$ 304,440</u>	<u>\$ 221,838</u>
December 31, 2018	<u>\$ 234,446</u>	<u>\$ 165,192</u>
June 30, 2018	<u>\$ 270,925</u>	<u>\$ 199,704</u>

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Taiwan Cooperative Financial Holding Co., Ltd.

As of June 30, 2019, TCFHC's outstanding major construction and procurement contracts amounted to \$150,490 thousand, of which \$99,244 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) As of June 30, 2019, TCB's outstanding major construction and procurement contracts amounted to \$5,800,733 thousand, of which \$333,161 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 BPCTLI 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 June 30, 2019, the commitments or contingencies arose from business were as follows:

	June 30, 2019
Guarantees of commercial paper	<u>\$ 29,161,200</u>
Purchase of reference-rate commercial paper	<u>\$ 4,940,000</u>

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

1) As of June 30, 2019, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$11,302 thousand, of which \$7,168 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 \$2,201 thousand loss.

43. FINANCIAL INSTRUMENTS

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

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 555,045,868	\$ 560,010,674	\$ 558,505,884	\$ 561,239,159	\$ 513,973,016	\$ 516,248,456
<u>Financial liabilities</u>						
Bonds payable	60,000,000	61,513,064	55,000,000	56,204,741	54,610,000	55,466,294

Fair value hierarchy as at June 30, 2019, December 31, 2018 and June 30, 2018:

June 30, 2019

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 560,010,674	\$ 8,915,847	\$ 551,094,827	\$ -
<u>Financial liabilities</u>				
Bonds payable	61,513,064	-	61,513,064	-

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	-

June 30, 2018

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

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 0.6071% and 1.1188%, between 0.6707% and 1.3055%, between 0.5039% and 1.3141% as of June 30, 2019, December 31, 2018 and June 30, 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 June 30, 2019, December 31, 2018 and June 30, 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Discount for lack of marketability			
Increase 10%	<u>\$ (744,987)</u>	<u>\$ (621,461)</u>	<u>\$ (753,464)</u>
Decrease 10%	<u>\$ 744,987</u>	<u>\$ 621,461</u>	<u>\$ 753,464</u>
Discount for minority interest			
Increase 10%	<u>\$ (238)</u>	<u>\$ (239)</u>	<u>\$ (252)</u>
Decrease 10%	<u>\$ 238</u>	<u>\$ 239</u>	<u>\$ 252</u>

- c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

1) Fair value hierarchy

Financial Instruments Measured at Fair Value	June 30, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,346,986	\$ 1,848,276	\$ 2,008	\$ 496,702
Debt instruments	9,812,673	4,978,022	4,834,651	-
Others	72,912,429	4,774,054	67,729,988	408,387
Financial assets at FVTOCI				
Equity instruments	16,915,257	11,902,074	-	5,013,183
Debt instruments	325,643,194	30,421,858	295,221,336	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,678,375)	(168,187)	(12,510,188)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	5,100,166	241,010	4,859,156	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,518,270)	-	(1,518,270)	-

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

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	177,919	-	177,919
Recognized in OCI (investment in equity instruments at FVTOCI)	-	639,706	639,706
Purchases	20,670	-	20,670
Disposals	(249,375)	-	(249,375)
Transferred into Level 3	31,903	-	31,903
Transferred out of Level 3	<u>(48,000)</u>	<u>-</u>	<u>(48,000)</u>
Balance at June 30, 2019	<u>\$ 905,089</u>	<u>\$ 5,013,183</u>	<u>\$ 5,918,272</u>
Balance at January 1, 2018	\$ 161,676	\$ 5,521,358	\$ 5,683,034
Recognized in profit	26,488	-	26,488
Recognized in OCI (investment in equity instruments at FVTOCI)	-	(109,287)	(109,287)
Purchases	25,000	75,000	100,000
Disposals	(3,064)	-	(3,064)
Transferred out of Level 3	<u>(48,000)</u>	<u>-</u>	<u>(48,000)</u>
Balance at June 30, 2018	<u>\$ 162,100</u>	<u>\$ 5,487,071</u>	<u>\$ 5,649,171</u>

The change in unrealized gains for the three months ended June 30, 2019 and 2018 included in profit or loss for assets held at the June 30, 2019 and 2018, respectively, was \$25,257 thousand and \$7,384 thousand.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Difference between carrying amount and contractual amount at maturity			
Fair value	\$ 12,510,188	\$ 11,483,955	\$ 11,409,998
Amount payable at maturity	<u>12,424,000</u>	<u>12,294,000</u>	<u>12,230,000</u>
	<u>\$ 86,188</u>	<u>\$ (810,045)</u>	<u>\$ (820,002)</u>
			Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change			
As of June 30, 2019			<u>\$ 1,481</u>
As of December 31, 2018			<u>\$ 15,666</u>
As of June 30, 2018			<u>\$ 16,748</u>

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

e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

2) Credit risk

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

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

3) Market risk

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

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

4) Liquidity risk

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

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

Taiwan Cooperative Bank Ltd. and subsidiary

1) Risk management

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

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

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

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

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

2) Credit risk

a) Credit risk management policy

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

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

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

i. Loans business (including loan commitment and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

TCB and its subsidiary conduct derivative transactions with other banks 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 (TCH).
- 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 (CCF), using the portion of the loan commitment that is expected to be used within 12 months of reporting date and expected duration to calculate expected credit loss and determine the exposure at default.

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

June 30, 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>\$ 20,671,129</u>	<u>\$ 1,580,138</u>	<u>\$ 19,090,991</u>	<u>\$ 56,531,976</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>

June 30, 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>\$ 17,810,315</u>	<u>\$ 1,886,262</u>	<u>\$ 15,924,053</u>	<u>\$ 42,143,145</u>

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in June 30, 2019, December 31, 2018 and June 20, 2018 were \$7,518,999 thousand, \$6,892,567 thousand and \$6,621,195 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	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 848,557,282	40	\$ 843,564,027	41	\$ 831,000,224	40
Manufacturing	401,617,124	19	387,603,437	19	384,115,922	18

iii. Master netting arrangement

TCB and its subsidiary settle most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or in some circumstances where the transactions are terminated because of a counterparty's default.

d) Maximum exposures to credit risks

The maximum exposures to credit risks of assets on the consolidated balance sheets without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts.

The maximum exposures of financial instrument to credit risks which was not applicable to impairment is as follow:

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets at fair value through profit or loss - debt instrument	\$ 4,334,402	\$ 2,561,635	\$ 781,338

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

	June 30, 2019			Difference of Impairment Loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)		
Maximum exposures to credit risk	\$ 224,442,601	\$ 17,450	\$ 127,786	\$ -	\$ 224,587,837
Allowance for possible losses	(589,143)	(47)	(19,057)	-	(608,247)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(498,819)	(498,819)
	<u>\$ 223,853,458</u>	<u>\$ 17,403</u>	<u>\$ 108,729</u>	<u>\$ (498,819)</u>	<u>\$ 223,480,771</u>
	December 31, 2018			Difference of Impairment Loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)		
Maximum exposures to credit risk	\$ 221,894,310	\$ 202,073	\$ 131,786	\$ -	\$ 222,228,169
Allowance for possible losses	(564,424)	(387)	(18,827)	-	(583,638)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(577,117)	(577,117)
	<u>\$ 221,329,886</u>	<u>\$ 201,686</u>	<u>\$ 112,959</u>	<u>\$ (577,117)</u>	<u>\$ 221,067,414</u>

June 30, 2018					
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Maximum exposures to credit risk	\$ 245,285,282	\$ 415,870	\$ 188,481	\$ -	\$ 245,889,633
Allowance for possible losses	(547,386)	(1,731)	(20,309)	-	(569,426)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(473,015)	(473,015)
	<u>\$ 244,737,896</u>	<u>\$ 414,139</u>	<u>\$ 168,172</u>	<u>\$ (473,015)</u>	<u>\$ 244,847,192</u>

TCB and its subsidiary’s management believes its ability to minimize credit risk exposures on off-balance sheet items is mainly due to its rigorous evaluation of credit extended and the periodic reviews of these credits.

Some financial assets held by TCB and its subsidiary, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, call loans to security firms, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have high credit ratings.

In addition to the above assets, credit quality analysis of other financial assets are as follows:

a) Credit quality analysis of discounts, loans and receivables

June 30, 2019					
	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	\$ 2,116,272,022	\$ 4,174,217	\$ 33,411,406	\$ -	\$ 2,153,857,645
Allowance for possible losses	(4,331,406)	(22,162)	(4,175,447)	-	(8,529,015)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(19,130,334)	(19,130,334)
	<u>\$ 2,111,940,616</u>	<u>\$ 4,152,055</u>	<u>\$ 29,235,959</u>	<u>\$ (19,130,334)</u>	<u>\$ 2,126,198,296</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>

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

June 30, 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	\$ 16,472,832	\$ 45,948	\$ 164,311	\$ 3,401,625	\$ -	\$ 20,084,716
Allowance for possible losses	(38,245)	(11,487)	(56,193)	(509,361)	-	(615,286)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(95,801)	(95,801)
	<u>\$ 16,434,587</u>	<u>\$ 34,461</u>	<u>\$ 108,118</u>	<u>\$ 2,892,264</u>	<u>\$ (95,801)</u>	<u>\$ 19,373,629</u>

December 31, 2018						
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	\$ 15,705,978	\$ 44,951	\$ 154,180	\$ 3,270,952	\$ -	\$ 19,176,061
Allowance for possible losses	(46,043)	(11,458)	(36,154)	(514,986)	-	(608,641)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(105,414)	(105,414)
	<u>\$ 15,659,935</u>	<u>\$ 33,493</u>	<u>\$ 118,026</u>	<u>\$ 2,755,966</u>	<u>\$ (105,414)</u>	<u>\$ 18,462,006</u>

June 30, 2018

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

b) Credit quality analysis of securities

June 30, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 269,560,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,560,494</u>
Investments in debt instruments at amortized cost	\$ 553,051,149	\$ -	\$ -	\$ 553,051,149
Allowance for possible losses	<u>(46,413)</u>	<u>-</u>	<u>-</u>	<u>(46,413)</u>
	<u>\$ 553,004,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 553,004,736</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
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>

June 30, 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 232,830,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,830,711</u>
Investments in debt instruments at amortized cost	\$ 514,001,376	\$ -	\$ -	\$ 514,001,376
Allowance for possible losses	<u>(42,461)</u>	<u>-</u>	<u>-</u>	<u>(42,461)</u>
	<u>\$ 513,958,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,958,915</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	June 30, 2019	December 31, 2018	June 30, 2018
Interest rate risk	Interest rate curve increased 100 basis points	\$ (302,454)	\$ (72,019)	\$ 98,231
	Interest rate curve fell 100 basis points	318,311	78,211	(110,613)
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(226,041)	(319,033)	(260,442)
	USD/NT\$, EUR/NT\$ fell 3%	226,041	319,033	260,442
	Others (RMB, AUD etc.)/ NT\$ increased 5%	5,832	16,140	14,291
	Others (RMB, AUD etc.)/ NT\$ fell 5%	(5,832)	(16,140)	(14,291)
Equity security price risk	Equity security price increased by 15%	185,152	66,851	153,557
	Equity security price fell by 15%	(185,152)	(66,751)	(153,038)

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.

Taiwan Cooperative Bank, Ltd.

	For the Six Months Ended June 30			
	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	\$ 37,311,016	2.60	\$ 39,321,690	2.69
Due from the Central Bank	171,741,013	0.37	165,752,493	0.35
Call loans to banks and other financial assets - call loans to security firms	67,974,668	1.60	67,962,885	2.11
Financial assets mandatorily classified as at fair value through profit or loss	18,340,291	0.67	7,236,608	0.71
Securities purchased under resell agreements	1,478,526	0.57	20,721	0.39
Discounts and loans	2,114,000,320	2.16	2,059,889,979	2.04
Financial assets at fair value through other comprehensive income	257,569,038	1.95	231,018,951	1.98
Investments in debt instruments at amortized cost	558,906,287	0.88	515,464,867	0.84
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	231,815,420	1.41	243,381,586	0.94
Financial liabilities designated as at fair value through profit or loss	12,396,166	4.83	11,846,309	4.65
Securities sold under repurchase agreements	9,035,380	0.52	10,393,654	0.23
Demand deposits	514,151,940	0.17	506,842,813	0.15

(Continued)

	For the Six Months Ended June 30			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Savings - demand deposits	\$ 872,573,155	0.27	\$ 831,391,597	0.28
Time deposits	606,149,564	1.61	514,793,957	1.35
Time savings deposits	627,859,057	1.06	640,985,933	1.06
Treasury deposits	93,498,864	0.66	90,940,668	0.64
Negotiable certificates of deposits	51,772,426	0.74	22,981,337	0.48
Structured products	2,768,277	1.94	1,450,710	2.34
Bank debentures	55,138,122	1.50	62,565,801	1.38
Lease liabilities	1,507,338	2.82	-	-

(Concluded)

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

(In Thousands)

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 12,196,116	31.0600	\$ 378,811,373
RMB	14,615,034	4.5160	66,001,494
AUD	1,405,817	21.7450	30,569,493
EUR	404,225	35.3100	14,273,191
JPY	31,221,197	0.2885	9,007,315
HKD	2,247,214	3.9730	8,928,181
ZAR	3,098,593	2.1900	6,785,919
GBP	63,099	39.3600	2,483,586
KHR	222,149,602	0.0076	1,688,337
NZD	30,458	20.8000	633,517
CHF	3,987	31.8250	126,884
CAD	1,974	23.7200	46,815
SGD	1,704	22.9500	39,104
SEK	9,759	3.3500	32,693
THB	12,788	1.0145	12,974
PHP	3,127	0.6061	1,895
<u>Financial liabilities</u>			
USD	13,990,658	31.0600	434,549,845
RMB	13,074,377	4.5160	59,043,887
AUD	1,142,786	21.7450	24,849,887
JPY	35,365,660	0.2885	10,202,993
EUR	226,442	35.3100	7,995,655
ZAR	3,547,219	2.1900	7,768,410
HKD	1,585,861	3.9730	6,300,624
NZD	165,276	20.8000	3,437,733
GBP	39,215	39.3600	1,543,510
CAD	56,835	23.7200	1,348,116

(Continued)

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
KHR	\$ 142,100,429	0.0076	\$ 1,079,963
CHF	8,194	31.8250	260,777
SGD	8,383	22.9500	192,384
SEK	27,343	3.3500	91,598
THB	14,563	1.0145	14,774
PHP	8,225	0.6061	4,985
MYR	-	7.4960	2

(Concluded)

	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

Financial liabilities

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

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

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 28.33% in June 2019, 27.17% in December 2018 and 25.35% in June 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.

June 30, 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	\$ 156,013,307	\$ 64,088,765	\$ 7,581,223	\$ 2,468,764	\$ -	\$ 230,152,059
Financial liabilities at fair value through profit or loss	-	-	-	-	12,424,000	12,424,000
Securities sold under repurchase agreements	2,804,665	2,542,469	1,410,420	100,589	-	6,858,143
Payables	31,214,983	4,304,983	2,473,419	4,162,313	2,020,147	44,175,845
Deposits and remittances	321,083,269	375,168,776	373,780,857	649,190,694	1,108,932,181	2,828,155,777
Bank debentures	-	-	1,000,000	7,500,000	51,500,000	60,000,000
Lease liabilities	42,953	71,483	167,201	265,349	1,145,480	1,692,466
Other items of cash outflow on maturity	2,462,153	388	482	792,071	21,649	3,276,743

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

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 182,362,857	\$ 56,648,929	\$ 9,707,238	\$ 2,181,733	\$ -	\$ 250,900,757
Financial liabilities at fair value through profit or loss	-	-	-	-	12,230,000	12,230,000
Securities sold under repurchase agreements	4,420,030	2,934,474	1,750,180	262,561	-	9,367,245
Payables	33,423,694	1,243,013	2,383,525	3,890,081	1,568,229	42,508,542
Deposits and remittances	298,968,731	352,701,182	389,698,000	626,935,099	1,033,172,065	2,701,475,077
Bank debentures	4,610,000	-	-	-	50,000,000	54,610,000
Other items of cash outflow on maturity	3,049,101	19,770	1,797	3,594	35,743	3,110,005

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of June 30, 2019, December 31, 2018 and June 30, 2018 must be repaid soon, the capital expenditure will be increased by \$1,442,426,188 thousand, \$1,409,026,262 thousand and \$1,365,952,835 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

June 30, 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	\$ 140	\$ 341	\$ -	\$ 65	\$ -	\$ 546
Interest	(1,067)	(232)	(1,025)	(1,489)	(1,270)	(5,083)

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)

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 894	\$ 1,103	\$ 89	\$ 59	\$ -	\$ 2,145
Interest	(3,565)	(301)	(3,617)	(1,728)	(3,356)	(12,567)

b) Derivative financial liabilities to be settled at gross amounts

June 30, 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	\$ 50,834,444	\$ 53,108,723	\$ 24,383,249	\$ 6,249,973	\$ 91,535	\$ 134,667,924
Cash inflow	51,317,749	53,643,138	24,615,508	6,384,181	91,977	136,052,553
Interest derivatives						
Cash outflow	471,203	-	62,881	84,494	-	618,578
Cash inflow	462,700	-	61,849	82,103	-	606,652
Total cash outflow	51,305,647	53,108,723	24,446,130	6,334,467	91,535	135,286,502
Total cash inflow	51,780,449	53,643,138	24,677,357	6,466,284	91,977	136,659,205
Net cash flow	474,802	534,415	231,227	131,817	442	1,372,703

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

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 106,828,212	\$ 61,849,102	\$ 11,180,489	\$ 3,496,405	\$ 1,960,635	\$ 185,314,843
Cash inflow	109,308,095	63,155,536	11,547,981	3,584,398	1,995,523	189,591,533
Interest derivatives						
Cash outflow	24,860	570,219	474,280	10,200,630	20,911,744	32,181,733
Cash inflow	-	541,810	428,373	1,194,659	27,487,670	29,652,512
Total cash outflow	106,853,072	62,419,321	11,654,769	13,697,035	22,872,379	217,496,576
Total cash inflow	109,308,095	63,697,346	11,976,354	4,779,057	29,483,193	219,244,045
Net cash flow	2,455,023	1,278,025	321,585	(8,917,978)	6,610,814	1,747,469

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

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,995,075	\$ 3,014,586	\$ 4,657,171	\$ 8,673,786	\$ 46,748,963	\$ 66,089,581
Irrevocable credit card commitments	590,312	634,625	847,102	1,126,303	46,719,012	49,917,354
Letters of credit issued yet unused	3,306,412	9,814,609	1,421,887	966,760	1,856,625	17,366,293
Other guarantees	6,107,915	3,755,400	3,172,978	10,100,148	68,078,168	91,214,609

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

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

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

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

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

1) Market risk

a) Market risk source and market risk factors

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

b) Market risk strategy and procedures

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

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

In line with hedging against interest rate risk, the investment selection includes an assessment of the financial instrument issuers' credit and financial condition, the investing countries' risk condition and interest rate movements. If a foreign currency risk pertains to overseas investments, BPCTLI uses 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 \$441,760 thousand, \$469,775 thousand and \$469,852 thousand as of June 30, 2019, December 31, 2018 and June 30, 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 June 30, 2019, December 31, 2018 and June 30, 2018 the fair values of financial assets would have decreased by \$24,601 thousand, \$23,876 thousand and \$22,319 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on June 30, 2019, December 31, 2018 and June 30, 2018, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$14,306 thousand, \$17,476 thousand and \$19,071 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the six months ended June 30, 2019 and 2018 and for the whole year ended December 31, 2018, the income before income tax would have decreased \$176,487 thousand, \$199,599 thousand and \$192,483 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of June 30, 2019, December 31, 2018 and June 30, 2018.

June 30, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 57,486	31.05	\$ 1,785,175
ZAR	457,327	2.19	1,002,233
RMB	207,382	4.516	936,539
AUD	29,962	21.76	651,815
Receivables			
USD	4,237	31.05	131,566
RMB	4,000	4.516	18,062
EUR	784	35.29	27,676
Financial assets at FVTPL			
USD	3,219	31.05	99,972
Financial assets at FVTOCI			
USD	497,953	31.05	15,463,427
RMB	292,008	4.516	1,318,708
EUR	62,276	35.29	2,197,725
Financial assets at amortized cost			
USD	5,427	31.05	168,532
EUR	9,595	35.29	338,605

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
RMB	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			
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

June 30, 2018

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

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 June 30, 2019, December 31, 2018 and June 30, 2018, the losses on financial assets of the BPCTLI would have been \$906,556 thousand, \$913,618 thousand and \$946,237 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

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

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

ii. Stress testing

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

iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

	June 30, 2019		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 15,087,557	\$ 15,115,058	40
Domestic investment - corporate bonds (twAAA - twAA)	2,950,661	2,950,661	8
Overseas investment - government bonds	1,496,455	1,542,928	4
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,469,276	15,469,851	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,521,266</u>	<u>2,521,266</u>	<u>7</u>
	<u>\$ 37,525,215</u>	<u>\$ 37,599,764</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>
	June 30, 2018		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 19,653,748	\$ 19,653,748	48
Domestic investment - corporate bonds (twAAA - twAA)	1,641,635	1,641,635	4
Overseas investment - government bonds	808,088	808,088	2
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,732,470	16,732,470	40
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,497,539</u>	<u>2,497,539</u>	<u>6</u>
	<u>\$ 41,333,480</u>	<u>\$ 41,333,480</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.

	June 30, 2019			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 22,236	\$ 3,150	\$ -	\$ -
	December 31, 2018			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 19,171	\$ -	\$ -	\$ -
	June 30, 2018			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ (376,064)	\$ -	\$ -	\$ -

- 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	\$ 35	\$ -	
2011	4,170	7,263	7,786	7,854	7,854	8,034	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	21,112	-	
2013	19,586	27,531	27,762	28,666	28,555	28,551	28,553	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	31,018	1	
2015	35,899	42,080	42,346	42,353	42,361	42,361	42,362	42,362	42,362	42,362	42,362	1	
2016	26,485	31,219	31,407	31,431	31,438	31,438	31,439	31,439	31,439	31,439	31,439	8	
2017	53,250	63,055	58,287	59,596	59,607	59,607	59,609	59,609	59,609	59,609	59,609	1,322	
2018	35,690	45,314	45,800	46,098	46,108	46,108	46,110	46,110	46,110	46,110	46,110	796	
2019	80,170	104,115	104,779	111,104	111,118	111,118	111,120	111,120	111,120	111,120	111,120	30,950	
												Incurred but not reported	33,078
												Reported but not paid	30,820
												Balance of claim reserve	<u>\$ 63,898</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	\$ 35	\$ -	
2011	4,170	7,263	7,786	7,854	7,854	8,034	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	19,065	-	
2013	19,497	26,841	27,071	27,975	27,864	27,860	27,861	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	30,320	1	
2015	31,538	37,711	37,977	37,985	37,992	37,992	37,993	37,993	37,993	37,993	37,993	1	
2016	25,930	30,590	30,778	30,802	30,808	30,808	30,810	30,810	30,810	30,810	30,809	7	
2017	51,121	58,887	56,118	57,145	57,156	57,156	57,158	57,158	57,158	57,158	57,158	1,040	
2018	34,932	44,372	44,850	45,120	45,130	45,130	45,132	45,132	45,132	45,132	45,131	759	
2019	62,315	78,820	79,483	82,151	82,165	82,165	82,167	82,167	82,167	82,167	82,167	19,852	
												Incurring but not reported	21,660
												Reported but not paid	<u>27,614</u>
												Balance of claim reserve	<u>\$ 49,274</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.

	June 30, 2019		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 33,362	\$ 26,689
Discount rate	(0.25%)	(33,436)	(26,749)
Mortality rate	10.00%	(12,223)	(9,778)
Mortality rate	(10.00%)	12,221	9,777
Withdrawal rate	30.00%	6,860	5,488
Withdrawal rate	(30.00%)	(6,840)	(5,472)
Illness rate/loss rate	15.00%	(8,302)	(6,642)
Expense rate	10.00%	(34,685)	(27,748)
	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)

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

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

g. Transfers of financial assets

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

June 30, 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	\$ 23,911,060	\$ 24,113,525	\$ 23,911,060	\$ 24,113,525	\$ (202,465)
Financial assets at FVTOCI - securities sold under repurchase agreements	18,793,372	19,489,496	18,793,372	19,489,496	(696,124)
Securities purchased under sell agreements - securities sold under repurchase agreements	32,113	45,445	32,113	45,445	(13,332)

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)

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

h. Offsetting financial assets and financial liabilities

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

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

June 30, 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	\$ 2,110,685	\$ -	\$ 2,110,685	\$ (2,110,685)	\$ -	\$ -

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	\$ 43,648,466	\$ -	\$ 43,648,466	\$ (42,189,843)	\$ -	\$ 1,458,623

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

June 30, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 798,397	\$ -	\$ 798,397	\$ (771,463)	\$ -	\$ 26,934

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 39,327,825	\$ -	\$ 39,327,825	\$ (38,790,199)	\$ -	\$ 537,626

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%. The CARs of TCBF were 13.28%, 15.18% and 16.71% as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 150% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 150%, the authority may impose certain restrictions on a firm's operations. The CAR of TCS was 388%, 325% and 334% as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

The Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%. The CARs of BPCTLI were 1,310.76%, 1,097.71% and 1,162.48% as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

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

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 3 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 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	18.42
2	Group B Real estate development	15,913,126	7.24
3	Group C Harbor services	15,909,166	7.24
4	Group D Computers and computing peripheral equipment manufacturing	12,139,448	5.52
5	Group E Cotton and textile	11,202,509	5.10
6	Group F Computer manufacturing	10,294,832	4.69
7	Group G Shipping agency	10,230,752	4.66
8	Group H Petroleum and coal products manufacturing	10,172,276	4.63
9	Group I Iron and steel smelting	10,044,959	4.57
10	Group J Cotton and textile	9,566,146	4.35

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2018		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 41,951,293	20.65
2	Group C Harbor services	17,064,393	8.40
3	Group H Petroleum and coal products manufacturing	16,532,541	8.14
4	Group E Cotton and textile	11,884,931	5.85
5	Group D Computers and computing peripheral equipment manufacturing	11,607,634	5.71
6	Group B Real estate development	10,284,932	5.06
7	Group G Shipping agency	9,682,597	4.77
8	Group I Iron and steel smelting	9,235,865	4.55
9	Group K Real estate development	9,164,087	4.51
10	Group L Harbor services	8,465,082	4.17

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 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	22.29
2	Group B Real estate development	1,010,000	15.42
3	Group C Rolling and extruding of iron and steel	1,004,000	15.33
4	Group D Real estate development	825,000	12.60
5	Group E Real estate development	715,200	10.92
6	Group F Shipping agency	700,000	10.69
7	Group G Other retail sale in non-specialized stores	690,000	10.54
8	Group H Manmade fiber manufacturing	650,000	9.92
9	Group I Real estate development	645,000	9.85
10	Group J Real estate development	618,000	9.44

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	June 30, 2018		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Other financial intermediation not elsewhere classified	\$ 1,460,000	24.05
2	Group I Other financial intermediation not elsewhere classified	750,000	12.36
3	Group F Shipping agency	700,000	11.53
4	Group K Real estate development	688,500	11.34
5	Group J Real estate development	657,000	10.82
6	Group H Manmade fiber manufacturing	655,000	10.79
7	Group L Wholesale of motor vehicles and motorcycles parts and accessories	650,000	10.71
8	Group B Real estate development	630,000	10.38
9	Group M Pulp manufacturing	590,000	9.72
10	Group N Manmade fiber manufacturing	535,000	8.81

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 - Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
June 30, 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	\$ 2,289,050,091	\$ 123,260,266	\$ 20,389,448	\$ 297,439,792	\$ 2,730,139,597
Interest rate-sensitive liabilities	940,454,589	1,363,167,873	101,327,630	51,963,221	2,456,913,313
Interest rate sensitivity gap	1,348,595,502	(1,239,907,607)	(80,938,182)	245,476,571	273,226,284
Net worth					196,801,482
Ratio of interest rate-sensitive assets to liabilities					111.12
Ratio of interest rate sensitivity gap to net worth					138.83

**Interest Rate Sensitivity
June 30, 2018**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,273,380,766	\$ 92,128,193	\$ 12,630,064	\$ 245,508,604	\$ 2,623,647,627
Interest rate-sensitive liabilities	966,927,179	1,307,100,789	97,744,838	45,832,851	2,417,605,657
Interest rate sensitivity gap	1,306,453,587	(1,214,972,596)	(85,114,774)	199,675,753	206,041,970
Net worth					183,414,866
Ratio of interest rate-sensitive assets to liabilities					108.52
Ratio of interest rate sensitivity gap to net worth					112.34

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

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

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

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

**Interest Rate Sensitivity
June 30, 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	\$ 12,433,411	\$ 1,016,317	\$ 333,732	\$ 1,723,190	\$ 15,506,650
Interest rate-sensitive liabilities	15,154,136	1,230,282	1,519,613	-	17,904,031
Interest rate sensitivity gap	(2,720,725)	(213,965)	(1,185,881)	1,723,190	(2,397,381)
Net worth					738,356
Ratio of interest rate-sensitive assets to liabilities					86.61
Ratio of interest rate sensitivity gap to net worth					(324.69)

Interest Rate Sensitivity
June 30, 2018

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 12,590,382	\$ 892,411	\$ 353,227	\$ 1,377,110	\$ 15,213,130
Interest rate-sensitive liabilities	14,005,380	1,244,904	1,075,638	27,749	16,353,671
Interest rate sensitivity gap	(1,414,998)	(352,493)	(722,411)	1,349,361	(1,140,541)
Net worth					645,018
Ratio of interest rate-sensitive assets to liabilities					93.03
Ratio of interest rate sensitivity gap to net worth					(176.82)

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).

d. Profitability

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

(%)

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	0.56	0.55
	After income tax	0.47	0.47
Return on equity	Before income tax	9.35	9.28
	After income tax	7.89	7.87
Net income ratio		35.26	35.40

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	6.90	7.04
	After income tax	6.92	7.06
Return on equity	Before income tax	7.82	7.79
	After income tax	7.83	7.81
Net income ratio		99.01	99.07

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	0.54	0.53
	After income tax	0.45	0.44
Return on equity	Before income tax	8.40	8.46
	After income tax	7.07	7.12
Net income ratio		33.33	33.58

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	0.88	1.31
	After income tax	0.84	1.30
Return on equity	Before income tax	6.84	10.22
	After income tax	6.50	10.08
Net income ratio		74.26	112.91

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	1.44	0.26
	After income tax	1.34	0.21
Return on equity	Before income tax	7.04	1.33
	After income tax	6.57	1.08
Net income ratio		31.17	7.38

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

(%)

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	0.78	0.72
	After income tax	0.64	0.62
Return on equity	Before income tax	12.87	12.79
	After income tax	10.55	11.02
Net income ratio		51.27	51.18

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 - Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
June 30, 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	\$ 3,116,287,887	\$ 519,236,693	\$ 235,415,738	\$ 176,632,295	\$ 208,682,829	\$ 359,697,647	\$ 1,616,622,685
Main capital outflow on maturity	3,589,629,740	222,755,182	204,052,716	461,987,378	417,757,264	658,263,874	1,624,813,326
Gap	(473,341,853)	296,481,511	31,363,022	(285,355,083)	(209,074,435)	(298,566,227)	(8,190,641)

Maturity Analysis of Assets and Liabilities
June 30, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,047,393,428	\$ 426,332,257	\$ 345,578,940	\$ 191,874,899	\$ 200,953,726	\$ 359,068,639	\$ 1,523,584,967
Main capital outflow on maturity	3,555,175,729	268,519,712	196,820,483	441,269,804	432,835,453	639,729,757	1,576,000,520
Gap	(507,782,301)	157,812,545	148,758,457	(249,394,905)	(231,881,727)	(280,661,118)	(52,415,553)

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

Maturity Analysis of Assets and Liabilities
June 30, 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	\$ 24,639,503	\$ 8,067,286	\$ 4,895,096	\$ 2,735,619	\$ 848,538	\$ 8,092,964
Main capital outflow on maturity	28,915,588	12,510,853	5,981,545	2,726,180	4,316,122	3,380,888
Gap	(4,276,085)	(4,443,567)	(1,086,449)	9,439	(3,467,584)	4,712,076

Maturity Analysis of Assets and Liabilities
June 30, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 24,875,859	\$ 8,072,582	\$ 6,352,560	\$ 2,825,291	\$ 872,100	\$ 6,753,326
Main capital outflow on maturity	28,834,723	12,053,876	6,971,866	2,918,711	3,712,468	3,177,802
Gap	(3,958,864)	(3,981,294)	(619,306)	(93,420)	(2,840,368)	3,575,524

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

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

June 30, 2019

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	\$ 15,699,234	\$ 15,934,157	\$ 1,375,115	\$ -	\$ -
	Bonds	100,000	-	100,000	797,202	13,940,420
	Cash in bank	221,894	70,000	-	200	-
	Total	16,021,128	16,004,157	1,475,115	797,402	13,940,420
Source of funds	Borrowings	12,450,000	-	-	-	-
	Securities sold under repurchase agreements	27,397,927	3,155,265	75,142	-	-
	Total	39,847,927	3,155,265	75,142	-	-
Net flows		(23,826,799)	12,848,892	1,399,973	797,402	13,940,420
Accumulated capital net flows		(23,826,799)	(10,977,907)	(9,577,934)	(8,780,532)	5,159,888

June 30, 2018

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	\$ 16,945,361	\$ 13,185,940	\$ 3,919,665	\$ 502,398	\$ -
	Bonds	-	-	725,000	200,000	3,490,713
	Cash in bank	1,222,714	70,000	-	200	-
	Total	18,168,075	13,255,940	4,644,665	702,598	3,490,713
Source of funds	Borrowings	14,385,000	-	-	-	-
	Securities sold under repurchase agreements	20,918,560	1,367,779	-	-	-
	Total	35,303,560	1,367,779	-	-	-
Net flows		(17,135,485)	11,888,161	4,644,665	702,598	3,490,713
Accumulated capital net flows		(17,135,485)	(5,247,324)	(602,659)	99,939	3,590,652

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	December 31,			Trust Liabilities	December 31,		
	June 30, 2019	2018	June 30, 2018		June 30, 2019	2018	June 30, 2018
Cash in banks	\$ 4,214,646	\$ 5,038,852	\$ 4,506,930	Payables			
Short-term investments				Accrued expense	\$ 497	\$ 2,661	\$ 1,771
Mutual funds	169,032,846	168,601,296	166,754,414	Others	33	2,294	2,311
Stocks	1,316,310	1,045,199	1,294,381	Mutual funds	-	200	-
Debt instruments	4,656,006	3,976,219	3,293,364		530	5,155	4,082
Structured products	132,056	165,591	183,993	Accounts payable on securities under custody	152,000,696	115,683,741	118,129,238
	<u>175,137,218</u>	<u>173,788,305</u>	<u>171,526,152</u>	Trust capital			
Securities lending	139,696	278,417	188,722	Cash	177,137,258	176,013,465	173,417,179
Receivables	8,496	5,669	11,522	Real estate	71,574,602	73,184,329	63,485,063
Real estate				Leasehold	60,940	60,940	-
Land	55,217,597	56,391,821	49,004,520	Securities	1,295,053	1,324,259	1,314,952
Buildings	7,600	8,523	8,523	Others	92,404	119,350	119,130
Construction in process	15,544,278	15,137,667	13,271,643		250,160,257	250,702,343	238,336,324
	<u>70,769,475</u>	<u>71,538,011</u>	<u>62,284,686</u>	Reserves and retained earnings			
Intangible assets				Net income	108,908	11,725	119,981
Leasehold	60,940	60,940	-	Appropriation	(241,186)	(248,802)	(188,000)
Securities under custody	152,000,696	115,683,741	118,129,238	Retained earnings	301,962	239,773	245,625
					169,684	2,696	177,606
Total	\$ 402,331,167	\$ 366,393,935	\$ 356,647,250	Total	\$ 402,331,167	\$ 366,393,935	\$ 356,647,250

Trust Property List

Investment Items	June 30, 2019	December 31, 2018	June 30, 2018
Cash in banks	\$ 4,214,646	\$ 5,038,852	\$ 4,506,930
Short-term investments			
Mutual funds	169,032,846	168,601,296	166,754,414
Stocks	1,316,310	1,045,199	1,294,381
Debt instruments	4,656,006	3,976,219	3,293,364
Structured products	132,056	165,591	183,993
Securities lending	139,696	278,417	188,722
Receivables			
Accrued interest	3,027	3,857	4,573
Cash dividends	4,451	-	5,068
Receivable on the sale of securities	-	200	-
Others	1,018	1,612	1,881
Real estate			
Land	55,217,597	56,391,821	49,004,520
Buildings	7,600	8,523	8,523
Construction in process	15,544,278	15,137,667	13,271,643
Intangible assets			
Leasehold	60,940	60,940	-
Securities under custody	<u>152,000,696</u>	<u>115,683,741</u>	<u>118,129,238</u>
Total	<u>\$ 402,331,167</u>	<u>\$ 366,393,935</u>	<u>\$ 356,647,250</u>

Statements of Income on Trust Accounts For the Six Months Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Interest revenue	\$ 2,934	\$ 3,901
Cash dividends	5,489	5,924
Realized gain on investment -stocks	-	4,584
Unrealized gain on investment - stocks	237,495	185,192
Realized gain on investment -mutual funds	151	71
Rentals	2,355	3,218
Others	167	93
Total revenues	<u>248,591</u>	<u>202,983</u>
Expenses		
Management fees	2,087	1,976
Taxes	30	5
Service charge	122	110
Postage	22	21
Unrealized loss on investment - stocks	137,311	80,465
Realized loss on investment - mutual funds	43	332
Others	68	93
Total expenses	<u>139,683</u>	<u>83,002</u>
Income before income tax	108,908	119,981
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 108,908</u>	<u>\$ 119,981</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 three years (for five years before January 1, 2018). (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, TCB's accrued receivables were \$2,615 thousand, \$3,168 thousand and \$4,905 thousand, respectively. TCB's revenues from cross-selling transactions were \$5,451 thousand and \$5,455 thousand for the six months ended June 30, 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 June 30, 2019, December 31, 2018 and June 30, 2018, TCB's accrued receivables were \$2,012 thousand, \$2,541 thousand and \$2,573 thousand, respectively. TCB's revenues from cross-selling transactions were \$16,399 thousand and \$19,229 thousand for the six months ended June 30, 2019 and 2018, respectively.

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

Table 4 (attached).

49. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 5 (attached).

50. FINANCIAL HOLDING COMPANY ACT NO. 46 ANNOUNCEMENT

Table 6 (attached).

51. CASH FLOW INFORMATION

a. Non-Cash financing activities

Undistributed cash dividends approved by stockholders' meetings are \$9,826,227 thousand, \$305,577 thousand and \$9,611,791 thousand as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

b. Changes in liabilities arising from financing activities

For the six months ended June 30, 2019

			<u>Non-cash Changes</u>			
	Opening Balance	Cash Inflows (Outflows)	New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Financial liabilities designated as at fair value through profit or loss - bank debentures	\$ 11,483,955	\$ -	\$ -	\$ 14,185	\$ 1,012,048	\$ 12,510,188
Commercial paper issued	26,091,523	(525,000)	-	-	5,898	25,572,421
Bonds payable	55,000,000	5,000,000	-	-	-	60,000,000
Other borrowings	2,425,405	180,735	-	-	6,395	2,612,535
Guarantee deposits received	1,334,404	77,833	-	-	436	1,412,673
Lease liabilities	1,528,139	(279,743)	309,913	-	6,501	1,564,810
Other liabilities - other	91,155	(9,576)	-	-	(1,824)	79,755
	<u>\$ 97,954,581</u>	<u>\$ 4,444,249</u>	<u>\$ 309,913</u>	<u>\$ 14,185</u>	<u>\$ 1,029,454</u>	<u>\$ 103,752,382</u>

For the six months ended June 30, 2018

			<u>Non-cash Changes</u>			
	Opening Balance	Cash Inflows (Outflows)	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance	
Financial liabilities designated as at fair value through profit or loss - bank debentures	\$ 11,688,291	\$ -	\$ (14,334)	\$ (263,959)	\$ 11,409,998	
Commercial paper issued	25,657,429	(6,813,000)	-	1,322	18,845,751	
Bonds payable	64,610,000	(10,000,000)	-	-	54,610,000	
Other borrowings	800,027	1,380,867	-	3,275	2,184,169	
Guarantee deposits received	1,605,813	(365,594)	-	(2,162)	1,238,057	
Other liabilities - other	90,048	2,113	-	(4,156)	88,005	
	<u>\$ 104,451,608</u>	<u>\$ (15,795,614)</u>	<u>\$ (14,334)</u>	<u>\$ (265,680)</u>	<u>\$ 88,375,980</u>	

52. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - Table 7 (attached).
- 2) Endorsement/guarantee provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - none.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company - Table 8 (attached).
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company - 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: Table 9 (attached).
 - 9) Sale of nonperforming loans by subsidiaries: Table 10 (attached).
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 11 (attached).
 - 11) Percentage share in investees and related information: Table 12 (attached).
 - 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 13 (attached)
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 14 (attached).

53. OPERATING SEGMENTS

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

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

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

The revenue, expenses and related information of the Company's reportable segments for the six months ended June 30, 2019 and 2018 are as follows:

	For the Six Months Ended June 30, 2019				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 16,995,522	\$ 618,554	\$ 17,614,076	\$ 3,639	\$ 17,617,715
Net revenues and gains other than interest	<u>5,791,092</u>	<u>9,282,347</u>	<u>15,073,439</u>	<u>(8,595,342)</u>	<u>6,478,097</u>
Net revenues	22,786,614	9,900,901	32,687,515	(8,591,703)	24,095,812
Bad-debt expenses and provision for losses on commitment and guarantees	(2,453,448)	(14,559)	(2,468,007)	-	(2,468,007)
Net change in reserves for insurance liabilities	-	825,881	825,881	-	825,881
Operating expenses	<u>(11,314,198)</u>	<u>(1,191,675)</u>	<u>(12,505,873)</u>	<u>123,362</u>	<u>(12,382,511)</u>
Income before income tax	<u>\$ 9,018,968</u>	<u>\$ 9,520,548</u>	<u>\$ 18,539,516</u>	<u>\$ (8,468,341)</u>	<u>\$ 10,071,175</u>
	For the Six Months Ended June 30, 2018				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 16,720,673	\$ 931,573	\$ 17,652,246	\$ -	\$ 17,652,246
Net revenues and gains other than interest	<u>4,658,559</u>	<u>8,683,809</u>	<u>13,342,368</u>	<u>(8,132,851)</u>	<u>5,209,517</u>
Net revenues	21,379,232	9,615,382	30,994,614	(8,132,851)	22,861,763
Bad-debt expenses and provision for losses on commitment and guarantees	(1,714,150)	97,037	(1,617,113)	-	(1,617,113)
Net change in reserves for insurance liabilities	-	488,438	488,438	-	488,438
Operating expenses	<u>(11,129,022)</u>	<u>(1,146,712)</u>	<u>(12,275,734)</u>	<u>90,319</u>	<u>(12,185,415)</u>
Income before income tax	<u>\$ 8,536,060</u>	<u>\$ 9,054,145</u>	<u>\$ 17,590,205</u>	<u>\$ (8,042,532)</u>	<u>\$ 9,547,673</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES

JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				June 30, 2019	December 31, 2018	June 30, 2018	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life insurance	51.00	51.00	51.00	
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				June 30, 2019	December 31, 2018	June 30, 2018	
None	-	-	-	-	-	-	

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO

JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018

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

Unit: In Thousands of New Taiwan Dollars, %

Company	Items	June 30, 2019			December 31, 2018			June 30, 2018		
		Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
Taiwan Cooperative Financial Holding Co., Ltd.			\$ 213,365,578	\$ 244,089,870		\$ 208,273,676	\$ 229,358,179		\$ 201,764,505	\$ 222,826,596
Taiwan Cooperative Bank, Ltd.	100		258,571,610	204,101,186	100	249,973,633	181,705,128	100	240,185,467	182,674,284
Taiwan Cooperative Bills Finance Co., Ltd.	100		6,408,141	3,859,064	100	6,166,389	3,250,494	100	5,956,868	2,851,384
Taiwan Cooperative Securities Co., Ltd.	100		4,663,740	1,801,841	100	4,470,084	2,066,295	100	4,718,079	2,119,343
Co-operative Assets Management Co., Ltd.	100		3,239,421	3,519,701	100	3,381,451	3,333,610	100	3,330,481	3,088,793
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51		4,413,420	673,414	51	4,431,770	807,459	51	4,330,296	745,012
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100		387,072	225,195	100	382,201	208,217	100	372,745	200,625
Taiwan Cooperative Venture Capital Co., Ltd.	100		1,025,763	525,122	100	952,982	479,898	100	984,121	494,863
Deduction			(252,462,134)	(240,647,116)		(243,504,400)	(229,324,491)		(238,163,958)	(222,683,392)
Total			239,612,611	218,148,277		234,527,786	191,884,789		223,478,604	192,317,508
Group capital adequacy ratio			109.84%			122.22%			116.20%	

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

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

(Continued)

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

Unit: In Thousands of New Taiwan Dollars

Items	June 30, 2019
Common stock	\$ 129,458,482
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,973,141
Legal reserve	7,927,632
Special reserve	996,026
Cumulative earnings	8,379,697
Equity adjustments	8,631,124
Less: Capital deduction	524
Total eligible capital	213,365,578

Items	December 31, 2018
Common stock	\$ 125,687,847
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	6,451,448
Special reserve	996,026
Cumulative earnings	14,761,844
Equity adjustments	2,412,696
Less: Capital deduction	528
Total eligible capital	208,273,676

Items	June 30, 2018
Common stock	\$ 125,687,847
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,964,343
Legal reserve	6,451,448
Special reserve	996,026
Cumulative earnings	7,662,926
Equity adjustments	3,002,325
Less: Capital deduction	410
Total eligible capital	201,764,505

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

(Continued)

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

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

Items		Year	June 30, 2019		
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 200,490,848	\$ 201,078,942	
	Other Tier 1 capital		8,040,358	8,548,003	
	Tier 2 capital		50,040,404	51,087,071	
	Eligible capital		258,571,610	260,714,016	
Risk-weighted assets	Credit risk	Standardized approach	1,825,873,841	1,828,383,933	
		Internal ratings based approach	-	-	
		Securitization	5,136,484	5,136,484	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	72,451,460	72,588,477	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	40,359,038	40,375,700	
		Internal model approach	-	-	
	Risk-weighted assets			1,943,820,823	1,946,484,594
	Capital adequacy ratio			13.30	13.39
Ratio of the common equity to risk-weighted assets			10.31	10.33	
Ratio of Tier 1 capital to risk-weighted assets			10.73	10.77	
Ratio of leverage			5.79	5.82	

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

Items		Year	December 31, 2018		
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 194,470,387	\$ 195,037,708	
	Other Tier 1 capital		3,140,831	3,638,224	
	Tier 2 capital		52,362,415	53,392,127	
	Eligible capital		249,973,633	252,068,059	
Risk-weighted assets	Credit risk	Standardized approach	1,744,538,363	1,747,332,385	
		Internal ratings based approach	-	-	
		Securitization	5,234,468	5,234,468	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	72,451,460	72,588,477	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	17,827,638	17,834,038	
		Internal model approach	-	-	
	Risk-weighted assets			1,840,051,929	1,842,989,368
	Capital adequacy ratio			13.59	13.68
Ratio of the common equity to risk-weighted assets			10.57	10.58	
Ratio of Tier 1 capital to risk-weighted assets			10.74	10.78	
Ratio of leverage			5.71	5.73	

(Continued)

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

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

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

Note 2: Formulas used were as follows:

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

(Concluded)

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

JUNE 30, 2019 AND 2018

(In Thousands of New Taiwan Dollars, %)

Period		June 30, 2019					June 30, 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	\$ 3,994,001	\$ 706,049,419	0.57	\$ 9,039,057	226.32	\$ 3,596,719	\$ 677,066,094	0.53	\$ 6,925,529	192.55
	Unsecured	313,541	613,441,699	0.05	6,464,920	2,061.91	1,187,627	619,666,565	0.19	7,258,191	611.15
Consumer banking	Housing mortgage (Note 4)	1,534,475	523,746,134	0.29	7,942,217	517.59	1,388,034	510,011,262	0.27	7,744,966	557.98
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	19,736	12,034,168	0.16	228,405	1,157.30	37,750	12,608,120	0.30	93,940	248.85
	Other (Note 6)	Secured	1,060,655	277,816,824	0.38	3,635,353	342.75	1,157,793	275,119,585	0.42	2,600,441
Unsecured		17,899	9,396,358	0.19	164,196	917.35	31,560	8,802,305	0.36	142,362	451.08
Loan		6,940,307	2,142,484,602	0.32	27,474,148	395.86	7,399,483	2,103,273,931	0.35	24,765,429	334.69
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards		7,370	5,887,243	0.13	59,189	803.11	7,002	5,445,185	0.13	50,136	716.02
Accounts receivable factored without recourse (Note 7)		-	223,652	-	8,837	-	-	342,030	-	9,974	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		770					1,233				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		6,044					8,104				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		10,308					14,800				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		45,586					46,905				

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

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

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

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

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

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

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

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	\$ 98,312	\$ 25,293	\$ 49,113	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income	20,425	22,500	25,000	Commercial paper issued, net	\$ 21,058,846	\$ 20,854,385	\$ 11,750,306
Receivables	3,337,416	146	107,852	Payables	9,620,874	240,318	9,308,717
Current tax assets	2,115,618	1,817,239	1,775,155	Current tax liabilities	2,172,331	1,823,604	1,807,752
Investments accounted for using equity method	240,647,116	229,324,491	222,683,392	Other financial liabilities	2,626	1,756	1,404
Properties and equipment, net	2,235	2,593	2,351	Lease liabilities	75,045	-	-
Right-of-use assets	74,557	-	-	Deferred tax liabilities	-	-	9,755
Intangible assets	232	193	154	Other liabilities	8,500	6,972	8,425
Deferred tax assets	292	335	256	Total liabilities	<u>32,938,222</u>	<u>22,927,035</u>	<u>22,886,359</u>
Other assets	8,121	8,449	8,001	<u>Equity</u>			
				Capital stock	129,458,482	125,687,847	125,687,847
				Capital surplus	57,973,141	57,964,343	57,964,343
				Retained earnings	17,303,355	22,209,318	15,110,400
				Other equity	8,631,124	2,412,696	3,002,325
				Total equity	<u>213,366,102</u>	<u>208,274,204</u>	<u>201,764,915</u>
Total	<u>\$ 246,304,324</u>	<u>\$ 231,201,239</u>	<u>\$ 224,651,274</u>	Total	<u>\$ 246,304,324</u>	<u>\$ 231,201,239</u>	<u>\$ 224,651,274</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,387,919	\$ 4,202,784	\$ 8,406,991	\$ 7,982,719
Other revenues and gains	<u>1,449</u>	<u>1,362</u>	<u>1,536</u>	<u>1,660</u>
Total revenues and gains	<u>4,389,368</u>	<u>4,204,146</u>	<u>8,408,527</u>	<u>7,984,379</u>
Expenses and losses				
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	-	3,040	-	3,040
Operating expenses	52,908	48,447	102,311	94,742
Other expenses and losses	<u>30,675</u>	<u>20,336</u>	<u>66,692</u>	<u>40,889</u>
Total expenses and losses	<u>83,583</u>	<u>71,823</u>	<u>169,003</u>	<u>138,671</u>
Income before income tax	4,305,785	4,132,323	8,239,524	7,845,708
Income tax benefit	<u>19,336</u>	<u>20,862</u>	<u>19,336</u>	<u>20,862</u>
Net income	4,325,121	4,153,185	8,258,860	7,866,570
Other comprehensive income (loss)	<u>2,547,397</u>	<u>682,300</u>	<u>6,250,829</u>	<u>(630,831)</u>
Total comprehensive income	<u>\$ 6,872,518</u>	<u>\$ 4,835,485</u>	<u>\$ 14,509,689</u>	<u>\$ 7,235,739</u>
Earnings per share (New Taiwan dollars)				
Basic	<u>\$0.33</u>	<u>\$0.32</u>	<u>\$0.64</u>	<u>\$0.61</u>
Diluted	<u>\$0.33</u>	<u>\$0.32</u>	<u>\$0.64</u>	<u>\$0.61</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

								Other Equity					Total Equity
	Capital Stock			Capital Surplus	Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	
	Shares (In Thousands)	Common Stock	Reserve for Capitalization		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT 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
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,426,589)	-	-	-	-	-	(9,426,589)
Stock dividends	-	-	3,770,635	-	-	-	(3,770,635)	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	32,401	-	(32,401)	-	-	-	-
Total comprehensive income													
Net income for the six months ended June 30, 2019	-	-	-	-	-	-	8,258,860	-	-	-	-	-	8,258,860
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	265,484	5,848,865	-	(14,185)	150,665	6,250,829
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	8,258,860	265,484	5,848,865	-	(14,185)	150,665	14,509,689
BALANCE AT JUNE 30, 2019	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 3,770,635</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 8,379,697</u>	<u>\$ (16,855)</u>	<u>\$ 8,506,496</u>	<u>\$ -</u>	<u>\$ 1,481</u>	<u>\$ 140,002</u>	<u>\$ 213,366,102</u>
BALANCE AT JANUARY 1, 2018	12,202,704	\$ 122,027,036	\$ -	\$ 57,964,343	\$ 5,019,668	\$ 996,026	\$ 14,377,752	\$ (1,177,934)	\$ -	\$ 1,942,735	\$ 2,414	\$ -	\$ 201,152,040
Effect of retrospective application	-	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	2,529,164
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	-	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	203,681,204
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(9,152,028)	-	-	-	-	-	(9,152,028)
Stock dividends	-	-	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	38,075	-	(38,075)	-	-	-	-
Total comprehensive income													
Net income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	-	-	-	-	-	7,866,570
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	817,927	(1,439,860)	-	14,334	(23,232)	(630,831)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	7,866,570	817,927	(1,439,860)	-	14,334	(23,232)	7,235,739
BALANCE AT JUNE 30, 2018	<u>12,202,704</u>	<u>\$ 122,027,036</u>	<u>\$ 3,660,811</u>	<u>\$ 57,964,343</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 7,662,926</u>	<u>\$ (360,007)</u>	<u>\$ 3,185,957</u>	<u>\$ -</u>	<u>\$ 16,748</u>	<u>\$ 159,627</u>	<u>\$ 201,764,915</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Six Months Ended	
	June 30	
	2019	2018
Cash flows from operating activities		
Income before income tax	\$ 8,239,524	\$ 7,845,708
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(8,406,991)	(7,979,679)
Depreciation and amortization expenses	12,379	439
Interest expense	66,692	40,889
Interest revenue	(22)	(25)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through other comprehensive income	-	(25,000)
Increase in receivables	-	(107,702)
Decrease (increase) in other assets	328	(216)
Decrease in payables	(37,235)	(42,138)
Increase in other liabilities	<u>1,528</u>	<u>1,320</u>
Cash used in operations	(123,797)	(266,404)
Interest receive	22	25
Dividends receive	-	7,521,856
Interest paid	(61,173)	(39,624)
Income tax return back	<u>69,727</u>	<u>43,310</u>
Net cash generated by (used in) operating activities	<u>(115,221)</u>	<u>7,259,163</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	-	(1,000,000)
Acquisition of properties and equipment	(68)	(416)
Acquisition of intangible assets	<u>(94)</u>	<u>-</u>
Net cash used in investing activities	<u>(162)</u>	<u>(1,000,416)</u>
Cash flows from financing activities		
Increase in commercial paper issued	200,000	-
Decrease in commercial paper issued	-	(6,270,000)
Repayments of the principal portion of lease liabilities	(12,468)	-
Increase in other financial liabilities	<u>870</u>	<u>1,051</u>
Net cash generated by (used in) financing activities	<u>188,402</u>	<u>(6,268,949)</u>
Net increase (decrease) in cash and cash equivalents	73,019	(10,202)
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>\$ 98,312</u>	<u>\$ 49,113</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.
Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	\$ 53,337,238	\$ 53,883,846	\$ 58,483,850	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	276,220,161	271,883,276	291,446,513	Due to the Central Bank and other banks	\$ 228,118,215	\$ 211,479,593	\$ 249,807,942
Financial assets at fair value through profit or loss	44,341,656	9,490,716	15,006,333	Financial liabilities at fair value through profit or loss	13,965,809	12,953,221	16,943,144
Financial assets at fair value through other comprehensive income	285,727,481	256,663,367	244,532,359	Securities sold under repurchase agreements	6,858,143	9,602,141	9,367,245
Investments in debt instruments at amortized cost	551,769,131	554,882,807	512,542,672	Payables	44,746,691	43,885,780	43,047,893
Securities purchased under resell agreements	3,202,779	3,521,000	-	Current tax liabilities	1,124,151	1,120,604	1,078,478
Receivables, net	19,336,182	18,429,376	18,238,956	Deposits and remittances	2,828,000,921	2,728,608,123	2,701,331,335
Current tax assets	1,826,956	1,509,126	1,564,446	Bank debentures	60,000,000	55,000,000	54,610,000
Discounts and loans, net	2,114,477,816	2,050,071,547	2,078,052,400	Other financial liabilities	3,276,743	3,166,974	3,110,005
Investments accounted for using equity method	2,160,792	2,116,666	2,108,459	Provisions	7,812,383	8,022,491	7,713,920
Other financial assets, net	19,639,597	18,727,650	25,087,654	Lease liabilities	1,520,768	-	-
Properties and equipment, net	33,474,185	33,630,953	33,993,716	Deferred tax liabilities	3,639,854	3,292,854	3,603,324
Right-of-use assets	1,605,273	-	-	Other liabilities	1,134,561	1,137,459	1,082,923
Investment properties, net	7,132,804	7,151,574	6,979,441	Total liabilities	<u>3,200,198,239</u>	<u>3,078,269,240</u>	<u>3,091,696,209</u>
Intangible assets	3,593,312	3,551,969	3,469,538	<u>Equity</u>			
Deferred tax assets	1,432,736	1,388,293	1,440,644	Capital stock	96,765,300	90,310,300	90,310,300
Other assets, net	<u>654,959</u>	<u>1,101,315</u>	<u>1,885,519</u>	Capital surplus	58,767,245	58,767,245	58,767,245
				Retained earnings	56,407,889	58,153,358	51,209,364
				Other equity	7,794,385	2,503,338	2,849,382
				Total equity	<u>219,734,819</u>	<u>209,734,241</u>	<u>203,136,291</u>
Total	<u>\$ 3,419,933,058</u>	<u>\$ 3,288,003,481</u>	<u>\$ 3,294,832,500</u>	Total	<u>\$ 3,419,933,058</u>	<u>\$ 3,288,003,481</u>	<u>\$ 3,294,832,500</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

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

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	\$ 51,894	\$ 93,142	\$ 1,052,714	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	33,654,638	34,216,145	37,035,119	Call loans from banks	\$ 12,450,000	\$ 12,180,000	\$ 14,385,000
Financial assets at fair value through other comprehensive income	14,657,199	12,770,749	4,630,037	Securities sold under repurchase agreements	30,615,841	29,930,007	22,280,167
Investments in debt instruments at amortized cost	1,055,078	1,056,082	-	Payables	124,840	68,063	66,160
Receivables, net	221,790	185,888	91,437	Provisions	425,922	433,422	495,422
Current tax assets	55,703	83,662	54,333	Lease liabilities	33,886	-	-
Other financial assets	240,200	240,200	240,200	Other liabilities	41,350	50,999	46,158
Properties and equipment, net	12,291	13,246	12,166	Total liabilities	<u>43,691,839</u>	<u>42,662,491</u>	<u>37,272,907</u>
Right-of-use assets	33,656	-	-	<u>Equity</u>			
Intangible assets	6,934	5,644	5,957	Capital stock	4,560,710	4,237,877	4,547,270
Other assets, net	<u>251,990</u>	<u>253,159</u>	<u>220,736</u>	Capital surplus	312,633	312,633	3,240
				Retained earnings	1,540,277	1,654,006	1,470,851
				Other equity	135,914	50,910	48,431
				Total equity	<u>6,549,534</u>	<u>6,255,426</u>	<u>6,069,792</u>
Total	<u>\$ 50,241,373</u>	<u>\$ 48,917,917</u>	<u>\$ 43,342,699</u>	Total	<u>\$ 50,241,373</u>	<u>\$ 48,917,917</u>	<u>\$ 43,342,699</u>

Taiwan Cooperative Securities Co., Ltd.

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

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 24,529,360	\$ 24,471,823	\$ 25,611,765	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income - noncurrent	51,605	48,037	46,985	Current liabilities	\$ 19,892,549	\$ 20,027,942	\$ 20,944,113
Properties and equipment, net	63,904	69,725	47,023	Lease liabilities	137,808	-	-
Right-of-use assets	170,961	-	-	Deferred tax liabilities	6,397	8,162	17,703
Intangible assets	50,071	55,077	49,144	Other liabilities	4,013	3,311	1,981
Deferred tax assets	3,705	14,294	22,144	Total liabilities	<u>20,040,767</u>	<u>20,039,415</u>	<u>20,963,797</u>
Other noncurrent assets	<u>428,567</u>	<u>437,309</u>	<u>429,409</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	210,332	80,317	222,951
				Other equity	28,434	(42,107)	1,082
				Total equity	<u>5,257,406</u>	<u>5,056,850</u>	<u>5,242,673</u>
Total	<u>\$ 25,298,173</u>	<u>\$ 25,096,265</u>	<u>\$ 26,206,470</u>	Total	<u>\$ 25,298,173</u>	<u>\$ 25,096,265</u>	<u>\$ 26,206,470</u>

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 22,485	\$ 38,250	\$ 23,607	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	408,387	491,655	-	Current liabilities	\$ 3,632,260	\$ 3,161,262	\$ 2,743,404
Financial assets at fair value through other comprehensive income	20,425	22,500	25,000	Lease liabilities	23,065	-	-
Accounts receivable, net	1,236,564	1,634,426	2,141,594	Deferred tax liabilities	34,889	33,431	21,643
Investments accounted for using the equity method	982,021	942,715	941,532	Other liabilities	111,385	91,076	83,385
Properties and equipment, net	5,366	3,113	6,277	Total liabilities	<u>3,801,599</u>	<u>3,285,769</u>	<u>2,848,432</u>
Investment properties, net	3,407,851	2,925,388	2,376,412	<u>Equity</u>			
Right-of-use assets	22,928	-	-	Capital stock	2,825,280	2,825,280	2,825,280
Intangible assets	8,755	10,294	2,445	Capital surplus	2,553	2,553	2,553
Deferred tax assets	203,545	205,473	184,112	Retained earnings	477,245	624,912	550,054
Long-term lease payment receivable	459,505	134,064	220,816	Other equity	(65,657)	(71,294)	(47,406)
Other assets	<u>263,188</u>	<u>259,342</u>	<u>257,118</u>	Total equity	<u>3,239,421</u>	<u>3,381,451</u>	<u>3,330,481</u>
Total	<u>\$ 7,041,020</u>	<u>\$ 6,667,220</u>	<u>\$ 6,178,913</u>	Total	<u>\$ 7,041,020</u>	<u>\$ 6,667,220</u>	<u>\$ 6,178,913</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	\$ 8,242,779	\$ 5,766,662	\$ 2,109,692	<u>Liabilities</u>			
Receivables	788,534	772,571	994,989	Payables	\$ 2,893,086	\$ 704,485	\$ 590,871
Current tax assets	99,428	104,219	34,231	Current tax liabilities	25,003	-	26,483
Investments	41,766,477	43,168,078	46,500,203	Financial liabilities at fair value through profit or loss	47,017	15,308	355,813
Reinsurance assets	50,332	46,975	18,902	Insurance liabilities	28,743,172	29,698,376	30,248,476
Equipment, net	81,540	93,605	79,475	Reserve for insurance contracts with financial instruments features	8,096,886	10,434,066	11,149,499
Right-of-use assets	33,650	-	-	Reserve of foreign exchange variation	268,983	239,440	219,228
Deferred tax assets	-	145,620	213,369	Lease liabilities	33,833	-	-
Other assets	1,141,189	1,115,764	1,350,043	Deferred tax liabilities	158,723	-	4,862
Separate-account assets	<u>103,197,944</u>	<u>91,245,818</u>	<u>94,215,260</u>	Other liabilities	2,070,850	2,000,717	612,118
				Separate-account liabilities	<u>103,197,944</u>	<u>91,245,818</u>	<u>94,215,260</u>
				Total liabilities	<u>145,535,497</u>	<u>134,338,210</u>	<u>137,422,610</u>
				<u>Equity</u>			
				Capital stock	6,719,466	6,719,466	6,719,466
				Capital surplus	9,310	9,310	9,310
				Retained earnings	1,656,445	1,390,281	1,045,780
				Other equity	<u>1,481,155</u>	<u>2,045</u>	<u>318,998</u>
				Total equity	<u>9,866,376</u>	<u>8,121,102</u>	<u>8,093,554</u>
Total	<u>\$ 155,401,873</u>	<u>\$ 142,459,312</u>	<u>\$ 145,516,164</u>	Total	<u>\$ 155,401,873</u>	<u>\$ 142,459,312</u>	<u>\$ 145,516,164</u>

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 378,295	\$ 382,541	\$ 367,243	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	1,928	1,938	2,022	Current liabilities	\$ 55,160	\$ 33,987	\$ 25,507
Properties and equipment, net	3,110	3,734	3,133	Lease liabilities	7,289	-	-
Right-of-use assets	7,195	-	-	Other liabilities	<u>868</u>	<u>245</u>	<u>2,997</u>
Intangible assets	1,907	1,982	2,588	Total liabilities	<u>63,317</u>	<u>34,232</u>	<u>28,504</u>
Prepaid equipment	1,715	-	-	<u>Equity</u>			
Other assets	<u>56,239</u>	<u>26,238</u>	<u>26,263</u>	Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Retained earnings (accumulated deficit)	11,557	6,677	(2,863)
				Other equity	<u>(345)</u>	<u>(336)</u>	<u>(252)</u>
				Total equity	<u>387,072</u>	<u>382,201</u>	<u>372,745</u>
Total	<u>\$ 450,389</u>	<u>\$ 416,433</u>	<u>\$ 401,249</u>	Total	<u>\$ 450,389</u>	<u>\$ 416,433</u>	<u>\$ 401,249</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2019	December 31, 2018	June 30, 2018	Liabilities and Equity	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 1,037,874	\$ 806,575	\$ 987,709	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	-	151,506	-	Current liabilities	\$ 13,309	\$ 6,654	\$ 4,858
Properties and equipment, net	917	1,223	1,504	Lease liabilities	11,012	-	
Right-of-use assets	10,969	-	-	Other liabilities	159	159	746
Intangible assets	9	17	39	Total liabilities	<u>24,480</u>	<u>6,813</u>	<u>5,604</u>
Other assets	<u>474</u>	<u>474</u>	<u>473</u>	<u>Equity</u>			
				Capital stock	1,000,000	1,000,000	1,000,000
				Retained earnings (accumulated deficit)	38,183	(20,660)	(4,278)
				Other equity	(12,420)	(26,358)	(11,601)
				Total equity	<u>1,025,763</u>	<u>952,982</u>	<u>984,121</u>
Total	<u>\$ 1,050,243</u>	<u>\$ 959,795</u>	<u>\$ 989,725</u>	Total	<u>\$ 1,050,243</u>	<u>\$ 959,795</u>	<u>\$ 989,725</u> (Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2019	2018
Interest revenues	\$ 29,345,402	\$ 27,006,786
Less: Interest expenses	<u>(12,349,880)</u>	<u>(10,286,113)</u>
Net interest	16,995,522	16,720,673
Net revenues and gains other than interest	<u>5,791,092</u>	<u>4,658,559</u>
Total net revenues	22,786,614	21,379,232
Bad-debt expenses and provision for losses on commitment and guarantees	(2,453,448)	(1,714,150)
Operating expenses	<u>(11,314,198)</u>	<u>(11,129,022)</u>
Income before income tax	9,018,968	8,536,060
Income tax expense	<u>(1,424,697)</u>	<u>(1,357,569)</u>
Net income	7,594,271	7,178,491
Other comprehensive income (loss)	<u>5,359,307</u>	<u>(195,197)</u>
Total comprehensive income	<u>\$ 12,953,578</u>	<u>\$ 6,983,294</u>
Earnings per share (NT\$)		
Basic	<u>\$0.78</u>	<u>\$0.74</u>

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Net interest	\$ 124,183	\$ 108,072
Net revenues and gains other than interest	<u>155,800</u>	<u>142,139</u>
Total net revenues	279,983	250,211
Reversal of allowance for credit losses and provision	10,217	106,349
Operating expenses	<u>(71,185)</u>	<u>(70,370)</u>
Income before income tax	219,015	286,190
Income tax expense	<u>(11,090)</u>	<u>(3,681)</u>
Net income	207,925	282,509
Other comprehensive income (loss)	<u>86,260</u>	<u>(60,961)</u>
Total comprehensive income	<u>\$ 294,185</u>	<u>\$ 221,548</u>
Earnings per share (NT\$)		
Basic	<u>\$0.46</u>	<u>\$0.62</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Revenues	\$ 641,413	\$ 511,216
Service charge	(18,264)	(22,847)
Other operating costs	(94,568)	(95,685)
Employee benefits	(209,559)	(202,316)
Other operating expenses	(152,425)	(154,896)
Other gains and losses	<u>15,008</u>	<u>249</u>
Income before income tax	181,605	35,721
Income tax expense	<u>(12,194)</u>	<u>(6,742)</u>
Net income	169,411	28,979
Other comprehensive income (loss)	<u>31,145</u>	<u>(7,737)</u>
 Total comprehensive income	 <u>\$ 200,556</u>	 <u>\$ 21,242</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.36</u>	<u>\$0.06</u>

Co-operative Assets Management Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Operating revenues	\$ 245,553	\$ 354,571
Operating expenses	<u>(104,386)</u>	<u>(114,069)</u>
Operating benefits	141,167	240,502
Non-operating gains and losses	<u>15,003</u>	<u>13,123</u>
Income before income tax	156,170	253,625
Income tax expenses	<u>(31,327)</u>	<u>(25,693)</u>
Net income	124,843	227,932
Other comprehensive income	<u>5,637</u>	<u>9,891</u>
 Total comprehensive income	 <u>\$ 130,480</u>	 <u>\$ 237,823</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.44</u>	<u>\$0.81</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Operating revenues	\$ 13,455,830	\$ 5,144,537
Operating costs	(12,530,412)	(4,255,234)
Operating expenses	<u>(346,854)</u>	<u>(361,327)</u>
Income before income tax	578,564	527,976
Income tax expenses	<u>(104,097)</u>	<u>(72,795)</u>
Net income	474,467	455,181
Other comprehensive income (loss)	<u>1,479,110</u>	<u>(747,226)</u>
Total comprehensive income (loss)	<u>\$ 1,953,577</u>	<u>\$ (292,045)</u>
Earnings per share (NT\$)		
Basic	<u>\$0.71</u>	<u>\$0.68</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2019	2018
Operating revenues	\$ 147,708	\$ 89,998
Operating expenses	<u>(138,651)</u>	<u>(94,360)</u>
Operating gain (loss)	9,057	(4,362)
Non-operating gains and losses	<u>1,272</u>	<u>1,322</u>
Gain (loss) before income tax	10,329	(3,040)
Income tax expenses	<u>-</u>	<u>-</u>
Net income (loss)	10,329	(3,040)
Other comprehensive loss	<u>(9)</u>	<u>(413)</u>
Total comprehensive income (loss)	<u>\$ 10,320</u>	<u>\$ (3,453)</u>
Earnings (loss) per share (NT\$)		
Basic	<u>\$0.34</u>	<u>\$(0.10)</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2019	2018
Operating revenues	\$ 72,196	\$ 47,866
Operating expenses	<u>(15,898)</u>	<u>(15,506)</u>
Operating income	56,298	32,360
Non-operating gains and losses	<u>390</u>	<u>483</u>
Income before income tax	56,688	32,843
Income tax expenses	<u>(125)</u>	<u>(177)</u>
Net income	56,563	32,666
Other comprehensive income	<u>16,218</u>	<u>4,671</u>
Total comprehensive income	<u>\$ 72,781</u>	<u>\$ 37,337</u>
Earnings per share (NT\$)		
Basic	<u>\$0.57</u>	<u>\$0.33</u>
		(Concluded)

TABLE 5

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

**BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

Business Segment Items	For the Six Months Ended June 30, 2019				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 17,065,599	\$ (32,311)	\$ 501,044	\$ 83,383	\$ 17,617,715
Net revenues and gains other than interest	5,262,132	264,410	(34,798)	986,353	6,478,097
Total net revenues	22,327,731	232,099	466,246	1,069,736	24,095,812
Bad-debt expenses and provision for losses on commitment and guarantees	(2,467,015)	10,217	-	(11,209)	(2,468,007)
Net change in reserves for insurance liabilities	-	-	825,881	-	825,881
Operating expenses	(11,344,563)	(66,716)	(320,775)	(650,457)	(12,382,511)
Income before income tax	8,516,153	175,600	971,352	408,070	10,071,175
Income tax expenses	(1,426,744)	(11,090)	(104,097)	(34,199)	(1,576,130)
Net income	7,089,409	164,510	867,255	373,871	8,495,045

Business Segment Items	For the Six Months Ended June 30, 2018				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 16,782,220	\$ (56,186)	\$ 527,720	\$ 398,492	\$ 17,652,246
Net revenues and gains other than interest	4,281,883	367,726	162,388	397,520	5,209,517
Total net revenues	21,064,103	311,540	690,108	796,012	22,861,763
Bad-debt expenses and provision for losses on commitment and guarantees	(1,711,515)	106,349	-	(11,947)	(1,617,113)
Net change in reserves for insurance liabilities	-	-	488,438	-	488,438
Operating expenses	(11,152,368)	(66,012)	(335,692)	(631,343)	(12,185,415)
Income before income tax	8,200,220	351,877	842,854	152,722	9,547,673
Income tax expenses	(1,357,568)	(3,681)	(72,795)	(19,685)	(1,453,729)
Net income	6,842,652	348,196	770,059	133,037	8,093,944

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

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT
JUNE 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)**

June 30, 2019

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 390,080,000	182.82
National Treasury Administration, ROC	243,405,901	114.08
Tai Power Co., Ltd.	136,003,983	63.74
Kaohsiung Financial Bureau	76,083,344	35.66
Taiwan High Speed Rail Corp.	41,018,293	19.22
CPC Corporation, Taiwan	28,678,873	13.44
Kaohsiung Rapid Transit Corp.	17,350,000	8.13
Clevo Corp.	9,285,005	4.35
Taiwan Railways Administration	9,220,000	4.32
Government National Mortgage Association	9,016,104	4.23
Hon Hai Precision Co., Ltd.	8,588,193	4.03
Highwealth Construction Co., Ltd.	8,487,773	3.98
Federal Home Loan Mortgage Corp.	8,510,217	3.99
Yilan County Government	7,871,648	3.69
Federal National Mortgage Association	7,540,738	3.53
Aerospace Industrial Development Corp.	6,683,242	3.13
Far Eastern New Century Corp.	6,599,273	3.09
Chiayi County Government	6,335,000	2.97
AUO Co., Ltd.	5,663,822	2.65
Yang Ming Marine Transport Corp.	5,579,135	2.61
Da-Li Development Co, Ltd.	5,545,707	2.60
China Steel Corp.	5,466,689	2.56
Taiwan Semiconductor Manufacturing Co., Ltd.	5,129,688	2.40
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.25
CSBC Corporation, Taiwan	4,683,421	2.20
Nan Ya Plastics Corporation	4,616,004	2.16
Winbond Electronics Corp.	4,396,551	2.06
Eva Airways Corp.	4,344,478	2.04
Evergreen Marine Corp. (Taiwan) Ltd.	4,184,429	1.96
Chungwha Construction Corp.	4,016,353	1.88
Yieh United Steel Corp.	4,002,638	1.88

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Kindom Construction Corp.	\$ 3,913,808	1.83
Formosa Ha Tinh (Cayman) Limited	3,882,500	1.82
Powerchip Semiconductor Manufacturing Corp.	3,827,753	1.79
Chailease Finance Co., Ltd.	3,745,038	1.76
Taiwan Land Development Corp.	3,604,865	1.69
Client A	3,527,753	1.65
China Man-Made Fiber Corp.	3,500,870	1.64
Evergreen Marine (Singapore) Pte. Ltd.	3,341,460	1.57
Innolux Corp.	3,281,472	1.54
Formosa Plastics Corp.	3,183,497	1.49
Tatung Co., Ltd.	3,175,251	1.49
United Renewable Energy Co., Ltd.	3,141,286	1.47
Yi Tai Fund Corp.	3,130,000	1.47
Nantou County Government	3,026,675	1.42
US Treasury	3,007,004	1.41
Tainan City Government	3,000,000	1.41
2. Same related parties		
Client B	9,402,378	4.41
Client C	9,389,335	4.40
Client D	5,549,755	2.60
Client E	4,319,087	2.02
Client F	3,993,824	1.87
Client G	3,898,355	1.83
Client H	3,808,667	1.79
Client I	3,804,110	1.78
Client J	3,804,110	1.78
Client K	3,804,110	1.78
Client L	3,665,677	1.72
Client M	3,396,921	1.59
Client N	3,344,359	1.57
Client O	3,332,000	1.56
Client P	3,238,253	1.52
3. Same affiliate		
EverFun Travel Services Corp.	16,545,135	7.75
Evergreen Marine (Hong Kong) Limited	16,545,135	7.75
Huo Jiun Construction Co., Ltd.	16,448,250	7.71
Ruentex Development Co., Ltd.	15,991,372	7.49
Yi Tai Investment Co., Ltd.	15,859,392	7.43
Far Eastern International Leasing Corp.	15,606,877	7.31
Formosa Ha Tinh (Cayman) Limited	14,793,757	6.93
General Interface Solution (GIS) Holding Ltd.	14,461,347	6.78
General Interface Solution Limited	14,461,347	6.78

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Gogoro Energy Network (Cayman), Taiwan Branch	\$ 14,314,286	6.71
Ruentex Industries Ltd.	14,007,353	6.56
Ren Ying Enterprise Co., Ltd.	13,967,376	6.55
Hui Hong Investment Management Co., Ltd.	13,959,426	6.54
Clevo Corp.	13,874,991	6.50
Clevo (Cayman Islands) Holding Company	13,737,458	6.44
Evergreen Marine Corp. (Taiwan) Ltd.	13,188,676	6.18
Hon Hai Precision Co., Ltd.	13,177,517	6.18
Far Eastern New Century Corp.	12,984,736	6.09
Buynow (Anshan) Corp.	12,408,019	5.82
Ya Tung Ready Mixed Concrete Co., Ltd.	12,217,068	5.73
Nan Shan Life Insurance Company, Ltd.	12,192,461	5.71
Innolux Corp.	11,869,664	5.56
U-Ming Marine Transport Corp.	11,349,764	5.32
Mai-Liao Power Corporation	11,326,388	5.31
Formosa Chemicals & Fibre Corp.	11,259,406	5.28
Evergreen Marine (UK) Ltd.	11,238,529	5.27
Fu-Da transport Corp.	11,113,876	5.21
Buynow (Texas) Corp.	11,081,952	5.19
Fu-Ming Transport Corp.	11,073,892	5.19
Kings Garden International Co., Ltd.	10,978,121	5.15
Great Emperor Hotel Co., Ltd.	10,978,121	5.15
Eva Airways Corp.	10,825,898	5.07
Buynow (Shan Tou) Corp.	10,736,576	5.03
EDA Hua Yue Hotel Corp.	10,510,301	4.93
Highwealth Construction Co., Ltd.	10,474,962	4.91
QiYu Construction Co., Ltd.	10,474,962	4.91
Ruen Long Construction Co., Ltd.	10,474,962	4.91
Yuan Ding Investment Corp.	10,446,955	4.90
Far EastOne Telecommunications Co., Ltd.	10,235,749	4.80
Yieh Phui (Hong Kong) Holdings Ltd.	10,220,331	4.79
Buynow (Wuhan) Corp.	10,199,074	4.78
Clevo (Beijing) Investment Consultant Limited	10,122,302	4.74
Evergreen Aviation Technologies Corp.	9,962,128	4.67
Yieh United Steel Corp.	9,539,112	4.47
G-Tech Optoelectronics Corp.	9,070,164	4.25
Ruen Chen Investment Holding Co., Ltd.	8,892,556	4.17
Foxconn Interconnect Technology Limited	8,867,733	4.16
Foxconn Technologies & Services	8,723,731	4.09
Ennoconn Corporation	8,606,841	4.03
Foxsemicon Integrated Technology Inc.	8,592,097	4.03
Yieh Hsing Enterprise Co., Ltd.	8,417,317	3.95
China Steel Corp.	8,413,880	3.94
C.S. Aluminum Corporation	8,413,880	3.94
China Steel Express Corporation	8,413,880	3.94
CSEI Transport (Panama) Corp.	8,413,880	3.94

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Chung Hung Steel Corp.	\$ 8,411,940	3.94
Yu Yuan Investment Co., Ltd.	8,195,171	3.84
Nan Chung Petrochemical Corp.	8,117,474	3.80
Formosa Heavy Industries Corp.	8,106,994	3.80
Oriental Petrochemical (Taiwan) Corp.	7,681,077	3.60
Yang Ming Marine Transport Corp.	6,936,411	3.25
Far Eastern Big City Department Stores Ltd.	6,809,273	3.19
BenQ Materials Corp.	6,775,884	3.18
Visco Vision Inc.	6,775,884	3.18
Dragon Steel Corp.	6,765,405	3.17
Aerospace Industrial Development Corp.	6,683,242	3.13
AUO Co., Ltd.	6,647,581	3.12
Chaico Investment Corporation	6,579,183	3.08
Chailease Rental Corp.	6,549,892	3.07
Jhong-An Investment Co., Ltd.	6,509,183	3.05
Chailease Consumer Finance Co., Ltd.	6,489,183	3.04
Chailease International Leasing Co., Ltd.	6,361,814	2.98
Chailease Holding Co., Ltd.	6,271,814	2.94
United Microelectronics Corp.	3,973,016	1.86
Chailease Finance Co., Ltd.	6,262,504	2.94
China Steel Structure Co., Ltd.	6,208,061	2.91
United Steel Engineering & Construction Corp.	6,208,061	2.91
Da-Li Development Co, Ltd.	6,177,829	2.90
Da-Li Development LLC	6,177,829	2.90
AU Optronics Corp. (Kunshan)	6,111,086	2.86
All Oceans Transportation Inc.	6,093,953	2.86
Kao Ming Container Terminal Corp.	6,019,733	2.82
Radium Life Tech. Co., Ltd.	6,014,131	2.82
Motech Industries Inc.	5,988,398	2.81
Kuang Ming Shipping Corp.	5,950,966	2.79
Kuang Ming (Liberia) Corp.	5,950,996	2.79
Da Li Properties LLC	5,937,063	2.78
Ji Shun Life Tech. Co., Ltd.	5,874,404	2.75
China Steel Chemical Corp.	5,835,605	2.74
Capital Machinery Corp.	5,813,644	2.72
China Man-Made Fiber Corp.	5,717,488	2.68
Taiwan Cement Co., Ltd.	5,712,812	2.68
Auo Crystal Corp.	5,707,302	2.67
Shin Huo Shin Investment Co., Ltd.	5,695,593	2.67
Nan Ya Plastics Corporation	5,692,038	2.67
Shinshunshin Investment Co., Ltd.	5,665,593	2.66
Taiwan Semiconductor Manufacturing Co., Ltd.	5,613,006	2.63
Yes Logistics Corp.	5,609,135	2.63
Jau Feng Sheng Investment Co., Ltd.	5,595,655	2.62
Nan Ya Technology Corp.	5,587,187	2.62

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Fina Finance & Trading Co., Ltd.	\$ 5,583,327	2.62
Da Li Miller Development Corp.	5,575,707	2.61
China Steel Machinery Corp.	5,547,073	2.60
CHC Resources Corp.	5,468,629	2.56
Li Sheng Corporation	5,440,030	2.55
Kuan-Ho Refractories Corp.	5,298,737	2.48
CSRC China (Maanshan) Corporation	5,298,737	2.48
Taichung Bank Leasing Corporation Limited	5,259,622	2.47
Global Unichip Corp.	5,142,146	2.41
Fubon Financial Holding Co, Ltd.	5,130,569	2.40
Pan Asia Chemical Co.	5,114,355	2.40
Feng Sheng Enterprise Co., Ltd.	5,073,789	2.38
Pou Chen Chemical Corp.	5,029,975	2.36
Chungwha Construction Corp.	4,993,644	2.34
Pfg Fiber Glass Corporation	4,716,004	2.21
CSBC Corporation, Taiwan	4,683,421	2.20
World Peace Industrial Co., Ltd.	4,659,880	2.18
WPG Holdings Ltd.	4,649,903	2.18
Farglory Dome Co., Ltd.	4,575,658	2.14
Formosa Plastics Corp.	4,575,160	2.14
Greencompass Marine S.A.	4,495,029	2.11
Asia Cement Corp.	4,455,089	2.09
Genuine Crop.	4,440,799	2.08
Fubon Life Insurance Co., Ltd.	4,427,571	2.08
Yieh Phui Enterprise Co., Ltd.	4,405,520	2.06
Winbond Electronics Corp.	4,396,551	2.06
Li Jiang Development Co., Ltd.	4,324,503	2.03
Taiwan Mobile Corp.	4,313,154	2.02
United Microelectronics Corp.	4,278,308	2.01
Tatung Co., Ltd.	4,236,119	1.99
Fujian Lian De Enterprise Co., Ltd.	4,171,846	1.96
Chunghwa Picture Tubes, Ltd.	4,165,908	1.95
Hanshin Shopping Plaza Co., Ltd.	4,144,615	1.94
Prince Housing & Development Corp.	4,139,133	1.94
Everwiner Enterprise Co., Ltd.	4,090,823	1.92
Zhong Tai Hotel Co., Ltd.	4,058,847	1.90
Kai Tai Fung International Company Limited	4,058,847	1.90
Uni-President Enterprises Corp.	4,043,992	1.90
Shih Wei Navigation Co., Ltd.	4,035,875	1.89
EDA Hospital Corp.	4,025,080	1.89
TTET Union Corporation	3,993,113	1.87
Shinkong Synthetic Fibers Corp.	3,955,456	1.85
Frontek Technology Corporation	3,947,823	1.85
Kindom Construction Corp.	3,913,808	1.83
Tcc International Holdings Ltd.	3,908,299	1.83

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
TCC International Ltd.	\$ 3,908,299	1.83
Unimicron Technology Corp.	3,904,896	1.83
Chiahui Power Corp.	3,895,562	1.83
Grand Pacific Financing Corporation	3,892,407	1.82
Powerchip Semiconductor Manufacturing Corp.	3,827,753	1.79
Taiwan Land Development Corp.	3,806,855	1.78
Taiwan Innovation Development Corp.	3,806,855	1.78
Taiwan Commercial Development Corp.	3,806,855	1.78
United Renewable Energy Co., Ltd.	3,786,399	1.77
Rih Ding Water Enterprise Co., Ltd.	3,759,562	1.76
Long Bon Inc.	3,754,638	1.76
Taiwan Prosperity Chemical Corporation	3,721,481	1.74
Universal Cement Corporation	3,699,850	1.73
Formosa Industries (Ninbo) Co., Ltd.	3,691,547	1.73
Ton Yi Industrial Corp.	3,656,651	1.71
Advance Material Co., Ltd.	3,649,189	1.71
Spinnaker Pescadores S.A. Panama	3,621,044	1.70
Longchen Paper & Packing Co., Ltd.	3,603,948	1.69
Ho-Ping Power Company	3,576,499	1.68
Central Investment Corp.	3,539,571	1.66
Hanshin Department Store Co., Ltd.	3,532,601	1.66
Continental Carbon Company	3,475,734	1.63
Dong Lien Maritime S.A. Panama	3,463,356	1.62
Uni-Splendor Corp.	3,454,426	1.62
Farglory Land Development Co., Ltd.	3,452,273	1.62
Longchen P&P Co., Ltd. - Pinghu Longchen	3,404,053	1.60
Inteplast Group Corporation	3,400,917	1.59
Utech Solar Corporation	3,377,242	1.58
Asia Cement (China) Holdings Corp.	3,360,375	1.57
Evergreen Marine (Singapore) Pte. Ltd.	3,341,460	1.57
Unisense Tech Co., Ltd.	3,339,622	1.57
Pao Sheng Investment Co., Ltd.	3,307,410	1.55
Gintung Energy Corporation	3,261,456	1.53
Fubon Insurance Co., Ltd.	3,260,014	1.53
Fujian Fuxin Special Steel Co., Ltd.	3,245,997	1.52
Apex Solar Corporation	3,244,986	1.52
Far Eastern Department Stores Ltd.	3,241,491	1.52
General Energy Solutions Co., Ltd.	3,228,181	1.51
President Tokyo Corporation	3,190,369	1.50
Taiwan Finance Corporation	3,151,630	1.48
Longchen P&P Co., Ltd. - Wuxi Longchen	3,133,071	1.47
Longchen P&P Co., Ltd. - Suzhou Longchen	3,133,071	1.47
China Life Insurance Co., Ltd.	3,132,836	1.47
Titan Development and Construction Co., Ltd.	3,122,879	1.46

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Ta-Ho Maritime Corporation	\$ 3,114,399	1.46
Qun Hong Technology Inc.	3,102,922	1.45
Le Yi Investment Co., Ltd.	3,098,012	1.45
Grand Bills Finance Corp.	3,084,591	1.45
Cathay United Bank Co., Ltd.	3,075,821	1.44
Longlin Construction Co., Ltd.	3,072,386	1.44
Jayshelyn Construction Co., Ltd.	3,060,019	1.43
Reiju Construction Co., Ltd.	3,007,590	1.41
Taipei Fubon Commercial Bank Co., Ltd.	3,005,935	1.41

June 30, 2018

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 386,475,000	191.55
National Treasury Administration, ROC	212,526,542	105.33
Tai Power Co., Ltd.	97,039,567	48.10
Kaohsiung Financial Bureau	71,606,747	35.49
Taiwan High Speed Rail Corp.	42,903,600	21.26
CPC Corporation, Taiwan	23,485,643	11.64
Kaohsiung Rapid Transit Corp.	17,494,221	8.67
New Taipei City Government	10,000,000	4.96
Highwealth Construction Co., Ltd.	9,661,071	4.79
Taiwan Railways Administration	9,660,000	4.79
Government National Mortgage Association	8,855,014	4.39
Federal Home Loan Mortgage Corp.	8,827,612	4.38
Clevo Corp.	8,482,358	4.20
Federal National Mortgage Association	8,241,974	4.08
Yilan County Government	7,871,648	3.90
Yang Ming Marine Transport Corp.	6,953,310	3.45
Chiayi County Government	6,365,000	3.15
Taiwan Semiconductor Manufacturing Co., Ltd.	5,831,591	2.89
Da-Li Development Co, Ltd.	5,750,554	2.85
Eva Airways Corp.	5,386,783	2.67
AUO Co., Ltd.	5,079,259	2.52
Aerospace Industrial Development Corp.	4,843,337	2.40
Nantou County Government	4,820,025	2.39

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Ruen Chen Investment Holding Co., Ltd.	\$ 4,807,000	2.38
Taiwan Water Corporation	4,700,000	2.33
Evergreen Marine Corp. (Taiwan) Ltd.	4,458,765	2.21
Micron Technology, Inc.	4,193,000	2.08
China Steel Corp.	3,893,629	1.93
Formosa Ha TINH (Cayman) Limited	3,821,875	1.89
Nan Ya Plastics Corporation	3,801,378	1.88
Taiwan Land Development Corp.	3,679,319	1.82
Formosa Group (Cayman) Limited	3,669,000	1.82
Evergreen Marine (Singapore) Pte. Ltd.	3,658,355	1.81
Client A	3,529,998	1.75
Nan Shan Life Insurance Company, Ltd.	3,528,335	1.75
Chungwha Construction Corp.	3,468,709	1.72
Yi Tai Fund Corp.	3,260,000	1.62
Yieh United Steel Corp.	3,199,866	1.59
Fubon Financial Holding Co, Ltd.	3,090,704	1.53
China Man-Made Fiber Corp.	3,046,721	1.51
Tatung Co., Ltd.	3,036,680	1.51
Hon Hai Precision Co., Ltd.	3,027,884	1.50
Tainan City Government	3,000,000	1.49
2. Same related parties		
Client B	10,925,310	5.41
Client C	8,556,681	4.24
Client D	5,814,831	2.88
Client E	4,193,202	2.08
Client F	4,052,366	2.01
Client G	3,843,556	1.90
Client H	3,838,672	1.90
Client I	3,838,672	1.90
Client J	3,838,672	1.90
Client K	3,821,819	1.89
Client L	3,697,186	1.83
Client M	3,415,741	1.69
3. Same affiliate		
Evergreen Marine (Hong Kong) Limited	18,765,330	9.30
Ruentex Industries Ltd.	15,974,176	7.92
Hui Hong Investment Management Co., Ltd.	15,944,176	7.90
Yi Tai Fund Corp.	15,944,176	7.90
Gogoro Energy Network (Cayman), Taiwan Branch	15,562,176	7.71
Evergreen Marine Corp. (Taiwan) Ltd.	15,091,975	7.48
Nan Shan Life Insurance Company, Ltd.	14,379,188	7.13

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Formosa Ha TINH (Cayman) Limited	\$ 14,349,759	7.11
Ren Ying Enterprise Co., Ltd.	14,311,793	7.09
Clevo (Cayman Islands) Holding Company	13,410,124	6.65
Clevo Corp.	13,073,799	6.48
Eva Airways Corp.	12,763,798	6.33
Eva Cosmonautic Flight Precision Corp.	12,763,798	6.33
Evergreen Marine (UK) Limited	11,992,097	5.94
Far Eastern International Leasing Corp.	11,792,535	5.84
Formosa Plastics Corp.	11,678,150	5.79
Highwealth Construction Co., Ltd.	11,114,001	5.51
QiYu Construction Co., Ltd.	11,114,001	5.51
Ruen Long Construction Co., Ltd.	11,114,001	5.51
Ruentex Development Co., Ltd.	11,094,176	5.50
Ruen Chen Investment Holding Co., Ltd.	10,982,490	5.44
Far Eastern New Century Corporation	10,710,641	5.31
Formosa Chemicals & Fibre Corp.	10,689,869	5.30
Buynow (Anshan) Corp.	10,685,772	5.30
Nan Ya Plastics Corporation	10,377,850	5.14
Formosa Petrochemical Corporation	10,297,972	5.10
Shantou Buynow Mall Co., Ltd.	10,161,691	5.04
Buynow (Zhengzhou) Corp.	10,158,531	5.03
Yi Hsiang Construction Co., Ltd.	9,864,800	4.89
Great Emperor Hotel Co., Ltd.	9,670,095	4.79
Buynow (Wuhan) Corp	9,605,112	4.76
EDA Hua Yue Hotel Corp.	9,286,885	4.60
Yieh Phui (Hong Kong) Holdings Limited	9,089,928	4.51
Yang Ming Marine Transport Corp.	8,977,701	4.45
Yang Ming Marine Transport (Liberia) Corp.	8,733,122	4.33
Far EastTone Telecommunications Co., Ltd.	8,710,998	4.32
China Steel Corp.	8,094,102	4.01
C.S.Aluminium Corporation.	8,094,102	4.01
China Steel Express Corporation	8,094,102	4.01
Chung Hung Steel Corp.	8,054,972	3.99
Yieh United Steel Corp.	7,608,591	3.77
All Oceans Transportation Inc.	7,586,784	3.76
Kuang Ming Shipping Corp.	7,438,494	3.69
Kuang Ming (Liberia) Corp.	7,438,494	3.69
Kao Ming Container Terminal Corp.	7,427,746	3.68
AUO Co., Ltd.	7,121,997	3.53
Yes Logistics Corp.	6,983,310	3.46
Yieh Hsing Enterprise Co., Ltd.	6,974,372	3.46
UNI Airways Corp.	6,928,812	3.43
Nan Chung Petrochemical Corp.	6,848,698	3.39
General Interface Solution Limited	6,834,696	3.39
BenQ Materials Corp.	6,812,268	3.38

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Taiwan Semiconductor Manufacturing Co., Ltd.	\$ 6,522,037	3.23
Dragon Steel Corp.	6,283,069	3.11
Da-Li Development Co, Ltd.	6,079,563	3.01
Da Li International LLC	6,079,563	3.01
Hon Hai Precision Co., Ltd.	6,078,719	3.01
Da Li Development LLC	5,961,849	2.95
Li Sheng Corporation	5,929,423	2.94
Ya Tung Ready Mixed Concrete Co., Ltd.	5,857,789	2.90
Feng Sheng Enterprise Co., Ltd.	5,606,357	2.78
AUO (Kunshan) Co., Ltd.	5,568,459	2.76
ASE Technology Holding Co., Ltd.	5,521,689	2.74
Kuan-Ho Refractories Corp.	5,481,186	2.72
CSRC China (Maanshan) Corporation P.R.C	5,481,186	2.72
Far Eastern Big City Department Stores Ltd.	5,343,493	2.65
Fubon Financial Holding Co, Ltd.	5,217,549	2.59
Chailease Consumer Finance Co., Ltd.	5,110,400	2.53
Asia Cement Corp.	5,004,330	2.48
Chailease Finance Co., Ltd.	4,966,950	2.46
Chailease Holding Co., Ltd.	4,963,456	2.46
Jhong-An Investment Co., Ltd.	4,950,634	2.45
Fortuna Development Corp.	4,866,417	2.41
Aerospace Industrial Development Corp.	4,843,337	2.40
Taiwan Mobile Corp.	4,840,780	2.40
Mercedes-Benz Taiwan Ltd	4,800,941	2.38
Capital Machinery Corp.	4,800,941	2.38
Chailease Rental Corp.	4,725,430	2.34
Tatung Co., Ltd.	4,672,509	2.32
Chunghwa Picture Tubes, Ltd.	4,555,408	2.26
Fina Finance & Trading Co., Ltd.	4,543,819	2.25
China Man-Made Fiber Corp.	4,445,921	2.20
Farglory Dome Co., Ltd.	4,445,842	2.20
China Steel Structure Co., Ltd.	4,295,165	2.13
United Steel Engineering & Construction Corp.	4,295,165	2.13
Chungwha Construction Corp.	4,200,941	2.08
Micron Technology, Inc.	4,193,000	2.08
Unimicron Technology Corp.	4,160,094	2.06
Yieh Phui Enterprise Co., Ltd.	4,133,293	2.05
China Steel Chemical Corp.	4,089,016	2.03
Shih Wei Navigation Co., Ltd.	4,085,816	2.03
WPG Holdings Ltd.	4,080,850	2.02
United Microelectronics Corp.	4,080,085	2.02
Tachung Bank Securities Corp	4,066,280	2.02
Genuine Crop.	4,022,443	1.99
China Steel Machinery Corp.	3,944,454	1.95
CHC Resources Corp.	3,932,758	1.95

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Zhong Tai Hotel Co., Ltd.	\$ 3,907,530	1.94
Kai Tai Fung International Company Limited	3,907,530	1.94
EDA Hospital Corp.	3,894,965	1.93
Shinkong Synthetic Fibers Corp.	3,884,326	1.93
Pan Asia Chemical Co.	3,856,369	1.91
Pfg Fiber Glass Corporation	3,814,953	1.89
Nan Ya Technology Corp.	3,814,297	1.89
Farglory Land Development Co., Ltd.	3,792,315	1.88
Everwiner Enterprise Co., Ltd.	3,782,100	1.87
Taiwan Land Development Corp.	3,729,319	1.85
Taiwan Innovation Development Corp.	3,729,319	1.85
Taiwan Commercial Development Corp.	3,729,319	1.85
Pacific Sogo Department Stores Co., Ltd.	3,722,500	1.84
Far Eastern Department Stores Ltd.	3,717,500	1.84
Frontek Technology Corporation	3,670,100	1.82
Formosa Industries (Ninbo) Co., Ltd.	3,660,352	1.81
Evergreen Marine (Singapore) Pte. Ltd.	3,658,355	1.81
Spinnaker Pescadores S.A. Panama	3,642,791	1.81
Advance Material Co., Ltd.	3,635,470	1.80
Dong Lien Maritime S.A. Panama	3,515,904	1.74
Taiwan Cement Co., Ltd.	3,502,576	1.74
G-Tech Optoelectronics Corporation	3,491,758	1.73
Fubon Insurance Co., Ltd.	3,433,419	1.70
TCC International Holdings Limited	3,414,189	1.69
TCC International Limited	3,414,189	1.69
Coreasia Co., Ltd.	3,375,948	1.67
Radium Life Tech Co., Ltd.	3,336,262	1.65
WPG Eletronic Co., Ltd	3,207,668	1.59
Supreme Electronics Co., Ltd.	3,158,350	1.57
Central Investment Corp.	3,138,740	1.56
Fubon Securities Investment Trust Co., Ltd.	3,124,435	1.55
Cal-Comp Precision (Philippine)	3,122,107	1.55
IBT Leasing Co., Ltd	3,094,736	1.53
IBT Tianjin International Leasing Co., Ltd.	3,094,736	1.53
Taipei Fubon Commercial Bank Co., Ltd.	3,091,028	1.53
Shan Chih Asset Development Co., Ltd.	3,082,280	1.53
Xinxing Tongtai (Kunshan) Technology Co., Ltd.	3,060,143	1.52
Inteplast Group Inc.	3,027,409	1.50
IBT International Leasing Co., Ltd.	3,007,844	1.49

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 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.	Tai-Hwei Trade Co., Ltd.	Receivables on lending funds	No	\$ 199,630	\$ 190,695	\$ 190,695	3-8	Short-term financing	\$ -	Operating use	\$ 1,907	Real estate	\$ 382,013	\$ 338,145 (Note 3)	\$ 1,352,580 (Note 3)
		Hanky&Partners (Taiwan) Ltd.	Receivables on lending funds	No	219,271	214,855	210,430	3-8	Short-term financing	-	Operating use	2,104	Real estate	329,489	338,145 (Note 3)	1,352,580 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	35,000	31,311	31,311	3-8	Short-term financing	-	Operating use	313	Real estate	49,317	338,145 (Note 3)	1,352,580 (Note 3)
		Kuang Ming Shipping Co., Ltd.	Receivables on lending funds	No	200,000	189,042	189,042	3-8	Short-term financing	-	Operating use	1,890	Guarantee	40,000	338,145 (Note 3)	1,352,580 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	25,000	25,000	3-8	Short-term financing	-	Operating use	250	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Shinex Machinery Engineering Inc.	Receivables on lending funds	No	49,003	46,978	46,978	3-8	Short-term financing	-	Operating use	470	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	24,000	15,000	15,000	3-8	Short-term financing	-	Operating use	150	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	88,980	72,238	72,238	3-8	Short-term financing	-	Operating use	722	Stocks	72,200	338,145 (Note 3)	1,352,580 (Note 3)
		General Energy Solutions Co., Ltd.	Receivables on lending funds	No	41,808	16,895	16,895	3-8	Short-term financing	-	Operating use	169	Guarantee	5,000	338,145 (Note 3)	1,352,580 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	38,602	34,365	34,365	3-8	Short-term financing	-	Operating use	344	Real estate	56,694	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	8,581	4,744	4,744	10.61	Short-term financing	-	Operating use	71	Real estate	50,105	142,894 (Note 4)	381,052 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	24,838	18,064	18,064	8	Business relationship	480,507	Operating use	271	Real estate	47,012	142,894 (Note 4)	381,052 (Note 4)

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

- Parent company is denoted as 0.
- 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 \$952,629 thousand (RMB210,945 thousand).

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 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	June 30, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Taiwan Cooperative Venture Capital Co., Ltd.	<u>Beneficial certificate</u> TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	4,821	\$ 49,035	-	\$ 49,035	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	982,021	100.00	982,021	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	20,425	5.00	20,425	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,928	0.38	1,928	
Taiwan Cooperative Venture Capital Co., Ltd.	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	181	29,359	0.60	29,359	
	Lin BioScience, Inc.	-	Financial assets at fair value through profit or loss	426	16,678	0.72	16,678	
	GEOSAT Aerospace & Technology Inc.	-	Financial assets at fair value through profit or loss	1,759	40,351	5.60	40,351	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	115,090	2.82	115,090	
	eLand Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	550	33,495	3.44	33,495	
	M2Communication Inc.	-	Financial assets at fair value through profit or loss	500	3,345	1.14	3,345	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	21,304	2.75	21,304	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	28,030	2.38	28,030	
	Tircgo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	95	1,407	2.95	1,407	
	Taiwan Mobile Corp.	-	Financial assets at fair value through other comprehensive income	239	29,278	0.01	29,278	
	Chunghwa Telecom Co., Ltd.	-	Financial assets at fair value through other comprehensive income	240	27,120	-	27,120	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	MiTAC Holdings Corporation	-	Financial assets at fair value through other comprehensive income	567	\$ 17,644	0.06	\$ 17,644	
	Nan Ya Plastics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	589	46,295	0.01	46,295	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	21,780	2.45	21,780	

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

(In Thousands of New Taiwan Dollars)

Securities Firms	Counter-party	Nature of Relationship	Total Amounts of Brokerage Service Revenue	Total Allowance of Brokerage Service Revenue	Service Revenue From Related Party	Allowance of Service Revenue for Related Party	Percentage of Service Revenue From Related Party to Total Amounts	Percentage of Allowance of Service Revenue for Related Party to Total Allowance
Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Same parent company	\$ 378,411	\$ 199,198	\$ 15,614	\$ 11,123	4.13	5.58

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

**SALE OF NONPERFORMING LOANS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars)**

1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2019.6.12	Eudaimonia Limited	Midterm unsecured loan for enterprise (International syndicated loans)	\$ - (Note)	\$ 22,720 (US\$ 733)	\$ 22,720 (US\$ 733)	None	None

Note: Book value equals the amount of original loan US\$745 thousand minus allowance for bad debts US\$745 thousand.

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

JUNE 30, 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	\$ 1,608,330	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	473,539	-	-	-	-	-
	Taiwan Cooperative Bank, Ltd.	Subsidiary	2,953,000	-	-	-	-	-

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

PERCENTAGE SHARE IN INVESTEEES AND RELATED INFORMATION

JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei	Banking	100.00	\$ 219,154,862	\$ 7,594,737	9,031,030	-	9,031,030	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,258,065	170,071	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	6,549,738	208,128	423,788	-	423,788	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,239,554	124,975	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	387,106	10,362	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	5,032,028	242,155	342,693	-	342,693	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	1,025,763	56,563	100,000	-	100,000	100.00	Note 3

Note 1: Shares or proforma shares held by the Company, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Proforma shares are shares that are assumed to have been obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."

c. Derivative instruments, such as stock options, are those conforming to the definition of IFRS 9 - "Financial Instruments", such as stock options.

Note 3: When TCFHC prepares the consolidated financial statements, this investment has been eliminated.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 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)	\$ 158,681	100	\$ 158,681	\$ 5,881,036	\$ -
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)	(106,431)	100	(106,431)	2,989,570	-
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)	63,760	100	63,760	3,225,635	-
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)	29,701	100	29,701	2,773,788	-

Accumulated Investment in Mainland China as of June 30, 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)	\$ 131,975,896

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 June 30, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 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)	\$ 29,665	100	\$ 29,665	\$ 982,021	\$ -

Accumulated Investment in Mainland China as of June 30, 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)	\$ 1,943,653 (Note 3)

(Continued)

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

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

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 473,539	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	473,539	Note 4	0.01
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,608,330	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,608,330	Note 4	0.04
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Dividends receivable	2,953,000	Note 4	0.08
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Dividends payable	2,953,000	Note 4	0.08
0	Taiwan Cooperative Financial Holding Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	a	Dividends receivable	106,235	Note 4	-
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Dividends payable	106,235	Note 4	-
0	Taiwan Cooperative Financial Holding Co., Ltd.	Co-operative Assets Management Co., Ltd.	a	Dividends receivable	272,510	Note 4	0.01
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Dividends payable	272,510	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	570,528	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	570,528	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	9,400,284	Note 4	0.26
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	9,400,284	Note 4	0.26
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	2,761,322	Note 4	0.08
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	2,761,322	Note 4	0.08

(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.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	\$ 513,204	Note 4	2.13
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	513,204	Note 4	2.13
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	114,243	Note 4	0.47
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	114,243	Note 4	0.47
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Other receivables	129,150	Note 4	-
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other payables	129,150	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	5,000,000	Note 4	0.14
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	5,000,000	Note 4	0.14
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	2,733,694	Note 4	0.07
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Securities sold under repurchased agreements	2,733,694	Note 4	0.07
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	777,317	Note 4	0.02
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	777,317	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	2.41
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	310,600	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other borrowing	310,600	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	189,696	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Payable on securities	189,696	Note 4	0.01

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	\$ 170,015	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	170,674	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	1,422	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	20,422	Note 4	0.08
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	21,185	Note 4	0.09
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Venture Capital Co., Ltd.	c	Deposits and remittances	134,740	Note 4	-
7	Taiwan Cooperative Venture Capital Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents	134,740	Note 4	-

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

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

Note 2: Transaction flows are as follows:

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

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

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

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

(Concluded)