

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2019 and 2018 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 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 of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 25, 2019

Notice to Readers

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

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

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 48,614,397	1	\$ 57,203,098	2	\$ 55,860,395	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 40 and 41)	265,067,382	7	264,471,052	7	270,781,603	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 40 and 41)	76,719,834	2	58,462,230	2	70,054,575	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 41)	363,630,907	10	311,892,762	9	308,206,611	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 41)	554,912,670	15	558,505,884	16	527,807,184	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	1,720,845	-	1,886,314	-	1,560,048	-
RECEIVABLES, NET (Notes 12, 40 and 41)	34,398,866	1	31,292,805	1	34,300,639	1
CURRENT TAX ASSETS	1,383,627	-	1,540,589	-	1,580,966	-
DISCOUNTS AND LOANS, NET (Notes 13, 40 and 41)	2,156,407,285	59	2,060,487,809	59	2,061,891,659	59
REINSURANCE ASSETS, NET	80,078	-	46,975	-	16,342	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14)	130,666	-	127,094	-	128,015	-
OTHER FINANCIAL ASSETS, NET (Notes 15, 30 and 41)	123,177,116	4	110,358,805	3	117,780,166	3
INVESTMENT PROPERTIES, NET (Note 16)	9,980,834	-	9,496,539	-	9,434,030	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	33,828,774	1	33,824,507	1	33,780,140	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	1,735,922	-	-	-	-	-
INTANGIBLE ASSETS (Note 19)	3,674,602	-	3,631,035	-	3,528,468	-
DEFERRED TAX ASSETS (Notes 4 and 37)	1,735,325	-	1,782,952	-	1,817,614	-
OTHER ASSETS, NET (Notes 18 and 20)	3,704,235	-	3,277,138	-	3,861,151	-
<b>TOTAL</b>	<b>\$ 3,680,903,365</b>	<b>100</b>	<b>\$ 3,508,287,588</b>	<b>100</b>	<b>\$ 3,502,389,606</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 40)	\$ 254,566,981	7	\$ 226,264,806	6	\$ 225,497,488	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 26 and 40)	13,961,217	-	13,133,240	-	13,715,338	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 11, 22 and 40)	50,358,236	1	44,369,293	1	50,268,672	2
COMMERCIAL PAPER ISSUED, NET (Note 23)	31,937,675	1	26,091,523	1	28,226,306	1
PAYABLES (Notes 24 and 40)	58,219,970	2	51,166,336	2	56,390,349	2
CURRENT TAX LIABILITIES	1,494,685	-	997,439	-	1,056,998	-
DEPOSITS AND REMITTANCES (Notes 25 and 40)	2,826,883,962	77	2,726,474,349	78	2,707,773,835	77
BONDS PAYABLE (Note 26)	60,000,000	2	55,000,000	2	50,000,000	1
OTHER BORROWINGS (Notes 23 and 27)	3,354,810	-	2,425,405	-	2,514,560	-
PROVISIONS (Notes 4, 28 and 29)	43,913,703	1	48,830,833	1	49,323,515	1
OTHER FINANCIAL LIABILITIES (Notes 16 and 30)	106,917,236	3	94,531,001	3	101,265,958	3
LEASE LIABILITIES (Notes 4 and 18)	1,672,612	-	-	-	-	-
DEFERRED TAX LIABILITIES (Notes 4, 17 and 37)	3,480,789	-	3,334,447	-	3,453,108	-
OTHER LIABILITIES (Note 31)	1,762,138	-	3,194,907	-	1,611,811	-
<b>Total liabilities</b>	<b>3,458,524,014</b>	<b>94</b>	<b>3,295,813,579</b>	<b>94</b>	<b>3,291,097,938</b>	<b>94</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC</b>						
Capital stock						
Common stock	129,458,483	3	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	13,023,960	1	14,761,844	1	12,016,918	-
Total retained earnings	21,947,618	1	22,209,318	1	19,464,392	-
Other equity	7,726,012	-	2,412,696	-	3,777,383	-
<b>Total equity attributable to owners of TCFHC</b>	<b>217,105,254</b>	<b>6</b>	<b>208,274,204</b>	<b>6</b>	<b>206,893,965</b>	<b>6</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>5,274,097</b>	<b>-</b>	<b>4,199,805</b>	<b>-</b>	<b>4,397,703</b>	<b>-</b>
<b>Total equity</b>	<b>222,379,351</b>	<b>6</b>	<b>212,474,009</b>	<b>6</b>	<b>211,291,668</b>	<b>6</b>
<b>TOTAL</b>	<b>\$ 3,680,903,365</b>	<b>100</b>	<b>\$ 3,508,287,588</b>	<b>100</b>	<b>\$ 3,502,389,606</b>	<b>100</b>

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

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

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 40)	\$ 15,185,575	125	\$ 14,697,765	121	\$ 45,464,640	125	\$ 42,868,396	122
INTEREST EXPENSE (Notes 4, 32 and 40)	<u>(6,371,338)</u>	<u>(53)</u>	<u>(5,706,059)</u>	<u>(47)</u>	<u>(19,032,688)</u>	<u>(52)</u>	<u>(16,224,444)</u>	<u>(46)</u>
NET INTEREST	<u>8,814,237</u>	<u>72</u>	<u>8,991,706</u>	<u>74</u>	<u>26,431,952</u>	<u>73</u>	<u>26,643,952</u>	<u>76</u>
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 33 and 40)	1,676,246	14	1,695,342	14	5,047,631	14	4,844,955	14
Premium income, net (Notes 30 and 34)	(151,712)	(1)	81,199	1	(473,238)	(2)	20,003	-
Gains on financial assets and liabilities at fair value through profit or loss (Notes 35 and 40)	865,340	7	412,257	3	4,072,328	11	2,569,862	7
Gains on disposal of investment properties	2,126	-	1,156	-	2,126	-	1,156	-
Realized gains on financial assets at fair value through other comprehensive income (Note 9)	1,244,926	10	787,411	7	2,140,167	6	1,557,751	4
Gains on derecognition of financial assets at amortized cost, net (Note 10)	18,489	-	-	-	19,346	-	-	-
Foreign exchange gains (losses), net	(241,936)	(2)	249,406	2	(834,962)	(2)	(785,861)	(2)
Impairment losses on assets (Notes 9 and 10)	(14,990)	-	(8,175)	-	(18,063)	-	(6,481)	-
Share of gains of associates and joint ventures accounted for using the equity method (Note 14)	456	-	8,513	-	9,641	-	12,267	-
Loss on reclassification of overlay approach (Note 8)	(89,749)	(1)	(111,664)	(1)	(388,726)	(1)	(70,195)	-
Other noninterest gains, net (Notes 16 and 40)	<u>51,102</u>	<u>1</u>	<u>5,433</u>	<u>-</u>	<u>262,145</u>	<u>1</u>	<u>186,938</u>	<u>1</u>
Total net revenues and gains other than interest	<u>3,360,298</u>	<u>28</u>	<u>3,120,878</u>	<u>26</u>	<u>9,838,395</u>	<u>27</u>	<u>8,330,395</u>	<u>24</u>
TOTAL NET REVENUES	<u>12,174,535</u>	<u>100</u>	<u>12,112,584</u>	<u>100</u>	<u>36,270,347</u>	<u>100</u>	<u>34,974,347</u>	<u>100</u>
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Note 13)	<u>(697,739)</u>	<u>(6)</u>	<u>(773,996)</u>	<u>(6)</u>	<u>(3,165,746)</u>	<u>(9)</u>	<u>(2,391,109)</u>	<u>(7)</u>
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 28)	<u>529,489</u>	<u>5</u>	<u>370,277</u>	<u>3</u>	<u>1,355,370</u>	<u>4</u>	<u>858,715</u>	<u>2</u>
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 29 and 36)								
Employee benefits	(4,210,870)	(35)	(4,156,153)	(34)	(12,391,314)	(34)	(12,200,460)	(35)
Depreciation and amortization	(473,975)	(4)	(335,161)	(3)	(1,387,551)	(4)	(1,012,968)	(3)
General and administrative	<u>(1,771,574)</u>	<u>(14)</u>	<u>(1,905,577)</u>	<u>(16)</u>	<u>(5,060,065)</u>	<u>(14)</u>	<u>(5,368,878)</u>	<u>(15)</u>
Total operating expenses	<u>(6,456,419)</u>	<u>(53)</u>	<u>(6,396,891)</u>	<u>(53)</u>	<u>(18,838,930)</u>	<u>(52)</u>	<u>(18,582,306)</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) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 5,549,866	46	\$ 5,311,974	44	\$ 15,621,041	43	\$ 14,859,647	42
INCOME TAX EXPENSE (Notes 4 and 37)	(826,804)	(7)	(815,922)	(7)	(2,402,934)	(6)	(2,269,651)	(6)
NET INCOME	<u>4,723,062</u>	<u>39</u>	<u>4,496,052</u>	<u>37</u>	<u>13,218,107</u>	<u>37</u>	<u>12,589,996</u>	<u>36</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	190	-	3,901	-	(13,995)	-	18,235	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(794,854)	(7)	343,488	3	1,447,259	4	340,357	1
Items that will not be reclassified subsequently to profit or loss, net of income tax	(794,664)	(7)	347,389	3	1,433,264	4	358,592	1
Items that may be reclassified subsequently to profit or loss (Notes 4, 8, 9, 14 and 37)								
Exchange differences on the translation of financial statements of foreign operations	(224,326)	(2)	(106,844)	(1)	108,186	-	861,875	3
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	(4,696)	-	-	-	(3,034)	-
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	165,444	1	478,871	4	4,635,473	13	(1,465,530)	(4)
Other comprehensive income on reclassification of overlay approach	89,749	1	111,664	1	388,726	1	70,195	-
Income tax attributable to other comprehensive income	(5,549)	-	18,599	-	(358,554)	(1)	25,444	-
Items that may be reclassified subsequently to profit or loss, net of income tax	25,318	-	497,594	4	4,773,831	13	(511,050)	(1)
Other comprehensive income (losses), net of income tax	(769,346)	(7)	844,983	7	6,207,095	17	(152,458)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,953,716</u>	<u>32</u>	<u>\$ 5,341,035</u>	<u>44</u>	<u>\$ 19,425,202</u>	<u>54</u>	<u>\$ 12,437,538</u>	<u>36</u>

(Continued)

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

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 4,646,642	38	\$ 4,383,861	36	\$ 12,905,502	36	\$ 12,250,431	35
Non-controlling interests	<u>76,420</u>	<u>1</u>	<u>112,191</u>	<u>1</u>	<u>312,605</u>	<u>1</u>	<u>339,565</u>	<u>1</u>
	<u>\$ 4,723,062</u>	<u>39</u>	<u>\$ 4,496,052</u>	<u>37</u>	<u>\$ 13,218,107</u>	<u>37</u>	<u>\$ 12,589,996</u>	<u>36</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 3,739,152	30	\$ 5,129,050	42	\$ 18,248,841	51	\$ 12,364,789	36
Non-controlling interests	<u>214,564</u>	<u>2</u>	<u>211,985</u>	<u>2</u>	<u>1,176,361</u>	<u>3</u>	<u>72,749</u>	<u>-</u>
	<u>\$ 3,953,716</u>	<u>32</u>	<u>\$ 5,341,035</u>	<u>44</u>	<u>\$ 19,425,202</u>	<u>54</u>	<u>\$ 12,437,538</u>	<u>36</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)								
Basic	<u>\$ 0.36</u>		<u>\$ 0.34</u>		<u>\$ 1.00</u>		<u>\$ 0.95</u>	
Diluted	<u>\$ 0.36</u>		<u>\$ 0.34</u>		<u>\$ 1.00</u>		<u>\$ 0.95</u>	

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

(Concluded)

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

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

	Equity Attributable to Owners of TCFHC												Total Equity
	Equity Attributable to Owners of TCFHC						Other Equity						
	Capital Stock (Note 39)		Capital Surplus	Retained Earnings (Note 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	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	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	30,023	-	(30,023)	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	(102,069)	(102,069)
Net income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	-	-	-	-	-	312,605	13,218,107
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	93,366	5,067,371	-	(13,995)	196,597	863,756	6,207,095
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	93,366	5,067,371	-	(13,995)	196,597	1,176,361	19,425,202
BALANCE, SEPTEMBER 30, 2019	<u>12,945,848</u>	<u>\$ 129,458,483</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 13,023,960</u>	<u>\$ (188,973)</u>	<u>\$ 7,727,380</u>	<u>\$ -</u>	<u>\$ 1,671</u>	<u>\$ 185,934</u>	<u>\$ 5,274,097</u>	<u>\$ 222,379,351</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 APPLIED RETROSPECTIVELY	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	4,428,434	208,109,638
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,152,028)	-	-	-	-	-	-	(9,152,028)
Stock dividends	366,081	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	8,206	-	(8,206)	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	(103,480)	(103,480)
Net income for the nine months ended September 30, 2018	-	-	-	-	-	12,250,431	-	-	-	-	-	339,565	12,589,996
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	731,655	(669,329)	-	18,235	33,797	(266,816)	(152,458)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	12,250,431	731,655	(669,329)	-	18,235	33,797	72,749	12,437,538
BALANCE, SEPTEMBER 30, 2018	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,964,343</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 12,016,918</u>	<u>\$ (446,279)</u>	<u>\$ 3,986,357</u>	<u>\$ -</u>	<u>\$ 20,649</u>	<u>\$ 216,656</u>	<u>\$ 4,397,703</u>	<u>\$ 211,291,668</u>

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



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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 15,621,041	\$ 14,859,647
Adjustments for:		
Depreciation expenses	1,251,452	886,944
Amortization expenses	136,099	126,024
Expected credit losses/bad-debt expenses	3,161,539	2,415,400
Gains on financial assets and liabilities at fair value through profit or loss	(4,072,328)	(2,569,862)
Interest expense	19,032,688	16,224,444
Gain on derecognition of financial assets at amortized cost	(19,346)	-
Interest revenue	(45,464,640)	(42,868,396)
Dividend income	(1,064,005)	(639,645)
Net changes in reserves for insurance liabilities	(1,355,370)	(858,715)
Reversal of provision for losses on guarantees	(2,915)	(67,755)
Net changes in reserves for other liabilities	7,122	43,464
Share of gains of associates and joint ventures accounted for using equity method	(9,641)	(12,267)
Losses on reclassification of overlay approach	388,726	70,195
Losses on disposal of properties and equipment	2,658	1,566
Gains on disposal of investments properties	(2,126)	(1,156)
Gains on disposal of investments	(1,076,162)	(918,106)
Impairment losses on financial assets	20,246	10,383
Reversal of impairment losses on financial assets	(2,183)	(3,915)
Impairment losses on non-financial assets	-	13
Unrealized gains on foreign exchange	(60,101)	(527,656)
Other lease gains	(44)	-
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	6,476,300	(7,292,954)
Decrease (increase) in financial assets at fair value through profit or loss	(7,504,673)	5,890,614
Increase in financial assets at fair value through other comprehensive income	(45,080,856)	(13,304,820)
Decrease (increase) in investments in debt instruments at amortized cost	2,099,540	(10,288,421)
Decrease (increase) in receivables	(3,505,884)	505,374
Increase in discounts and loans	(98,806,823)	(61,328,544)
Decrease (increase) in reinsurance assets	(21,545)	109,621
Decrease (increase) in other financial assets	(301,549)	663,881
Increase in other assets	(720,313)	(383,352)
Increase (decrease) in due to the Central Bank and other banks	28,302,175	(2,299,943)

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Decrease in financial liabilities at fair value through profit or loss	\$ (6,166,163)	\$ (11,147,289)
Increase in securities sold under repurchase agreements	5,988,940	7,968,834
Increase in payables	6,133,955	3,763,356
Increase in deposits and remittances	100,409,613	84,233,259
Decrease in provision for employee benefits	(228,971)	(107,570)
Decrease in provisions	(3,349,528)	(309,973)
Increase (decrease) in other financial liabilities	(464,981)	458,148
Increase (decrease) in other liabilities	<u>(1,499,475)</u>	<u>33,537</u>
Cash used in operations	(31,747,528)	(16,665,635)
Interest received	46,883,390	44,083,045
Dividends received	1,192,132	813,977
Interest paid	(17,992,123)	(15,414,461)
Income tax paid	<u>(1,878,993)</u>	<u>(2,539,270)</u>
Net cash generated by (used in) operating activities	<u>(3,543,122)</u>	<u>10,277,656</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of properties and equipment	(842,943)	(744,488)
Proceeds of the disposal of properties and equipment	5	2
Increase in refundable deposits	(1,498,307)	(2,293,685)
Decrease in refundable deposits	1,755,181	1,611,674
Acquisition of intangible assets	(173,931)	(72,732)
Acquisition of investment properties	(536,065)	(845,968)
Proceeds of the disposal of investment properties	16,200	2,971
Increase in other assets	(29,553)	(11,873)
Decrease in other assets	<u>10,959</u>	<u>43</u>
Net cash used in investing activities	<u>(1,298,454)</u>	<u>(2,354,056)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper issued	5,851,000	2,570,000
Proceeds of the issuance of bank debentures	5,000,000	-
Repayments of bank debentures	-	(14,610,000)
Increase in other borrowings	29,822,664	17,595,724
Decrease in other borrowings	(28,874,231)	(15,859,804)
Increase in guarantee deposits received	695,255	625,760
Decrease in guarantee deposits received	(92,962)	(931,433)
Repayments of the principal portion of lease liabilities	(407,392)	-
Increase in other liabilities	25,047	-
Decrease in other liabilities	-	(10,422)

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Dividends paid	\$ (9,426,589)	\$ (9,152,028)
Changes in non-controlling interests	<u>(102,069)</u>	<u>(103,480)</u>
Net cash generated by (used in) financing activities	<u>2,490,723</u>	<u>(19,875,683)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>948,608</u>	<u>835,339</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,402,245)	(11,116,744)
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>\$ 72,276,295</u>	<u>\$ 95,078,803</u>
Cash and cash equivalents reconciliations:		
	September 30	
	2019	2018
Cash and cash equivalents in the consolidated balance sheets	\$ 48,614,397	\$ 55,860,395
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”	21,661,759	37,658,360
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	1,720,845	1,560,048
Other items in accordance with the definition of cash and cash equivalents, end of period	<u>279,294</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 72,276,295</u>	<u>\$ 95,078,803</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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. ORGANIZATION AND OPERATIONS**

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

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, an offshore banking unit (OBU), 12 overseas branches, 7 overseas sub-branches and 2 representative office as of September 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 engages in life and property insurance brokering. In order to integrate resources and enhance operating effectiveness, the board of directors of TCB and CIB decided to merge TCB with CIB. The effective date of the merger was June 24, 2016. In this merger, TCB was the survivor entity.

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

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

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

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

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

As of September 30, 2019 and 2018, TCFHC and its subsidiaries (the Company) had 9,470 and 9,193 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 November 25, 2019.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Effects of initial application of the amended Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) 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:

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

- b. Impact of IFRSs endorsed by the FSC for application starting from 2020, but not yet applied by the Company

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
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. Impact of the new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC and not yet applied by the Company

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
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:

- 1) A group of contracts that are onerous at initial recognition;
- 2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently;
- 3) 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:

- 1) The beginning of the coverage period of the group of contracts;
- 2) The date when the first payment from a policyholder in the group becomes due; and
- 3) 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:

- 1) The initial recognition of an amount for the fulfilment cash flows;
- 2) The derecognition at that date of any asset or liability recognized for insurance acquisition cash flows; and
- 3) 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:

- 1) The Company reasonably expects that this will be a reasonable approximation of the general model, or
- 2) 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. 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.

c. Employee benefits

Retirement benefits

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

d. Taxation

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

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 22,997,480	\$ 22,726,112	\$ 22,283,172
Notes and checks in clearing	10,803,646	21,869,459	22,738,464
Due from banks	<u>14,813,271</u>	<u>12,607,527</u>	<u>10,838,759</u>
	<u>\$ 48,614,397</u>	<u>\$ 57,203,098</u>	<u>\$ 55,860,395</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 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

	September 30, 2019	December 31, 2018	September 30, 2018
Reserves for deposits - account A	\$ 33,198,701	\$ 62,508,712	\$ 40,795,715
Reserves for deposits - account B	74,596,690	71,549,801	72,768,842
Reserves for deposits - community financial institutions	60,083,835	58,185,258	57,961,452
Reserves for deposits - foreign-currency deposits	407,852	393,676	389,899
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Due from the Central Bank - others	13,991,597	12,494,330	8,583,250
Due from the Central Bank - central government agencies’ deposits	3,484,443	4,211,689	2,916,331
Call loans to banks	<u>40,104,264</u>	<u>15,927,586</u>	<u>48,166,114</u>
	<u>\$ 265,067,382</u>	<u>\$ 264,471,052</u>	<u>\$ 270,781,603</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 reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the guidelines 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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Commercial paper	\$ 53,485,308	\$ 29,672,612	\$ 33,599,017
Beneficial certificates	4,929,042	4,892,193	5,347,841
Corporate bonds	4,013,175	3,783,583	2,680,346
Negotiable certificates of deposit	3,399,994	7,049,267	11,948,087
Investments in equity instruments	2,986,926	2,018,437	2,433,569
Government bonds	2,628,424	2,152,749	2,011,526
Convertible bonds	1,106,740	1,141,636	1,412,338
Bank debentures	1,066,544	3,015,334	4,478,222
Acquired loans	366,513	491,654	-
Commercial paper contracts with reference rate	4,617	1,987	1,131
Currency swap contracts	1,607,312	1,668,499	3,151,290
Interest rate swap contracts	411,186	10,784	10,801
Convertible bonds assets swap contracts	292,534	2,101,005	2,495,044
Futures exchange margins	211,114	282,792	296,137
Foreign-currency margin contracts	159,495	145,684	116,111
Forward contracts	21,731	11,509	37,974
Currency option contracts - buy	20,866	12,908	25,987
Cross-currency swap contracts	<u>8,313</u>	<u>9,597</u>	<u>9,154</u>
Financial assets at fair value through profit or loss	<u>\$ 76,719,834</u>	<u>\$ 58,462,230</u>	<u>\$ 70,054,575</u>
<u>Held-for-trading financial liabilities</u>			
Payables - security borrowing	\$ 110,288	\$ 50,235	\$ 201,304
Securities purchased under resell agreements - short sale	-	100,256	-
Currency swap contracts	1,161,635	916,402	1,390,523
Forward contracts	124,672	127,435	104,236
Asset swap options	14,268	17,979	26,968
Interest rate swap contracts	17,215	415,939	821,975
Currency option contract - sell	20,914	13,050	26,056
Cross-currency swap contracts	4,634	7,989	5,611
Foreign-currency margin contracts	<u>-</u>	<u>-</u>	<u>350</u>
	1,453,626	1,649,285	2,577,023
<u>Financial liabilities designated as at fair value through profit or loss</u>			
Bank debentures (Note 26)	<u>12,507,591</u>	<u>11,483,955</u>	<u>11,138,315</u>
Financial liabilities at fair value through profit or loss	<u>\$ 13,961,217</u>	<u>\$ 13,133,240</u>	<u>\$ 13,715,338</u>

As of September 30, 2019, December 31, 2018 and September 30, 2018, financial assets at fair value through profit or loss amounting to \$28,608,535 thousand, \$25,558,693 thousand and \$33,941,751 thousand, respectively, had been sold under repurchase agreements.

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

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Currency swap contracts	\$ 396,761,026	\$ 468,620,179	\$ 454,229,611
Interest rate swap contracts	16,324,802	15,605,012	17,005,480
Forward contracts	10,566,867	9,483,058	11,598,378
Currency option contracts - sell	4,874,913	4,299,752	6,373,613
Currency option contracts - buy	4,874,913	4,299,752	6,373,613
Cross-currency swap contracts	1,344,635	2,150,028	1,986,394
Foreign-currency margin contracts	658,760	826,095	847,750

As of September 30, 2019, December 31, 2018 and September 30, 2018, the open position of futures transactions of TCB were as follows:

		<b>September 30, 2019</b>			
		<b>Open Position</b>		<b>Contract Amounts or Premium Paid</b>	
<b>Items</b>	<b>Products</b>	<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>(Charged)</b>	<b>Fair Values</b>
Futures contracts	Stock index futures	Sell	10	\$ 21,678	\$ 21,646
		<b>December 31, 2018</b>			
		<b>Open Position</b>		<b>Contract Amounts or Premium Paid</b>	
<b>Items</b>	<b>Products</b>	<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>(Charged)</b>	<b>Fair Values</b>
Futures contracts	Stock index futures	Sell	102	\$ 198,254	\$ 197,050
	Interest rate futures	Sell	170	624,855	635,060
		<b>September 30, 2018</b>			
		<b>Open Position</b>		<b>Contract Amounts or Premium Paid</b>	
<b>Items</b>	<b>Products</b>	<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>(Charged)</b>	<b>Fair Values</b>
Futures contracts	Stock index futures	Sell	90	\$ 195,767	\$ 197,124
	Interest rate futures	Sell	55	201,430	199,301

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

		<b>September 30, 2019</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	Stock index futures	Buy	10	\$ 43,402	\$ 43,142
	Single-stock futures	Buy	42	15,265	15,205
	Stock index futures	Sell	64	149,521	149,350
	Single-stock futures	Sell	105	59,462	59,384
	Commodity futures	Sell	12	23,045	22,702
	Foreign exchange futures	Sell	6	21,729	21,646
	Interest rate futures	Sell	57	381,768	380,547
		<b>December 31, 2018</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
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
		<b>September 30, 2018</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Future contracts	Stock index futures	Buy	52	\$ 58,290	\$ 57,806
	Single-stock futures	Buy	83	10,741	11,245
	Commodity futures	Buy	6	12,018	13,381
	Foreign exchange futures	Buy	8	27,210	27,027
	Interest rate futures	Sell	143	920,057	918,148
	Stock index futures	Sell	65	165,782	167,851
	Single-stock futures	Sell	7	1,966	1,986
	Commodity futures	Sell	85	166,728	173,069

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Asset swap contracts	\$ 294,800	\$ 223,400	\$ 410,700

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Currency swap contracts	\$ 39,716	\$ 421,807	\$ 1,210,227
Interest rate swap contracts	3,800,000	75,200,000	102,340,000

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Currency swap contracts	\$ 13,192,949	\$ 12,976,054	\$ 15,794,512

BPCTLI has applied IFRS 9 since 2018, and at the same time chose to use the overlay approach of IFRS 4 “Insurance Contracts” to present the profit or loss of designated financial assets. The financial assets designated for the overlay approach were as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Financial assets at FVTPL</u>			
Beneficial certificates	\$ 4,137,040	\$ 4,292,643	\$ 4,468,101
Investments in equity instruments	520,745	550,978	524,617

For the nine months ended September 30, 2019 and 2018, for the financial assets designated for the overlay approach, the amounts reclassified between profit or loss and other comprehensive income were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss on application of IFRS 9	\$ 110,109	\$ 222,488	\$ 657,514	\$ 370,394
Less: Profit or loss had IAS 39 been applied	<u>(20,360)</u>	<u>(110,824)</u>	<u>(268,788)</u>	<u>(300,199)</u>
Gain or loss on reclassification using the overlay approach	<u>\$ 89,749</u>	<u>\$ 111,664</u>	<u>\$ 388,726</u>	<u>\$ 70,195</u>

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Investments in equity instruments at FVTOCI</u>			
Listed shares and emerging market shares	\$ 10,981,501	\$ 7,026,779	\$ 7,592,769
Unlisted shares	<u>5,042,027</u>	<u>4,373,477</u>	<u>5,198,634</u>
	<u>16,023,528</u>	<u>11,400,256</u>	<u>12,791,403</u>
<u>Investments in debt instruments at FVTOCI</u>			
Government bonds	171,289,449	141,610,607	136,421,584
Corporate bonds	110,442,509	100,828,618	99,616,570
Bank debentures	<u>65,875,421</u>	<u>58,053,281</u>	<u>59,377,054</u>
	<u>347,607,379</u>	<u>300,492,506</u>	<u>295,415,208</u>
	<u>\$ 363,630,907</u>	<u>\$ 311,892,762</u>	<u>\$ 308,206,611</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 nine months ended September 30, 2019 and 2018. The accumulated unrealized gain of financial assets at FVTOCI under other equity in the amounts of \$30,023 thousand and \$8,206 thousand have been transferred to retained earnings, respectively.

For the three months and the nine months ended September 30, 2019 and 2018, the Company recognized dividends revenue \$867,171 thousand, \$469,402 thousand, \$1,064,005 thousand and \$639,645 thousand, respectively, also derecognized amounts related to investments \$334,572 thousand, \$148,904 thousand, \$340,658 thousand and \$148,904 thousand, respectively, compared to the amounts held on September 30, 2019 and 2018 which were \$723,347 thousand and \$490,741 thousand, respectively.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$101,695 thousand, \$93,772 thousand and \$84,738 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the three months and nine months ended September 30, 2019 and 2018 were \$9,045 thousand, \$4,871 thousand, \$14,293 thousand and \$6,296 thousand, respectively.

As of September 30, 2019, December 31, 2018 and September 30, 2018, financial assets at fair value through other comprehensive income amounting to \$21,211,639 thousand, \$18,985,764 thousand and \$15,975,852 thousand, respectively, had been sold under repurchase agreements.

## 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
Negotiable certificates of deposit in the Central Bank	\$ 387,380,000	\$ 400,180,000	\$ 383,800,000
Government bonds	103,530,608	100,069,300	85,952,427
Corporate bonds	42,166,389	38,112,575	36,932,950
Bank debentures	21,599,499	19,807,229	20,883,772
Certificates of deposit	<u>288,542</u>	<u>385,836</u>	<u>283,790</u>
	554,965,038	558,554,940	527,852,939
Less: Allowance for impairment loss	<u>52,368</u>	<u>49,056</u>	<u>45,755</u>
	<u>\$ 554,912,670</u>	<u>\$ 558,505,884</u>	<u>\$ 527,807,184</u>

Impairment loss recognized in profit or loss for the three months and for the nine months ended September 30, 2019 and 2018 were \$5,945 thousand, \$3,291 thousand, \$3,770 thousand and \$172 thousand, respectively.

As the Company adjusted part of its investment portfolio due to asset and liability allocation requirements in January 2019 and also since the bond issuers announced a buyback in advance of the bonds they issued in August 2019, after assessment, the Company agreed to sell these bonds, and the gain on the sale of these bonds at fair value recognized under - derecognition of financial assets at amortized cost was \$19,346 thousand.

## 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,720,845 thousand, \$1,886,314 thousand and \$1,560,048 thousand under resell agreements as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively, will subsequently be sold for \$1,721,689 thousand, \$1,886,999 thousand and \$1,560,817 thousand, respectively.

As of September 30, 2019 and 2018, securities purchased under resell agreements amounting to \$32,072 thousand and \$274,369 thousand, respectively had been sold under repurchase agreements.

## 12. RECEIVABLES, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Accrued interest	\$ 9,783,091	\$ 9,618,041	\$ 8,655,865
Credit cards	4,178,431	3,654,314	3,847,553
Margin loans receivable	4,066,151	3,955,680	5,401,384
Lease payment receivable	2,759,981	2,320,061	2,472,679
Settlement consideration	2,654,664	1,979,845	2,765,214
Acceptances	2,803,702	3,533,576	3,068,591
Receivable on securities	2,472,669	1,222,451	1,914,602
Settlement receivable	3,154,032	1,499,851	2,192,257
Receivables on financing provided	840,392	1,081,279	1,035,534
Receivables on merchant accounts in the credit card business	619,321	832,720	855,489
Accounts receivable	420,071	538,258	442,871

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
Credits receivable	\$ 457,630	\$ 459,866	\$ 461,382
Accounts receivable factored without recourse	207,075	456,346	375,546
Refundable deposits receivable in leasehold agreements	183,993	183,993	183,993
Receivable - separated account	-	155,950	422,095
Acquired loans	-	-	499,437
Others	<u>819,808</u>	<u>772,654</u>	<u>649,830</u>
	35,421,011	32,264,885	35,244,322
Less: Allowance for possible losses	836,332	817,010	774,186
Less: Unrealized interest revenue	<u>185,813</u>	<u>155,070</u>	<u>169,497</u>
	<u>\$ 34,398,866</u>	<u>\$ 31,292,805</u>	<u>\$ 34,300,639</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	(26,395)	26,452	(57)	-
Credit-impaired financial assets	(18,738)	(3,862)	22,600	-
12-month ECL	11,036	(10,549)	(487)	-
New financial assets purchased or originated	37,481,389	90,743	82,698	37,654,830
Write-offs	-	-	(24,960)	(24,960)
Derecognition of financial assets in the current reporting period	(37,734,180)	(98,593)	(60,669)	(37,893,442)
Changes in exchange rates and other changes	<u>(292,076)</u>	<u>-</u>	<u>41</u>	<u>(292,035)</u>
Balance at September 30, 2019	<u>\$ 19,778,795</u>	<u>\$ 49,142</u>	<u>\$ 173,346</u>	<u>\$ 20,001,283</u>

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2018	\$ 22,194,858	\$ 53,206	\$ 184,769	\$ 22,432,833
Transfers to				
Lifetime ECL	(32,840)	32,960	(120)	-
Credit-impaired financial assets	(13,476)	(7,273)	20,749	-
12-month ECL	18,656	(18,337)	(319)	-
New financial assets purchased or originated	14,022,239	88,718	154,712	14,265,669
Write-offs	-	-	(26,108)	(26,108)
Derecognition of financial assets in the current reporting period	(16,084,654)	(99,150)	(165,409)	(16,349,213)
Changes in exchange rates and other changes	<u>251,560</u>	<u>51</u>	<u>27</u>	<u>251,638</u>
Balance at September 30, 2018	<u>\$ 20,356,343</u>	<u>\$ 50,175</u>	<u>\$ 168,301</u>	<u>\$ 20,574,819</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
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	(411)	417	(6)	-	-	-
Credit-impaired financial assets	(470)	(1,062)	1,532	-	-	-
12-month ECL	2,496	(2,381)	(115)	-	-	-
Derecognition of financial assets in the current reporting period	(43,574)	(34,285)	(24,931)	(102,790)	-	(102,790)
Reversal from financial instruments recognized at the beginning of the current reporting period	(1,184)	8,646	17,699	25,161	-	25,161
New financial assets purchased or originated	36,527	29,595	51,427	117,549	-	117,549
Difference of impairment loss under regulations	-	-	-	-	(4,457)	(4,457)
Write-offs	-	-	(24,960)	(24,960)	-	(24,960)
Recovery of written-off receivables	-	-	3,930	3,930	-	3,930
Changes in exchange rates and other changes	<u>1,969</u>	<u>-</u>	<u>(1,855)</u>	<u>114</u>	<u>-</u>	<u>114</u>
Balance at September 30, 2019	<u>\$ 42,439</u>	<u>\$ 12,388</u>	<u>\$ 58,875</u>	<u>\$ 113,702</u>	<u>\$ 100,957</u>	<u>\$ 214,659</u>



<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
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	(153)	166	(13)	-	-	-
Credit-impaired financial assets	(156)	(639)	795	-	-	-
12-month ECL	5,102	(5,063)	(39)	-	-	-
Derecognition of financial assets in the current reporting period	(42,398)	(32,445)	(89,623)	(164,466)	-	(164,466)
Reversal from financial instruments recognized at the beginning of the current reporting period	(5,248)	8,053	9,970	12,775	-	12,775
New financial assets purchased or originated	36,236	29,243	27,782	93,261	-	93,261
Difference of impairment loss under regulations	-	-	-	-	8,909	8,909
Write-offs	-	-	(26,108)	(26,108)	-	(26,108)
Recovery of written-off receivables	-	-	65,699	65,699	-	65,699
Changes in exchange rates and other changes	<u>3,939</u>	<u>-</u>	<u>(9,331)</u>	<u>(5,392)</u>	<u>-</u>	<u>(5,392)</u>
Balance at September 30, 2018	<u>\$ 43,745</u>	<u>\$ 12,182</u>	<u>\$ 40,580</u>	<u>\$ 96,507</u>	<u>\$ 105,925</u>	<u>\$ 202,432</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 September 30, 2019, December 31, 2018 and September 30, 2018, the amounts of impairment of receivables were assessed as \$15,419,728 thousand, \$11,707,995 thousand and \$14,669,503 thousand, respectively, and the amounts of allowance for possible losses were \$621,673 thousand, \$616,898 thousand and \$571,754 thousand, respectively.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Balance, January 1	\$ 616,898	\$ 601,913
Provision for possible losses	6,292	28,063
Write-offs	(9,224)	(61,476)
Recovery of written-off receivables	9,042	4,232
Effects of exchange rate changes	<u>(1,335)</u>	<u>(978)</u>
Balance, September 30	<u>\$ 621,673</u>	<u>\$ 571,754</u>

### 13. DISCOUNTS AND LOANS, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Bills discounted	\$ 2,299,112	\$ 2,342,530	\$ 2,419,816
Overdraft			
Unsecured	90,036	116,491	126,503
Secured	66,473	67,220	76,960
Import and export negotiations	1,032,132	480,986	874,530
Short-term loans			
Unsecured	305,480,876	270,175,609	290,842,306
Accounts receivable financing	267,177	599,595	600,696
Secured	206,759,482	203,826,944	198,483,684
Medium-term loans			
Unsecured	333,686,889	305,619,561	301,195,176
Secured	300,435,095	291,276,124	287,458,209
Long-term loans			
Unsecured	28,716,187	27,650,364	29,281,260
Secured	997,989,076	979,349,185	968,886,995
Overdue loans	6,172,017	5,056,933	6,416,299
Life insurance loan	764,044	747,084	754,146
Temporary insurance paid	47,292	41,042	37,067
	<u>2,183,805,888</u>	<u>2,087,349,668</u>	<u>2,087,453,647</u>
Less: Allowance for possible losses	26,884,247	26,398,310	25,110,464
Less: Adjustment of discount	<u>514,356</u>	<u>463,549</u>	<u>451,524</u>
	<u>\$ 2,156,407,285</u>	<u>\$ 2,060,487,809</u>	<u>\$ 2,061,891,659</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	(3,516,919)	3,548,543	(31,624)	-
Credit-impaired financial assets	(10,834,302)	(638,219)	11,472,521	-
12-month ECL	2,042,797	(828,071)	(1,214,726)	-
New financial assets purchased or originated	761,526,830	773,962	244,130	762,544,922
Write-offs	-	-	(3,821,149)	(3,821,149)
Derecognition of financial assets in the current reporting period	(652,760,533)	(826,670)	(4,117,540)	(657,704,743)
Changes in exchange rates and other changes	<u>(4,734,964)</u>	<u>(11,420)</u>	<u>183,574</u>	<u>(4,562,810)</u>
Balance at September 30, 2019	<u>\$ 2,143,701,104</u>	<u>\$ 4,978,497</u>	<u>\$ 35,126,287</u>	<u>\$ 2,183,805,888</u>

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2018	\$ 1,991,651,844	\$ 6,619,720	\$ 30,231,174	\$ 2,028,502,738
Transfers to				
Lifetime ECL	(2,761,481)	2,814,094	(52,613)	-
Credit-impaired financial assets	(6,629,364)	(1,488,920)	8,118,284	-
12-month ECL	1,493,980	(1,306,810)	(187,170)	-
New financial assets purchased or originated	717,417,461	568,857	2,442,615	720,428,933
Write-offs	-	(148,252)	(3,058,401)	(3,206,653)
Derecognition of financial assets in the current reporting period	(655,302,714)	(821,360)	(5,709,944)	(661,834,018)
Changes in exchange rates and other changes	<u>3,582,375</u>	<u>(3,748)</u>	<u>(15,980)</u>	<u>3,562,647</u>
Balance at September 30, 2018	<u>\$ 2,049,452,101</u>	<u>\$ 6,233,581</u>	<u>\$ 31,767,965</u>	<u>\$ 2,087,453,647</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
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	(4,864)	8,012	(3,148)	-	-	-
Credit-impaired financial assets	(140,352)	(6,138)	146,490	-	-	-
12-month ECL	91,791	(1,352)	(90,439)	-	-	-
Derecognition of financial assets in the current reporting period	(1,677,484)	(1,855)	(740,647)	(2,419,986)	-	(2,419,986)
Reversal from financial instruments recognized at the beginning of the current reporting period	196,394	20,205	3,576,969	3,793,568	-	3,793,568
New financial assets purchased or originated	2,119,917	2,797	90,429	2,213,143	-	2,213,143
Difference of impairment loss under regulations	-	-	-	-	(505,815)	(505,815)
Write-offs	-	-	(3,821,149)	(3,821,149)	-	(3,821,149)
Recovery of write-off credits	-	-	1,224,741	1,224,741	-	1,224,741
Changes in exchange rates and other changes	<u>71,986</u>	<u>(149)</u>	<u>(70,402)</u>	<u>1,435</u>	<u>-</u>	<u>1,435</u>
Balance at September 30, 2019	<u>\$ 4,443,001</u>	<u>\$ 30,525</u>	<u>\$ 4,883,384</u>	<u>\$ 9,356,910</u>	<u>\$ 17,527,337</u>	<u>\$ 26,884,247</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
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	(2,043)	7,408	(5,365)	-	-	-
Credit-impaired financial assets	(91,261)	(8,231)	99,492	-	-	-
12-month ECL	24,294	(2,167)	(22,127)	-	-	-
Derecognition of financial assets in the current reporting period	(1,454,094)	(2,605)	(1,210,551)	(2,667,250)	-	(2,667,250)
Reversal from financial instruments recognized at the beginning of the current reporting period	16,525	(3,147)	2,382,128	2,395,506	-	2,395,506
New financial assets purchased or originated	1,752,889	1,676	299,799	2,054,364	-	2,054,364
Difference of impairment loss under regulations	-	-	-	-	635,366	635,366
Write-offs	-	(3,996)	(3,202,657)	(3,206,653)	-	(3,206,653)
Recovery of write-off credits	-	-	629,908	629,908	-	629,908
Changes in exchange rates and other changes	80,895	167	(2,986)	78,076	-	78,076
Balance at September 30, 2018	<u>\$ 3,693,565</u>	<u>\$ 26,097</u>	<u>\$ 4,642,360</u>	<u>\$ 8,362,022</u>	<u>\$ 16,748,442</u>	<u>\$ 25,110,464</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Provision for possible losses on discounts and loans	\$ 601,152	\$ 715,061	\$ 3,080,910	\$ 2,417,986
Provision (reversal of provision) for possible losses on receivables	21,447	28,075	41,755	(21,458)
Provision for possible losses on overdue receivables	8,183	2,778	38,874	18,872
Provision (reversal of provision) for possible losses on guarantees	65,507	40,529	(2,915)	(67,755)
Provision (reversal of provision) for possible losses on loan commitment	(6,215)	(38,122)	3,176	4,942
Provision for other possible losses	<u>7,665</u>	<u>25,675</u>	<u>3,946</u>	<u>38,522</u>
	<u>\$ 697,739</u>	<u>\$ 773,996</u>	<u>\$ 3,165,746</u>	<u>\$ 2,391,109</u>

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

As of September 30, 2019, December 31, 2018 and September 30, 2018, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$101,631 thousand and \$88,548 thousand for the nine months ended September 30, 2019 and 2018, respectively, based on the average loan interest rate for the year.

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	<b>Amount</b>	<b>Percentage of Ownership</b>	<b>Amount</b>	<b>Percentage of Ownership</b>	<b>Amount</b>	<b>Percentage of Ownership</b>
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	<u>\$ 130,666</u>	30.00	<u>\$ 127,094</u>	30.00	<u>\$ 128,015</u>	30.00

Aggregate information of associate that is not individually material:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
The Company's share of:				
Net income	\$ 456	\$ 8,513	\$ 9,641	\$ 12,267
Other comprehensive income	<u>-</u>	<u>(4,696)</u>	<u>-</u>	<u>(3,034)</u>
Total comprehensive income for the period	<u>\$ 456</u>	<u>\$ 3,817</u>	<u>\$ 9,641</u>	<u>\$ 9,233</u>

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

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the nine months ended September 30, 2019 and 2018 were based on the associate's financial statements for the same period which have not been reviewed by the auditors. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of the associate that have not been reviewed.

#### 15. OTHER FINANCIAL ASSETS, NET

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Overdue receivables	\$ 102,314	\$ 142,683	\$ 54,919
Less: Allowance for possible losses	<u>96,647</u>	<u>108,532</u>	<u>14,532</u>
Overdue receivables, net	5,667	34,151	40,387
Due from banks	19,203,924	18,980,261	20,042,317
Call loans to security firms	279,294	-	-
Security borrowing margin	162,327	98,575	377,761
Separate-account assets (Note 30)	<u>103,525,904</u>	<u>91,245,818</u>	<u>97,319,701</u>
	<u>\$ 123,177,116</u>	<u>\$ 110,358,805</u>	<u>\$ 117,780,166</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 that had maturity periods of more than three months and could not be withdrawn before maturity.

## 16. INVESTMENT PROPERTIES, NET

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Land	\$ 7,514,364	\$ 7,207,192	\$ 7,171,092
Buildings	<u>2,466,470</u>	<u>2,289,347</u>	<u>2,262,938</u>
	<u>\$ 9,980,834</u>	<u>\$ 9,496,539</u>	<u>\$ 9,434,030</u>
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	316,772	219,293	536,065
Disposals	(9,600)	(5,053)	(14,653)
Reclassification	<u>-</u>	<u>25,741</u>	<u>25,741</u>
Balance at September 30, 2019	<u>\$ 7,514,364</u>	<u>\$ 3,346,798</u>	<u>\$ 10,861,162</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 6,532,839	\$ 2,610,676	\$ 9,143,515
Additions	465,750	380,218	845,968
Disposals	(1,451)	(530)	(1,981)
Reclassification	<u>173,954</u>	<u>71,016</u>	<u>244,970</u>
Balance at September 30, 2018	<u>\$ 7,171,092</u>	<u>\$ 3,061,380</u>	<u>\$ 10,232,472</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Disposals	-	(654)	(654)
Depreciation expenses	-	62,625	62,625
Reclassification	<u>-</u>	<u>887</u>	<u>887</u>
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 880,328</u>	<u>\$ 880,328</u>
Balance at January 1, 2018	\$ -	\$ 716,811	\$ 716,811
Disposals	-	(166)	(166)
Depreciation expenses	-	49,755	49,755
Reclassification	<u>-</u>	<u>32,042</u>	<u>32,042</u>
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 798,442</u>	<u>\$ 798,442</u>

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

Main buildings	5 to 50 years
Equipment installed in buildings	5 to 15 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 nine months ended September 30, 2019 and 2018.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Rental income from investment properties (part of other noninterest gains, net)	\$ 128,351	\$ 108,836	\$ 376,887	\$ 293,033
Direct operating expenses for investment properties that generate rental income	<u>(38,984)</u>	<u>(33,850)</u>	<u>(112,224)</u>	<u>(94,232)</u>
	<u>\$ 89,367</u>	<u>\$ 74,986</u>	<u>\$ 264,663</u>	<u>\$ 198,801</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 September 30, 2019, December 31, 2018 and September 30, 2018, guarantee deposits on these leases totaled \$95,114 thousand, \$84,704 thousand and \$76,155 thousand, respectively. Minimum future annual rentals are as follows:

	<b>September 30, 2019</b>		<b>December 31, 2018</b>	<b>September 30, 2018</b>
Year 1	\$ 437,003			
Year 2	363,228			
Year 3	338,935			
Year 4	246,301			
Year 5	197,047			
Over five years	<u>538,068</u>			
	<u>\$ 2,120,582</u>			
			<b>December 31, 2018</b>	<b>September 30, 2018</b>
Within one year		\$ 417,145	\$ 379,598	
One to five years		1,237,639	1,124,630	
Over five years		<u>833,163</u>	<u>663,257</u>	
		<u>\$ 2,487,947</u>	<u>\$ 2,167,485</u>	

## 17. PROPERTIES AND EQUIPMENT, NET

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Carrying amount</u>			
Land	\$ 20,971,247	\$ 20,933,668	\$ 20,933,649
Buildings	11,411,694	11,662,068	11,811,956
Machinery and equipment	691,096	440,852	423,241
Transportation equipment	98,730	79,383	84,149
Other equipment	211,193	233,601	216,854
Leasehold improvements	137,388	137,003	129,816
Leased assets	-	21,298	22,201
Prepayments for equipment, land and buildings and construction in progress	<u>307,426</u>	<u>316,634</u>	<u>158,274</u>
	<u>\$ 33,828,774</u>	<u>\$ 33,824,507</u>	<u>\$ 33,780,140</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 at January 1, 2019	\$ 20,948,845	\$ 19,063,052	\$ 4,307,593	\$ 623,596	\$ 1,360,114	\$ 953,168	\$ 26,125	\$ 316,634	\$ 47,599,127
Effect of IFRS 16 retrospective application	-	-	-	-	-	-	(26,125)	-	(26,125)
Balance at January 1, 2019 as applied retrospectively	20,948,845	19,063,052	4,307,593	623,596	1,360,114	953,168	-	316,634	47,573,002
Additions	-	234,120	182,615	37,057	33,171	39,538	-	316,442	842,943
Disposals	-	(5,284)	(204,955)	(15,800)	(20,266)	(4,171)	-	-	(250,476)
Reclassification	37,554	8,563	228,292	507	3,808	2,974	-	(325,677)	(43,979)
Effects of exchange rate changes	25	53	369	(5)	9	199	-	27	677
Balance at September 30, 2019	<u>\$ 20,986,424</u>	<u>\$ 19,300,504</u>	<u>\$ 4,513,914</u>	<u>\$ 645,355</u>	<u>\$ 1,376,836</u>	<u>\$ 991,708</u>	<u>\$ -</u>	<u>\$ 307,426</u>	<u>\$ 48,122,167</u>
Balance at January 1, 2018	\$ 21,122,708	\$ 18,675,258	\$ 4,592,586	\$ 648,149	\$ 1,311,963	\$ 904,230	\$ 13,352	\$ 112,527	\$ 47,380,773
Additions	-	424,884	50,623	11,852	48,101	57,555	12,773	138,700	744,488
Disposals	-	-	(381,884)	(35,889)	(76,031)	(20,506)	-	-	(514,310)
Reclassification	(173,953)	(53,188)	20,748	-	45,081	-	-	(92,975)	(254,287)
Effects of exchange rate changes	71	150	2,166	253	727	478	-	22	3,867
Balance at September 30, 2018	<u>\$ 20,948,826</u>	<u>\$ 19,047,104</u>	<u>\$ 4,284,239</u>	<u>\$ 624,365</u>	<u>\$ 1,329,841</u>	<u>\$ 941,757</u>	<u>\$ 26,125</u>	<u>\$ 158,274</u>	<u>\$ 47,360,531</u>
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Total	
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2019	\$ 15,177	\$ 7,400,984	\$ 3,866,741	\$ 544,213	\$ 1,126,513	\$ 816,165	\$ 4,827	\$ 13,774,620	\$ 13,774,620
Effect of IFRS 16 retrospective application	-	-	-	-	-	-	(4,827)	(4,827)	(4,827)
Balance at January 1, 2019 as applied retrospectively	15,177	7,400,984	3,866,741	544,213	1,126,513	816,165	-	-	13,769,793
Disposals	-	(5,284)	(202,417)	(15,691)	(20,250)	(4,171)	-	-	(247,813)
Depreciation expenses	-	493,955	158,143	17,246	61,249	42,139	-	-	772,732
Reclassification	-	(887)	-	-	-	-	-	-	(887)
Effects of exchange rate changes	-	42	351	857	(1,869)	187	-	-	(432)
Balance at September 30, 2019	<u>\$ 15,177</u>	<u>\$ 7,888,810</u>	<u>\$ 3,822,818</u>	<u>\$ 546,625</u>	<u>\$ 1,165,643</u>	<u>\$ 854,320</u>	<u>\$ -</u>	<u>\$ 14,293,393</u>	<u>\$ 14,293,393</u>
Balance at January 1, 2018	\$ 15,177	\$ 6,779,143	\$ 4,011,489	\$ 553,023	\$ 1,130,910	\$ 793,214	\$ 1,748	\$ 13,284,704	\$ 13,284,704
Disposals	-	-	(380,606)	(35,886)	(75,963)	(20,287)	-	-	(512,742)
Depreciation expenses	-	487,929	228,186	22,933	57,477	38,488	2,176	-	837,189
Reclassification	-	(32,042)	-	-	-	-	-	-	(32,042)
Effects of exchange rate changes	-	118	1,929	146	563	526	-	-	3,282
Balance at September 30, 2018	<u>\$ 15,177</u>	<u>\$ 7,235,148</u>	<u>\$ 3,860,998</u>	<u>\$ 540,216</u>	<u>\$ 1,112,987</u>	<u>\$ 811,941</u>	<u>\$ 3,924</u>	<u>\$ 13,580,391</u>	<u>\$ 13,580,391</u>

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As September 30, 2019, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.



Properties and equipment are depreciated using the straight-line method over their estimated useful lives 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 September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>September 30, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 15,986
Buildings	1,626,979
Transportation equipment	70,202
Other equipment	<u>22,755</u>
	<u>\$ 1,735,922</u>
	<b>For the Nine Months Ended September 30, 2019</b>
Additions to right-of-use assets	<u>\$ 554,582</u>
Depreciation charge for right-of-use assets	
Land	\$ 1,476
Buildings	391,616
Transportation equipment	19,632
Other equipment	<u>3,371</u>
	<u>\$ 416,095</u>

b. Lease liabilities - 2019

	<b>September 30, 2019</b>
Carrying amounts	<u>\$ 1,672,612</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2019</b>
Land	1.617%-1.627%
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 September 30, 2019, refundable deposits on these leases totaled \$135,233 thousand.

d. Other lease information

2019

	<b>For the Nine Months Ended September 30, 2019</b>
Expenses relating to short-term leases	<u>\$ 66,828</u>
Expenses relating to low-value asset leases	<u>\$ 2,525</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 2,182</u>
Total cash outflow for leases	<u>\$ (479,848)</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 nine months ended September 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 \$56,848 thousand as of September 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 September 30, 2018, refundable deposits on these leases totaled \$134,182 thousand and \$133,451 thousand, respectively. Minimum future annual rentals are as follows:

	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Within one year	\$ 591,680	\$ 592,702
One to five years	1,207,933	1,344,969
Over five years	<u>133,169</u>	<u>146,364</u>
	<u>\$ 1,932,782</u>	<u>\$ 2,084,035</u>

The lease payments recognized as expenses are as follows:

	<b>For the Three Months Ended September 30, 2018</b>	<b>For the Nine Months Ended September 30, 2018</b>
Minimum lease payments	\$ 158,066	\$ 465,420
Contingent rentals	<u>348</u>	<u>938</u>
	<u>\$ 158,414</u>	<u>\$ 466,358</u>

**19. INTANGIBLE ASSETS**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>504,597</u>	<u>461,030</u>	<u>358,463</u>
	<u>\$ 3,674,602</u>	<u>\$ 3,631,035</u>	<u>\$ 3,528,468</u>
	<b>Goodwill</b>	<b>Computer Software</b>	<b>Total</b>
Balance at January 1, 2019	\$ 3,170,005	\$ 461,030	\$ 3,631,035
Separate acquisition	-	173,931	173,931
Amortization expenses	-	(136,083)	(136,083)
Reclassification	-	6,664	6,664
Effect of exchange rate changes	<u>-</u>	<u>(945)</u>	<u>(945)</u>
Balance at September 30, 2019	<u>\$ 3,170,005</u>	<u>\$ 504,597</u>	<u>\$ 3,674,602</u>
Balance at January 1, 2018	\$ 3,170,005	\$ 418,485	\$ 3,588,490
Separate acquisition	-	72,732	72,732
Amortization expenses	-	(126,007)	(126,007)
Reclassification	-	9,317	9,317
Effect of exchange rate changes	<u>-</u>	<u>(16,064)</u>	<u>(16,064)</u>
Balance at September 30, 2018	<u>\$ 3,170,005</u>	<u>\$ 358,463</u>	<u>\$ 3,528,468</u>

Computer software with limited useful lives is amortized on a straight-line basis over their useful lives of 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 September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

Goodwill resulting from the merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segments (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of September 30, 2019, December 31, 2018 and September 30, 2018.

## 20. OTHER ASSETS, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Refundable deposits	\$ 1,634,561	\$ 1,862,013	\$ 2,073,361
Operating deposits and settlement funds	723,965	699,596	702,600
Prepaid expenses	960,410	339,299	706,507
Collaterals assumed, net	255,144	255,144	255,144
Others	<u>130,155</u>	<u>121,086</u>	<u>123,539</u>
	<u>\$ 3,704,235</u>	<u>\$ 3,277,138</u>	<u>\$ 3,861,151</u>

## 21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2019	December 31, 2018	September 30, 2018
Due to banks	\$ 130,408,247	\$ 138,794,751	\$ 133,837,414
Call loans from banks	118,401,413	84,072,185	87,911,849
Bank overdraft	4,743,413	1,569,412	1,864,300
Deposits from Chunghwa Post Co., Ltd.	589,604	1,474,134	1,525,848
Due to the Central Bank	<u>424,304</u>	<u>354,324</u>	<u>358,077</u>
	<u>\$ 254,566,981</u>	<u>\$ 226,264,806</u>	<u>\$ 225,497,488</u>

## 22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$50,358,236 thousand, \$44,369,293 thousand and \$50,268,672 thousand under repurchase agreements as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively, would subsequently be purchased for \$50,376,539 thousand, \$44,391,054 thousand and \$50,286,885 thousand, respectively.

### 23. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$31,961,000 thousand, \$26,110,000 thousand and \$28,240,000 thousand and the annual discount rates were from 0.648%-1.100%, from 0.658%-1.088% and from 0.628%-0.938% as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively, and the commercial paper will mature by September 28, 2020, March 5, 2019 and December 5, 2018, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of September 30, 2019, the Company had not used the amount of \$62,279,440 thousand, the sum of the amount of the commercial paper issued and the credit.

### 24. PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Checks for clearing	\$ 10,803,646	\$ 21,869,459	\$ 22,738,464
Collections payable	8,267,233	4,382,105	8,178,159
Accrued interest	6,833,788	5,390,930	5,677,905
Collections of notes and checks for various financial institutions in other cities	5,154,851	733,967	648,661
Accrued expenses	4,817,375	5,316,528	4,435,998
Settlements payable	4,509,714	1,605,380	2,376,768
Payable on securities	3,197,504	2,239,059	2,577,444
Acceptances	2,995,340	3,678,990	3,085,883
Settlement consideration	2,941,138	1,666,905	2,394,580
Payables on notes and checks collected for others	1,899,234	368,090	332,861
Separate accounts payable	1,402,249	-	-
Tax payable	525,740	493,974	523,159
Payables for short-sale transactions	448,988	339,992	348,463
Deposits on short-sale transactions	411,735	313,676	310,862
Dividends payable	339,653	305,577	305,577
Insurance claims and benefits payable	147,295	206,161	45,611
Factored accounts payable	96,738	125,071	119,051
Others	<u>3,427,749</u>	<u>2,130,472</u>	<u>2,290,903</u>
	<u>\$ 58,219,970</u>	<u>\$ 51,166,336</u>	<u>\$ 56,390,349</u>

### 25. DEPOSITS AND REMITTANCES

	September 30, 2019	December 31, 2018	September 30, 2018
Deposits			
Checking	\$ 40,579,160	\$ 48,864,458	\$ 41,180,386
Demand	542,075,297	512,077,364	506,182,525
Savings - demand	886,610,690	839,919,122	833,513,718
Time	578,181,305	556,156,837	562,220,202
Negotiable certificates of deposit	45,478,934	48,351,856	40,372,253
Savings - time	627,627,798	628,015,834	632,174,727
Treasury	106,103,076	92,894,432	91,836,451
Remittances	<u>227,702</u>	<u>194,446</u>	<u>293,573</u>
	<u>\$ 2,826,883,962</u>	<u>\$ 2,726,474,349</u>	<u>\$ 2,707,773,835</u>

## 26. BONDS PAYABLE

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

	September 30, 2019	December 31, 2018	September 30, 2018
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
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>\$ 50,000,000</u>

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 the 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,380,884	\$ 8,613,482	\$ 8,354,441
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,126,707</u>	<u>2,870,473</u>	<u>2,783,874</u>
	<u>\$ 12,507,591</u>	<u>\$ 11,483,955</u>	<u>\$ 11,138,315</u>

In order to repay its outstanding commercial paper, TCFHC resolved to issue unsecured priority corporate bonds amounting to US\$10,000,000 thousand in their board of directors' meeting on October 28, 2019.

TCB obtained approval from the FSC to issue unsecured subordinated bonds amounting to \$10,000,000 thousand on April 30, 2019. As of September 30, 2019, the amount of unissued unsecured subordinated bonds of TCB was \$5,000,000 thousand.

TCB obtained approval from the FSC to issue unsecured bank debentures amounting to \$1,000,000 thousand on October 29, 2019.

TCB obtained approval from the FSC to issue unsecured bank debentures amounting to US\$1,000,000 thousand on November 18, 2019.

## 27. OTHER BORROWINGS

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 23)	<u>\$ 3,354,810</u>	0.730-5.795	<u>\$ 2,425,405</u>	0.860-5.938	<u>\$ 2,514,560</u>	0.860-5.775

## 28. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Reserve for life insurance liabilities	\$ 27,891,072	\$ 29,414,070	\$ 29,574,779
Reserve for insurance contracts with financial instrument features	7,213,758	10,434,066	11,072,717
Provision for employee benefits	6,635,803	6,864,774	6,628,199
Provision for losses on guarantees	1,422,259	1,425,121	1,358,794
Provision for losses on loan commitment	146,473	142,335	167,208
Provision for others	30,707	26,721	38,796
Other provision for insurance	<u>573,631</u>	<u>523,746</u>	<u>483,022</u>
	<u>\$ 43,913,703</u>	<u>\$ 48,830,833</u>	<u>\$ 49,323,515</u>

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

	<u>September 30, 2019</u>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance	\$ 11,055,019	\$ 5,791,983	\$ 16,847,002
Health insurance	570,108	-	570,108
Annuity insurance	-	10,413,276	10,413,276
Investment insurance	<u>60,536</u>	<u>-</u>	<u>60,536</u>
	11,685,663	16,205,259	27,890,922
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,685,663</u>	<u>\$ 16,205,259</u>	<u>\$ 27,890,922</u>
	<u>December 31, 2018</u>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
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>



	<b>September 30, 2018</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>	<b>Features</b>	<b>Total</b>
Life insurance	\$ 11,560,808	\$ 6,341,935	\$ 17,902,743
Health insurance	453,013	-	453,013
Annuity insurance	-	11,153,091	11,153,091
Investment insurance	<u>65,707</u>	<u>-</u>	<u>65,707</u>
	<u>12,079,528</u>	<u>17,495,026</u>	<u>29,574,554</u>
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,079,528</u>	<u>\$ 17,495,026</u>	<u>\$ 29,574,554</u>

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

	<b>For the Nine Months Ended September 30</b>					
	<b>2019</b>			<b>2018</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Balance at January 1	\$ 12,317,556	\$ 17,096,283	\$ 29,413,839	\$ 11,452,624	\$ 19,211,939	\$ 30,664,563
Provision	1,149,420	250,572	1,399,992	1,490,335	282,203	1,772,538
Recovery	<u>(1,781,313)</u>	<u>(1,141,596)</u>	<u>(2,922,909)</u>	<u>(863,431)</u>	<u>(1,999,116)</u>	<u>(2,862,547)</u>
Ending balance	11,685,663	16,205,259	27,890,922	12,079,528	17,495,026	29,574,554
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30	<u>\$ 11,685,663</u>	<u>\$ 16,205,259</u>	<u>\$ 27,890,922</u>	<u>\$ 12,079,528</u>	<u>\$ 17,495,026</u>	<u>\$ 29,574,554</u>

- b. As of September 30, 2019, December 31, 2018 and September 30, 2018, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$27,891,072 thousand, \$29,414,070 thousand and \$29,574,779 thousand, respectively.
- c. Details of liability adequacy reserves are as follows:

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>		
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Life insurance liability reserve	\$ 27,890,922	\$ 29,413,839	\$ 29,574,554
Unearned premium reserve	257,742	233,941	218,179
Claims reserve	73,880	44,076	45,543
Premium deficiency reserve	<u>797</u>	<u>6,289</u>	<u>8,437</u>
Book value of insurance reserve	<u>\$ 28,223,341</u>	<u>\$ 29,698,145</u>	<u>\$ 29,846,713</u>
Present value of discounted cash flows	<u>\$ 25,496,933</u>	<u>\$ 26,008,338</u>	<u>\$ 26,266,366</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2019, December 31, 2018 and September 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:

**September 30, 2019, December 31, 2018 and September 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Life insurance	<u>\$ 7,213,758</u>	<u>\$ 10,434,066</u>	<u>\$ 11,072,717</u>
		<b>For the Nine Months Ended September 30</b>	
		<b>2019</b>	<b>2018</b>
Balance at January 1		\$ 10,434,066	\$ 11,238,116
Insurance claim payments for the period		(3,349,528)	(309,973)
Reserve for insurance contracts with financial instrument features		<u>129,220</u>	<u>144,574</u>
Balance at September 30		<u>\$ 7,213,758</u>	<u>\$ 11,072,717</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 investments, BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) uses cross-currency swaps and currency swaps to hedge exchange rate risks. BPCTLI maintains the hedging ratio at over 95%.

2) Reconciliation of the reserve of foreign exchange variation

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 239,440	\$ 149,520
Provisions		
Compulsory provisions	10,322	7,307
Additional provisions	<u>58,225</u>	<u>81,641</u>
	68,547	88,948
Recovery	<u>(66,775)</u>	<u>(27,605)</u>
Balance at September 30	<u>\$ 241,212</u>	<u>\$ 210,863</u>

3) Impact of the reserve of foreign exchange variation

For the nine months ended September 30, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 13,219,525	\$ 13,218,107	\$ (1,418)
Earnings per share (NT\$)	1.00	1.00	-
Reserve of foreign exchange variation	-	241,212	241,212
Equity	222,601,624	222,379,351	(222,273)

For the nine months ended September 30, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 12,639,070	\$ 12,589,996	\$ (49,074)
Earnings per share (NT\$)	0.95	0.95	-
Reserve of foreign exchange variation	-	210,863	210,863
Equity	211,489,661	211,291,668	(197,993)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Reserve for life insurance liabilities, net	\$ (541,448)	\$ (419,315)	\$ (1,522,917)	\$ (1,090,009)
Reserve for insurance contract with financial instrument features, net	24,409	39,901	129,220	144,574
Others, net	(12,450)	9,137	38,327	86,720
	<u>\$ (529,489)</u>	<u>\$ (370,277)</u>	<u>\$ (1,355,370)</u>	<u>\$ (858,715)</u>

g. Provisions for employee benefits are summarized below:

	September 30, 2019	December 31, 2018	September 30, 2018
Net defined benefit liabilities	\$ 2,703,446	\$ 2,822,786	\$ 2,576,032
Present value of retired employees' preferential interest deposit obligation	<u>3,932,357</u>	<u>4,041,988</u>	<u>4,052,167</u>
	<u>\$ 6,635,803</u>	<u>\$ 6,864,774</u>	<u>\$ 6,628,199</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	(83)	83	-	-	-	-
Credit-impaired financial assets	(128)	-	128	-	-	-
Derecognition of financial assets in the current reporting period	(123,109)	(361)	(657)	(124,127)	-	(124,127)
Reversal from financial instruments recognized at the beginning of the current reporting period	(18,615)	(61,037)	1,737	(77,915)	-	(77,915)
New financial assets purchased or originated	256,202	1	23	256,226	-	256,226
Difference of impairment loss under regulations	-	-	-	-	(49,977)	(49,977)
Change in exchange rates and other changes	1,055	-	-	1,055	-	1,055
Balance at September 30, 2019	<u>\$ 828,453</u>	<u>\$ 146,073</u>	<u>\$ 20,058</u>	<u>\$ 994,584</u>	<u>\$ 604,855</u>	<u>\$ 1,599,439</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	(18)	18	-	-	-	-
Derecognition of financial assets in the current reporting period	(129,920)	(546)	(16,758)	(147,224)	-	(147,224)
Reversal from financial instruments recognized at the beginning of the current reporting period	21,822	(61,244)	1,445	(37,977)	-	(37,977)
New financial assets purchased or originated	193,399	205	5,606	199,210	-	199,210
Difference of impairment loss under regulations	-	-	-	-	(38,300)	(38,300)
Change in exchange rates and other changes	2,151	2	-	2,153	-	2,153
Balance at September 30, 2018	<u>\$ 754,968</u>	<u>\$ 233,100</u>	<u>\$ 20,522</u>	<u>\$ 1,008,590</u>	<u>\$ 556,208</u>	<u>\$ 1,564,798</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 \$154,051 thousand and \$136,416 thousand in the consolidated statement of comprehensive income for the nine months ended September 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 Company of Taiwan in the committee's name. Before the end of each year, TCB assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, TCB is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

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

For the nine months ended September 30, 2019 and 2018, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$595,763 thousand and \$613,240 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 nine months ended September 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 \$522,942 thousand and \$668,984 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

	September 30, 2019	December 31, 2018	September 30, 2018
Structured products - host contracts	\$ 1,428,127	\$ 1,905,310	\$ 2,597,713
Guarantee deposits received	1,927,395	1,334,404	1,296,252
Appropriation for loans	35,810	23,608	29,541
Lease payables	-	21,861	22,751
Separate-account liabilities	<u>103,525,904</u>	<u>91,245,818</u>	<u>97,319,701</u>
	<u>\$ 106,917,236</u>	<u>\$ 94,531,001</u>	<u>\$ 101,265,958</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Separate-account assets (part of other financial assets)			
Demand deposits	\$ 1,094,832	\$ 2,476,651	\$ 850,406
Financial assets at FVTPL	100,782,839	88,282,280	96,386,058
Other receivables			
General accounts receivables	1,402,249	-	-
Investment settlement receivables	<u>245,984</u>	<u>486,887</u>	<u>83,237</u>
	<u>1,648,233</u>	<u>486,887</u>	<u>83,237</u>
	<u>\$ 103,525,904</u>	<u>\$ 91,245,818</u>	<u>\$ 97,319,701</u>
Separate-account liabilities (part of other financial liabilities)			
Reserve for separate account - insurance contract	\$ 84,684,661	\$ 81,551,911	\$ 88,743,667
Reserve for separate account - investment contract	18,841,243	9,537,957	8,153,939
Other payables			
General accounts payables	<u>-</u>	<u>155,950</u>	<u>422,095</u>
	<u>\$ 103,525,904</u>	<u>\$ 91,245,818</u>	<u>\$ 97,319,701</u>

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2019	2018	2019	2018
Separate-account revenue				
Premium income	\$ 2,293,085	\$ 3,393,151	\$ 6,509,101	\$ 10,365,879
Gain (loss) on financial assets at FVTPL	(1,234,446)	(621,956)	4,181,131	(4,657,543)
Interest income	524	526	1,687	1,382
Loss on foreign exchange	<u>(1,624,973)</u>	<u>(805,868)</u>	<u>(731,816)</u>	<u>(1,552,743)</u>
	<u>\$ (565,810)</u>	<u>\$ 1,965,853</u>	<u>\$ 9,960,103</u>	<u>\$ 4,156,975</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Separate-account expense				
Insurance claims and benefits	\$ 1,781,363	\$ 1,631,483	\$ 5,099,817	\$ 4,731,910
Reserve for separate accounts, net of release - insurance contract	(2,566,050)	134,876	4,208,672	(1,134,966)
Administrative expenses	<u>218,877</u>	<u>199,494</u>	<u>651,614</u>	<u>560,031</u>
	<u>\$ (565,810)</u>	<u>\$ 1,965,853</u>	<u>\$ 9,960,103</u>	<u>\$ 4,156,975</u> (Concluded)

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

### 31. OTHER LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Advance receipts	\$ 1,635,428	\$ 3,103,752	\$ 1,540,804
Others	<u>126,710</u>	<u>91,155</u>	<u>71,007</u>
	<u>\$ 1,762,138</u>	<u>\$ 3,194,907</u>	<u>\$ 1,611,811</u>

### 32. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest revenue				
From discounts and loans	\$ 11,539,691	\$ 10,979,892	\$ 34,312,250	\$ 31,877,233
From investments	2,766,799	2,604,154	8,297,592	7,579,948
From due from banks and call loans to other banks	635,696	747,961	1,934,894	2,243,763
Others	<u>243,389</u>	<u>365,758</u>	<u>919,904</u>	<u>1,167,452</u>
	<u>15,185,575</u>	<u>14,697,765</u>	<u>45,464,640</u>	<u>42,868,396</u>
Interest expense				
From deposits	(5,135,509)	(4,672,827)	(15,377,915)	(13,361,270)
From funds borrowed from the Central Bank and other banks	(740,433)	(588,275)	(2,181,148)	(1,497,559)
From subordinated bank debentures	(233,955)	(183,907)	(643,598)	(610,557)
From due to the Central Bank and other banks	(149,158)	(155,855)	(476,199)	(472,677)
From securities sold under repurchase agreements	(73,325)	(73,334)	(223,717)	(195,673)
Others	<u>(38,958)</u>	<u>(31,861)</u>	<u>(130,111)</u>	<u>(86,708)</u>
	<u>(6,371,338)</u>	<u>(5,706,059)</u>	<u>(19,032,688)</u>	<u>(16,224,444)</u>
	<u>\$ 8,814,237</u>	<u>\$ 8,991,706</u>	<u>\$ 26,431,952</u>	<u>\$ 26,643,952</u>

### 33. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Service fee and commission revenues				
From trust business	\$ 364,352	\$ 374,066	\$ 1,019,162	\$ 1,188,488
From insurance service	199,186	246,169	803,096	719,279
From guarantee	223,037	207,929	651,628	589,118
From loans	176,100	274,985	595,900	642,556
From management fees of investment-linked products	153,827	139,795	475,011	423,799
From credit cards	150,248	143,329	439,287	422,475
From brokerage service	110,632	112,347	289,710	338,006
From remittance	81,771	80,781	229,216	243,071
From cross-bank transactions	71,778	68,424	217,214	203,761
Management fee income	120,603	41,252	267,829	130,745
From trust affiliated business	80,508	66,114	210,933	197,586
Others	<u>309,810</u>	<u>258,996</u>	<u>852,612</u>	<u>667,812</u>
	<u>2,041,852</u>	<u>2,014,187</u>	<u>6,051,598</u>	<u>5,766,696</u>
Service charge and commission expenses				
From cross-bank transactions	(84,470)	(83,468)	(253,145)	(247,821)
From insurance business	(98,685)	(78,670)	(248,947)	(224,580)
From credit cards	(74,216)	(58,225)	(194,891)	(159,529)
From credit cards acquiring	(31,773)	(29,728)	(93,768)	(88,995)
From custody	(25,227)	(19,629)	(65,836)	(57,940)
Others	<u>(51,235)</u>	<u>(49,125)</u>	<u>(147,380)</u>	<u>(142,876)</u>
	<u>(365,606)</u>	<u>(318,845)</u>	<u>(1,003,967)</u>	<u>(921,741)</u>
	<u>\$ 1,676,246</u>	<u>\$ 1,695,342</u>	<u>\$ 5,047,631</u>	<u>\$ 4,844,955</u>

### 34. PREMIUM INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Premium income				
Separate - account revenue (Note 30)	\$ (565,810)	\$ 1,965,853	\$ 9,960,103	\$ 4,156,975
Premium income	<u>956,430</u>	<u>1,138,485</u>	<u>2,859,607</u>	<u>3,232,541</u>
	<u>390,620</u>	<u>3,104,338</u>	<u>12,819,710</u>	<u>7,389,516</u>
Premium losses				
Separate - account expense (Note 30)	565,810	(1,965,853)	(9,960,103)	(4,156,975)
Insurance claims and benefits	(1,050,938)	(1,013,946)	(3,174,508)	(3,064,316)
Reinsurance premium ceded	(49,065)	(30,187)	(141,691)	(111,228)
Others	<u>(8,139)</u>	<u>(13,153)</u>	<u>(16,646)</u>	<u>(36,994)</u>
	<u>(542,332)</u>	<u>(3,023,139)</u>	<u>(13,292,948)</u>	<u>(7,369,513)</u>
	<u>\$ (151,712)</u>	<u>\$ 81,199</u>	<u>\$ (473,238)</u>	<u>\$ 20,003</u>



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

	<b>For the Three Months Ended September 30, 2019</b>				
	<b>Interest Revenue (Expense)</b>	<b>Gain (Loss) on Disposal</b>	<b>Gain (Loss) on Valuation</b>	<b>Dividend Income</b>	<b>Total</b>
Financial assets mandatorily classified as at fair value through profit or loss	\$ 171,931	\$ 5,091,795	\$ (2,728,022)	\$ 87,494	\$ 2,623,198
Held-for-trading financial liabilities	-	(1,738,512)	146,562	-	(1,591,950)
Financial liabilities designated as at fair value through profit or loss	<u>(154,715)</u>	<u>-</u>	<u>(11,193)</u>	<u>-</u>	<u>(165,908)</u>
	<u>\$ 17,216</u>	<u>\$ 3,353,283</u>	<u>\$ (2,592,653)</u>	<u>\$ 87,494</u>	<u>\$ 865,340</u>
	<b>For the Three Months Ended September 30, 2018</b>				
	<b>Interest Revenue (Expense)</b>	<b>Gain (Loss) on Disposal</b>	<b>Gain (Loss) on Valuation</b>	<b>Dividend Income</b>	<b>Total</b>
Financial assets mandatorily classified as at fair value through profit or loss	\$ 148,919	\$ 5,789,901	\$ (3,562,505)	\$ 95,252	\$ 2,471,567
Held-for-trading financial liabilities	-	(5,321,290)	3,164,433	-	(2,156,857)
Financial liabilities designated as at fair value through profit or loss	<u>(146,235)</u>	<u>-</u>	<u>243,782</u>	<u>-</u>	<u>97,547</u>
	<u>\$ 2,684</u>	<u>\$ 468,611</u>	<u>\$ (154,290)</u>	<u>\$ 95,252</u>	<u>\$ 412,257</u>
	<b>For the Nine Months Ended September 30, 2019</b>				
	<b>Interest Revenue (Expense)</b>	<b>Gain (Loss) on Disposal</b>	<b>Gain (Loss) on Valuation</b>	<b>Dividend Income</b>	<b>Total</b>
Financial assets mandatorily classified as at fair value through profit or loss	\$ 466,439	\$ 10,292,702	\$ 890,508	\$ 184,149	\$ 11,833,798
Held-for-trading financial liabilities	-	(6,583,047)	166,734	-	(6,416,313)
Financial liabilities designated as at fair value through profit or loss	<u>(451,916)</u>	<u>-</u>	<u>(893,241)</u>	<u>-</u>	<u>(1,345,157)</u>
	<u>\$ 14,523</u>	<u>\$ 3,709,655</u>	<u>\$ 164,001</u>	<u>\$ 184,149</u>	<u>\$ 4,072,328</u>
	<b>For the Nine Months Ended September 30, 2018</b>				
	<b>Interest Revenue (Expense)</b>	<b>Gain (Loss) on Disposal</b>	<b>Gain on Valuation</b>	<b>Dividend Income</b>	<b>Total</b>
Financial assets mandatorily classified as at fair value through profit or loss	\$ 434,131	\$ 11,645,475	\$ 619,358	\$ 193,024	\$ 12,891,988
Held-for-trading financial liabilities	-	(11,192,960)	424,361	-	(10,768,599)
Financial liabilities designated as at fair value through profit or loss	<u>(419,268)</u>	<u>-</u>	<u>865,741</u>	<u>-</u>	<u>446,473</u>
	<u>\$ 14,863</u>	<u>\$ 452,515</u>	<u>\$ 1,909,460</u>	<u>\$ 193,024</u>	<u>\$ 2,569,862</u>

### 36. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

#### a. Employee benefits expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Employee benefits expenses				
Salaries	\$ 2,221,122	\$ 2,201,265	\$ 6,544,114	\$ 6,458,331
Incentives	772,014	815,578	2,342,292	2,099,987
Excessive interest from preferential interest deposits	283,962	279,136	837,623	979,901
Post-employment benefits, termination benefits and compensation	259,807	256,989	768,910	953,536
Overtime	105,384	104,192	302,410	307,651
Others	<u>568,581</u>	<u>498,993</u>	<u>1,595,965</u>	<u>1,401,054</u>
	<u>\$ 4,210,870</u>	<u>\$ 4,156,153</u>	<u>\$ 12,391,314</u>	<u>\$ 12,200,460</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 nine months ended September 30, 2019 and 2018, compensations of employees were estimated at \$2,197 thousand and \$1,969 thousand and the remuneration of directors were estimated at \$71,076 thousand and \$67,670 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:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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 TCFHC's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange (<https://emops.twse.com.tw>).

b. Depreciation and amortization expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Depreciation expenses	\$ 426,941	\$ 294,657	\$ 1,251,452	\$ 886,944
Amortization expenses	<u>47,034</u>	<u>40,504</u>	<u>136,099</u>	<u>126,024</u>
	<u>\$ 473,975</u>	<u>\$ 335,161</u>	<u>\$ 1,387,551</u>	<u>\$ 1,012,968</u>

### 37. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current tax				
Current period	\$ 1,287,518	\$ 942,282	\$ 2,588,050	\$ 2,183,518
Additional income tax on unappropriated earnings	-	-	16,267	-
Prior year's adjustment	<u>(29,846)</u>	<u>-</u>	<u>(36,798)</u>	<u>(5,715)</u>
	1,257,672	942,282	2,567,519	2,177,803
Deferred tax				
Current period	(430,868)	(83,480)	(164,585)	225,775
Effect of change in tax rate	-	(42,880)	-	(119,951)
Prior year's adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,976)</u>
Income tax expense recognized in profit or loss	<u>\$ 826,804</u>	<u>\$ 815,922</u>	<u>\$ 2,402,934</u>	<u>\$ 2,269,651</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 \$43,061 thousand has not been recognized as of September 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<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	\$ (42,839)	\$ (21,567)	\$ 23,341	\$ 170,176
Unrealized gains on financial assets at fair value through other comprehensive income	48,704	3,126	331,973	(168,440)
Other comprehensive income on reclassification of overlay approach	(316)	(158)	3,240	3,788
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>\$ 5,549</u>	<u>\$ (18,599)</u>	<u>\$ 358,554</u>	<u>\$ (25,444)</u>

c. Deferred tax assets and liabilities

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Deferred tax assets</u>			
Temporary differences			
Financial instruments at fair value through other comprehensive income	\$ -	\$ 135,030	\$ 108,503
Properties and equipment	9,343	9,826	10,009
Payables for annual leave	177,731	101,044	158,868
Employee's preferential interest deposit obligation	786,471	808,398	810,433
Other liabilities	5,883	5,883	5,921
Exchange differences on foreign operations	33,117	56,350	97,784
Allowance for possible losses	68,990	70,153	87,588
Collaterals assumed	372	372	372
Financial instruments at fair value through profit or loss	-	7,535	3,943
Pension liabilities	376	348	339
Employee benefits	-	-	300
Unrealized interest expense	505,450	415,068	385,610
Unrealized foreign exchange losses	1,237	26,590	36,487
Revenue from disposal of acquired loans	<u>146,355</u>	<u>146,355</u>	<u>111,457</u>
	<u>\$ 1,735,325</u>	<u>\$ 1,782,952</u>	<u>\$ 1,817,614</u>

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 101,687	\$ 189,567	\$ 351,783
Financial instruments at fair value through other comprehensive income	200,183	-	-
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	353	245	-
Defined benefit obligation	60,216	36,348	-
Investments accounted for using equity method	71,488	60,149	47,695
Collaterals assumed	466	466	171
Lease incentive	11,606	9,419	8,690
Unrealized foreign exchange losses	-	6,667	8,776
Overlay approach	-	-	4,706
Others	<u>9,946</u>	<u>6,742</u>	<u>6,443</u>
	<u>\$ 3,480,789</u>	<u>\$ 3,334,447</u>	<u>\$ 3,453,108</u>
			(Concluded)

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

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

### 38. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended September 30, 2019</u>			
Basic earnings per share (EPS)	\$ 4,646,642	12,945,848	<u>\$ 0.36</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>107</u>	
Diluted EPS	<u>\$ 4,646,642</u>	<u>12,945,955</u>	<u>\$ 0.36</u>
<u>For the three months ended September 30, 2018</u>			
Basic earnings per share (EPS)	\$ 4,383,861	12,945,848	<u>\$ 0.34</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>106</u>	
Diluted EPS	<u>\$ 4,383,861</u>	<u>12,945,954</u>	<u>\$ 0.34</u>

(Continued)

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the nine months ended September 30, 2019</u>			
Basic earnings per share (EPS)	\$ 12,905,502	12,945,848	<u>\$ 1.00</u>
Effect of dilutive common stock:			
Employees' compensation	<u>                  -</u>	<u>                  143</u>	
Diluted EPS	<u>\$ 12,905,502</u>	<u>12,945,991</u>	<u>\$ 1.00</u>
<u>For the nine months ended September 30, 2018</u>			
Basic earnings per share (EPS)	\$ 12,250,431	12,945,848	<u>\$ 0.95</u>
Effect of dilutive common stock:			
Employees' compensation	<u>                  -</u>	<u>                  145</u>	
Diluted EPS	<u>\$ 12,250,431</u>	<u>12,945,993</u>	<u>\$ 0.95</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 earnings appropriation.

	<u>Before Adjusted Retrospectively</u>		<u>After Adjusted Retrospectively</u>	
	<u>For the Three Months Ended September 30, 2018</u>	<u>For the Nine Months Ended September 30, 2018</u>	<u>For the Three Months Ended September 30, 2018</u>	<u>For the Nine Months Ended September 30, 2018</u>
Basic EPS (NT\$)	<u>\$ 0.35</u>	<u>\$ 0.97</u>	<u>\$ 0.34</u>	<u>\$ 0.95</u>
Diluted EPS (NT\$)	<u>\$ 0.35</u>	<u>\$ 0.97</u>	<u>\$ 0.34</u>	<u>\$ 0.95</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

	September 30, 2019	December 31, 2018	September 30, 2018
Number 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>12,945,848</u>	<u>12,568,785</u>	<u>12,568,785</u>
Common stocks issued	<u>\$ 129,458,483</u>	<u>\$ 125,687,847</u>	<u>\$ 125,687,847</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 the FSC and the Ministry of Economic Affairs (MOEA).

On June 21, 2019, the stockholders of TCFHC resolved to issue 377,063 thousand shares, which included the 2018 earnings amounting to \$3,770,636 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 September 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)
Subsidiary disposal of the shares of TCFHC regarded as reissue of treasury stock	(148,857)
Issuance of TCFHC's stock dividends in 2014	(4,307,133)
Issuance of TCFHC's stock dividends in 2015	<u>(1,054,498)</u>
	<u>\$ 57,973,141</u>

c. Special reserve

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

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
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 September 30	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

For expanding the business scale and enhancing the profitability, TCFHC adopts the 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 bonuses 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, the 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 distributed as 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 the 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 appropriate 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	3,770,636	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 (<https://emops.twse.com.tw>).

e. Non-controlling interests

	<u>For the Nine Months Ended</u>	
	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 4,199,805	\$ 4,344,256
Effect of retrospective application and retrospective restatement	-	84,178
Balance of retrospective application and retrospective restatement at beginning	4,199,805	4,428,434
Attributable to non-controlling interests		
Net income	312,605	339,565
Exchange differences on the translation of financial statements of foreign operations	(8,521)	526
Unrealized losses on financial assets at FVTOCI	683,388	(299,814)
Other comprehensive income reclassification of overlay approach	188,889	32,472
Cash dividends distributed by subsidiary	(102,069)	(103,480)
Balance on September 30	<u>\$ 5,274,097</u>	<u>\$ 4,397,703</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 Fund of Emerging Markets Bond 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.
TCB 6 Year ESG Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company’s director.
Others	Main management of the parent company and other related parties

b. Significant transactions between the Company and related parties:

1) Call loans to banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2019</u>				
Others	<u>\$ 4,231,000</u>	<u>\$ 200,000</u>	<u>\$ 26,979</u>	0.400-2.850
<u>For the nine months ended September 30, 2018</u>				
Others	<u>\$ 4,542,750</u>	<u>\$ 3,000,000</u>	<u>\$ 27,329</u>	0.350-4.150

2) Due to banks

	<b>For the Nine Months Ended September 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Balance</b>	<b>Interest Expense</b>
Main management	\$ 245,384	\$ 1,190	\$ 259,639	\$ 1,139
Others				
Tamshui First Credit				
Bank	24,294,874	179,131	23,833,151	182,206
Others	<u>28,726</u>	<u>16</u>	<u>30,947</u>	<u>17</u>
	<u>\$ 24,568,984</u>	<u>\$ 180,337</u>	<u>\$ 24,123,737</u>	<u>\$ 183,362</u>

3) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2018</u>				
Others	<u>\$ 1,748,040</u>	<u>\$ -</u>	<u>\$ 190</u>	0.300-1.830

4) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2019</u>				
Main management	\$ 284,276	\$ 235,572	\$ 2,418	1.245-1.790
Others	<u>131,398</u>	<u>100,051</u>	<u>1,309</u>	1.137-2.465
	<u>\$ 415,674</u>	<u>\$ 335,623</u>	<u>\$ 3,727</u>	
For the nine months ended <u>September 30, 2018</u>				
Main management	\$ 267,236	\$ 236,767	\$ 1,760	1.245-1.790
Others	<u>76,684</u>	<u>66,365</u>	<u>617</u>	1.137-2.465
	<u>\$ 343,920</u>	<u>\$ 303,132</u>	<u>\$ 2,377</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

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2019</u>			
Others	\$ <u>29,961</u>	\$ <u>39</u>	0.580-0.600
<u>For the nine months ended September 30, 2018</u>			
Others	\$ <u>-</u>	\$ <u>60</u>	0.380-0.540

6) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2019</u>			
Associates	\$ 85,711	\$ 132	0-0.640
Main management	715,230	7,840	0-13.000
Others	<u>13,565,231</u>	<u>43,462</u>	0-13.000
	<u>\$ 14,366,172</u>	<u>\$ 51,434</u>	
<u>For the nine months ended September 30, 2018</u>			
Associates	\$ 88,168	\$ 317	0-0.900
Main management	582,072	7,355	0-13.000
Others	<u>8,598,379</u>	<u>22,862</u>	0-13.000
	<u>\$ 9,268,619</u>	<u>\$ 30,534</u>	
	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>

7) Accrued income (part of receivables)

Others	\$ <u>41,460</u>	\$ <u>20,900</u>	\$ <u>13,411</u>
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8) Accrued interests (part of receivables)

Others	\$ <u>38</u>	\$ <u>-</u>	\$ <u>330</u>
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9) Receivable on securities (part of receivables)

Others	\$ <u>832</u>	\$ <u>470</u>	\$ <u>1,009</u>
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	September 30, 2019	December 31, 2018	September 30, 2018
10) Receivable on securities (part of payables)			
Others	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  4,900</u>
		<b>For the Nine Months Ended</b>	
		<b>September 30</b>	
		<b>2019</b>	<b>2018</b>
11) Service fee income (part of service fee and commission income, net)			
Associate		\$ -	\$ 106
Main management		76	258
Others		<u>279,247</u>	<u>130,629</u>
		<u>\$ 279,323</u>	<u>\$ 130,993</u>
12) Service charge (part of service fee and commission income, net)			
Main management		\$ 57	\$ 38
Others		<u>2</u>	<u>3</u>
		<u>\$ 59</u>	<u>\$ 41</u>
13) Other income (part of other noninterest gain, net)			
Others		<u>\$ 3,895</u>	<u>\$ 4,366</u>
14) Donation (part of other noninterest gain, net)			
Main management		\$ 2,000	\$ 2,000
Others		<u>900</u>	<u>900</u>
		<u>\$ 2,900</u>	<u>\$ 2,900</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.

15) Purchases and sales of securities

	<b>For the Nine Months Ended September 30, 2019</b>			
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Others	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>329,629</u>	\$ <u>          -</u>

**For the Nine Months Ended September 30, 2018**

<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Others	<u>\$ 99,984</u>	<u>\$ 100,287</u>	<u>\$ 414,021</u>	<u>\$ -</u>

16) Derivatives

**For the Nine Months Ended September 30, 2019**

<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Consolidated Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2019.09.19-2019.10.28	US\$ 4,600	\$ 112	Financial assets at fair value through profit or loss	\$ 112
	Currency swap	2019.09.30-2019.10.31	US\$ 2,200	(59)	Financial liabilities at fair value through profit or loss	(59)
Other - TCB Global High Yield Bond Fund	Currency swap	2019.09.19-2019.10.21	US\$ 5,300	123	Financial assets at fair value through profit or loss	123
	Currency swap	2019.09.17-2019.10.09	US\$ 6,900	(1,216)	Financial liabilities at fair value through profit or loss	(1,216)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2019.09.23-2019.10.23	US\$ 4,000	77	Financial assets at fair value through profit or loss	77
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.07.22-2019.11.22	US\$ 19,000	2,203	Financial assets at fair value through profit or loss	2,203
	Currency swap	2019.09.18-2019.10.18	US\$ 750	(19)	Financial liabilities at fair value through profit or loss	(19)
Other - TCB Mobility and Innovation Fund	Currency swap	2019.09.30-2019.10.31	US\$ 13,000	(350)	Financial liabilities at fair value through profit or loss	(350)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2019.09.19-2019.10.21	US\$ 56,700	54,283	Financial assets at fair value through profit or loss	54,283

**For the Nine Months Ended September 30, 2018**

<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Consolidated Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.08.31-2018.10.04	US\$ 9,510	\$ (1,003)	Financial liabilities at fair value through profit or loss	\$ (1,003)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.09.25-2018.10.25	US\$ 16,250	(2,210)	Financial liabilities at fair value through profit or loss	(2,210)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.09.11-2018.10.15	US\$ 5,000	(1,398)	Financial liabilities at fair value through profit or loss	(1,398)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2018.09.28-2018.11.09	US\$ 20,000	651	Financial assets at fair value through profit or loss	651
	Currency swap	2018.09.28-2018.12.03	US\$ 850	(22)	Financial liabilities at fair value through profit or loss	(22)

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Financial assets and liabilities at fair value through profit or loss		
Others	<u>\$ (30,887)</u>	<u>\$ 57,468</u>

17) Loans

September 30, 2019

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 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	70	\$ 152,943	\$ 117,236	\$ 117,236	\$ -	Note 2	None
Self-used housing mortgage loans	48	262,731	218,387	218,387	-	Land and buildings	None

September 30, 2018

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 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	61	\$ 156,782	\$ 134,064	\$ 134,064	\$ -	Note 2	None
Self-used housing mortgage loans	39	187,138	169,068	169,068	-	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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Subsidiary	<u>\$ 578,979</u>	<u>\$ 573,442</u>	<u>\$ 577,836</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended <u>September 30, 2019</u>				
Subsidiary	\$ 9,561,739	\$ 8,547,955	\$ 38,000	0.001-3.180
Sister companies	5,000,000	1,800,000	16,462	0.400-0.700
Others	<u>4,231,000</u>	<u>200,000</u>	<u>26,979</u>	0.400-2.850
	<u>\$ 18,792,739</u>	<u>\$ 10,547,955</u>	<u>\$ 81,441</u>	
For the nine months ended <u>September 30, 2018</u>				
Subsidiary	\$ 9,827,967	\$ 7,266,133	\$ 49,385	0.001-2.820
Sister companies	4,500,000	4,500,000	5,728	0.350-0.540
Others	<u>4,542,750</u>	<u>3,000,000</u>	<u>27,329</u>	0.350-4.150
	<u>\$ 18,870,717</u>	<u>\$ 14,766,133</u>	<u>\$ 82,442</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended <u>September 30, 2019</u>				
Sister company TCS	<u>\$ 316,200</u>	<u>\$ 310,260</u>	<u>\$ 6,416</u>	2.740-3.200
For the nine months ended <u>September 30, 2018</u>				
Sister company TCS	<u>\$ 308,550</u>	<u>\$ 305,150</u>	<u>\$ 5,176</u>	1.750-2.550

d) Due to banks

	For the Nine Months Ended September 30			
	2019		2018	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 1,285	\$ -	\$ 1,355	\$ -
Main management	245,384	1,190	259,639	1,139
Others				
Tamshui First Credit				
Bank	24,294,874	179,131	23,833,151	182,206
Others	<u>28,726</u>	<u>16</u>	<u>30,947</u>	<u>17</u>
	<u>\$ 24,570,269</u>	<u>\$ 180,337</u>	<u>\$ 24,125,092</u>	<u>\$ 183,362</u>



e) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2018</u>				
Others	\$ <u>1,748,040</u>	\$ <u>-</u>	\$ <u>190</u>	0.300-1.830

f) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2019</u>				
Sister companies	\$ 89,500	\$ -	\$ 8	2.265
Main management	284,276	235,572	2,418	1.245-1.790
Others	<u>131,398</u>	<u>100,051</u>	<u>1,309</u>	1.137-2.465
	\$ <u>505,174</u>	\$ <u>335,623</u>	\$ <u>3,735</u>	
For the nine months ended <u>September 30, 2018</u>				
Sister companies	\$ 512,000	\$ -	\$ 34	2.265
Main management	267,236	236,767	1,760	1.245-1.790
Others	<u>76,684</u>	<u>66,365</u>	<u>617</u>	1.137-2.465
	\$ <u>855,920</u>	\$ <u>303,132</u>	\$ <u>2,411</u>	

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

g) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2019</u>			
Parent company	\$ 77,108	\$ 22	0-0.080
Sister companies	5,360,392	9,959	0-1.065
Associates	85,711	132	0-0.640
Main management	715,230	7,840	0-13.000
Others	<u>13,565,231</u>	<u>43,462</u>	0-13.000
	\$ <u>19,803,672</u>	\$ <u>61,415</u>	

(Continued)

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2018</u>			
Parent company	\$ 36,622	\$ 25	0-0.080
Sister companies	2,149,190	4,443	0-1.065
Associates	88,168	317	0-0.900
Main management	582,072	7,355	0-13.000
Others	<u>8,598,379</u>	<u>22,862</u>	0-13.000
	<u>\$ 11,454,431</u>	<u>\$ 35,002</u>	
			(Concluded)

h) Accrued income (part of receivables)

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Sister company			
BPC TLI	\$ 87,935	\$ 153,207	\$ 75,928
Others	<u>3,318</u>	<u>1,430</u>	<u>2,134</u>
	<u>\$ 91,253</u>	<u>\$ 154,637</u>	<u>\$ 78,062</u>

i) Receivable on securities (part of receivables)

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Sister company			
TCS	<u>\$ 29,873</u>	<u>\$ 147,499</u>	<u>\$ 55,428</u>

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Parent company	<u>\$ 1,080,183</u>	<u>\$ 1,297,856</u>	<u>\$ 1,359,386</u>

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Parent company	<u>\$ 680,443</u>	<u>\$ 547,923</u>	<u>\$ 458,013</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Sister companies		
BPCTLI	\$ 848,821	\$ 684,286
Others	22,441	22,175
Associate	-	106
Main management	76	258
Others	<u>11,657</u>	<u>171</u>
	<u>\$ 882,995</u>	<u>\$ 706,996</u>

m) Lease agreements - TCB is lessor

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

i. Future lease payment receivables was as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Parent company	\$ 69,004	\$ 87,040	\$ 93,052
Sister companies			
TCS	166,728	204,807	215,975
BPCTLI	30,070	40,715	44,253
Others	<u>54,188</u>	<u>71,300</u>	<u>76,026</u>
	<u>\$ 319,990</u>	<u>\$ 403,862</u>	<u>\$ 429,306</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ 18,036	\$ 18,036
Sister companies		
TCS	33,559	20,964
Others	<u>29,266</u>	<u>25,193</u>
	<u>\$ 80,861</u>	<u>\$ 64,193</u>

n) Purchases and sales of securities

<b>For the Nine Months Ended September 30, 2019</b>				
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Sister companies	<u>\$ 7,427,881</u>	<u>\$ 2,533,895</u>	<u>\$ -</u>	<u>\$ 14,581,540</u>
<b>For the Nine Months Ended September 30, 2018</b>				
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Sister companies	\$ 99,961	\$ 149,830	\$ -	\$ 199,521
Others	<u>99,984</u>	<u>100,287</u>	<u>-</u>	<u>-</u>
	<u>\$ 199,945</u>	<u>\$ 250,117</u>	<u>\$ -</u>	<u>\$ 199,521</u>

o) Derivatives

<b>For the Nine Months Ended September 30, 2019</b>						
<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Balance Sheet Account</b>	<b>Amounts</b>
Sister company - BPCTLI	Currency swap	2019.09.30-2020.09.30	US\$ 59,473	\$ 2,765	Financial assets at fair value through profit or loss	\$ 2,765
	Currency swap	2019.08.19-2020.09.08	US\$ 59,478	(18,966)	Financial liabilities at fair value through profit or loss	(18,966)
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2019.09.19-2019.10.28	US\$ 4,600	112	Financial assets at fair value through profit or loss	112
	Currency swap	2019.09.30-2019.10.31	US\$ 2,200	(59)	Financial liabilities at fair value through profit or loss	(59)
Other - TCB Global High Yield Bond Fund	Currency swap	2019.09.19-2019.10.21	US\$ 5,300	123	Financial assets at fair value through profit or loss	123
	Currency swap	2019.09.17-2019.10.09	US\$ 6,900	(1,216)	Financial liabilities at fair value through profit or loss	(1,216)
Other - TCB S&P U.S. Variable Rate Preferred Stock	Currency swap	2019.09.23-2019.10.23	US\$ 4,000	77	Financial assets at fair value through profit or loss	77
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.07.22-2019.11.22	US\$ 19,000	2,203	Financial assets at fair value through profit or loss	2,203
	Currency swap	2019.09.18-2019.10.18	US\$ 750	(19)	Financial liabilities at fair value through profit or loss	(19)
Other - TCB Mobility and Innovation Fund	Currency swap	2019.09.30-2019.10.31	US\$ 13,000	(350)	Financial liabilities at fair value through profit or loss	(350)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2019.09.19-2019.10.21	US\$ 56,700	54,283	Financial assets at fair value through profit or loss	54,283

For the Nine Months Ended September 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	2018.08.23-2019.03.04	US\$ 109,146	\$ (24,384)	Financial liabilities at fair value through profit or loss	\$ (24,384)
TCB Global Emerging Markets Equity Fund	Currency swap	2018.08.31-2018.10.04	US\$ 9,510	(1,003)	Financial liabilities at fair value through profit or loss	(1,003)
TCB Global High Yield Bond Fund	Currency swap	2018.09.25-2018.10.25	US\$ 16,250	(2,210)	Financial liabilities at fair value through profit or loss	(2,210)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.09.11-2018.10.15	US\$ 5,000	(1,398)	Financial liabilities at fair value through profit or loss	(1,398)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2018.09.28-2018.11.09	US\$ 20,000	651	Financial assets at fair value through profit or loss	651
	Currency swap	2018.09.28-2018.12.03	US\$ 850	(22)	Financial liabilities at fair value through profit or loss	(22)

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

	For the Nine Months Ended September 30	
	2019	2018
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ 137,610	\$ 23,152
Others	-	1,470
Others	<u>(30,887)</u>	<u>57,468</u>
	<u>\$ 106,723</u>	<u>\$ 82,090</u>

p) Loans

September 30, 2019

Type	Account Volume or Name	Highest Balance in the Period Ended September 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	70	\$ 152,943	\$ 117,236	\$ 117,236	\$ -	Note 2	None
Self-used housing mortgage loans	48	262,731	218,387	218,387	-	Land and buildings	None
Other	TCS	89,500	-	-	-	Bonds	None

September 30, 2018

Type	Account Volume or Name	Highest Balance in the Period Ended September 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	61	\$ 156,782	\$ 134,064	\$ 134,064	\$ -	Note 2	None
Self-used housing mortgage loans	39	187,138	169,068	169,068	-	Land and buildings	None
Other	TCS	512,000	-	-	-	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)

	September 30, 2019	December 31, 2018	September 30, 2018
Sister companies	\$ 42,846	\$ 224,482	\$ 164,932
Others	<u>          -</u>	<u>          -</u>	<u>      4,900</u>
	<u>\$ 42,846</u>	<u>\$ 224,482</u>	<u>\$ 169,832</u>

b) TCS applied to TCB for call loans

	<u>For the Nine Months Ended September 30, 2019</u>			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 316,000</u>	<u>\$ 310,200</u>	<u>\$ 6,416</u>	2.480-3.200
	<u>For the Nine Months Ended September 30, 2018</u>			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 307,500</u>	<u>\$ 305,250</u>	<u>\$ 5,094</u>	1.750-2.550

c) Purchases and sales of securities

	<u>For the Nine Months Ended September 30, 2019</u>			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 2,533,895</u>	<u>\$ 7,427,881</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>For the Nine Months Ended September 30, 2018</u>			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 149,830</u>	<u>\$ 99,961</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 September 30, 2019, December 31, 2018 and September 30, 2018, TCS had no borrowing and overdraft. The overdraft for the nine months ended September 30, 2019 and 2018 were as follows:

	<b>For the Nine Months Ended September 30, 2019</b>			
	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
Sister companies	<u>\$ 89,500</u>	<u>\$ -</u>	<u>\$ 12</u>	2.265

	<b>For the Nine Months Ended September 30, 2018</b>			
	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
Sister companies	<u>\$ 512,000</u>	<u>\$ -</u>	<u>\$ 34</u>	2.265

- e) Lease agreements - TCS is lessee

- i. Right-of-use assets, net

	<b>September 30, 2019</b>
Sister companies	
TCB	<u>\$ 159,804</u>

- ii. Lease liabilities

	<b>September 30, 2019</b>
Sister companies	<u>\$ 160,716</u>

- iii. Interest expense

	<b>For the Nine Months Ended September 30, 2019</b>
Sister companies	<u>\$ 2,057</u>

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>September 30, 2019</u>				
Sister companies	\$ <u>173,497</u>	\$ <u>42,362</u>	\$ <u>10</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>September 30, 2018</u>				
Sister companies	\$ <u>1,049,646</u>	\$ <u>40,160</u>	\$ <u>12</u>	0.010-1.065

b) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2019</u>				
Sister companies	\$ <u>5,000,000</u>	\$ <u>1,800,000</u>	\$ <u>16,462</u>	0.400-0.700
<u>For the nine months ended September 30, 2018</u>				
Sister companies	\$ <u>4,500,000</u>	\$ <u>4,500,000</u>	\$ <u>5,728</u>	0.350-0.540

c) Securities sold under repurchase agreement

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2019</u>			
Sister companies	\$ 958,367	\$ 6,707	0.440-0.695
Others	29,691	39	0.580-0.600
<u>For the nine months ended September 30, 2018</u>			
Sister companies	264,735	674	0.360-0.520
Others	-	60	0.380-0.540



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>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Sister company						
TCB	<u>\$ 4,309,490</u>	<u>57</u>	<u>\$ 4,500,423</u>	<u>55</u>	<u>\$ 2,096,882</u>	<u>53</u>

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

	<u>For the Nine Months Ended September 30, 2019</u>		
	<u>Purchased Securities</u>	<u>Securities Purchased Under Resell Agreements</u>	
	<u>(Note)</u>	<u>Amount</u>	<u>Rate (%)</u>
Sister company			
TCBF	\$ 9,463,884	\$ 958,367	0.460-0.610

	<u>For the Nine Months Ended September 30, 2018</u>		
	<u>Purchased Securities</u>	<u>Securities Purchased Under Resell Agreements</u>	
	<u>(Note)</u>	<u>Amount</u>	<u>Rate (%)</u>
Sister company			
TCBF	\$ 2,915,988	\$ 264,735	0.360-0.530

Note: The amount includes securities purchased under resell agreements.

- c) Payables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Parent company	\$ 79,439	\$ 136,340	\$ 81,695
Associates	<u>945</u>	<u>-</u>	<u>7,233</u>
	<u>\$ 80,384</u>	<u>\$ 136,340</u>	<u>\$ 88,928</u>

d) Derivatives

For the nine months ended September 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	2019.08.15-2020.09.08	US\$ 59,478	\$ 16,241	Financial assets at fair value through profit or loss	\$ 16,241
		2019.09.24-2020.09.30	US\$ 59,473	(5,362)	Financial liabilities at fair value through profit or loss	(5,362)
	Associates - Banque Nationale De Paris, Taipei	2019.06.06-2022.06.30	US\$111,286	27,428	Financial assets at fair value through profit or loss	27,428
	Branch (Note)	2019.01.28-2021.02.19	EUR 9,672	10,522	Financial assets at fair value through profit or loss	10,522
		2019.06.21-2021.06.25	US\$ 10,047	(1,237)	Financial liabilities at fair value through profit or loss	(1,237)

For the nine months ended September 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	2018.08.23-2019.03.04	US\$109,146	\$ 24,375	Financial assets at fair value through profit or loss	\$ 24,375
		Associates - Banque Nationale De Paris, Taipei	2018.08.21-2019.01.17	US\$243,747	40,906	Financial assets at fair value through profit or loss
	Branch (Note)	2018.08.07-2019.10.09	US\$ 25,595	(94)	Financial liabilities at fair value through profit or loss	(94)

Note: Banque Nationale De Paris, Taipei Branch is an associate of BPCTLI, but not a related party to the Company.

For the nine months ended September 30, 2019 and 2018, the realized gains or losses on currency swaps with sister companies were \$137,314 thousand losses and \$23,152 thousand gains, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$158,901 thousand losses and \$338,938 thousand losses, respectively.

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 September 30, 2019, December 31, 2018 and September 30, 2018, BPCTLI had received deposits of \$42,195 thousand, refundable deposits \$2,767 thousand and received deposits \$4,271 thousand, respectively.

e) Operating expenses - insurance contract expenses

	For the Nine Months Ended September 30	
	2019	2018
Sister company TCB	<u>\$ 856,659</u>	<u>\$ 685,443</u>

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

f) Consulting and advisory contract

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Associates		
Paris Management Consultant Co., Ltd. (Note)	\$ <u>92,044</u>	\$ <u>119,344</u>

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

BPCTLI entered into three-year consulting contracts with associates in April 2013. Under these contracts, the associates agreed to provide administrative, actuarial, marketing, and information technology services to BPCTLI, and the contracts were renewed in March 2016. BPCTLI also entered into supplementary contracts with associates in April 2019. Under these contracts, both parties agreed to extend the contract period to March 31, 2020.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Management fee income		
Sister company	\$ 736	\$ 757
Others	<u>267,120</u>	<u>129,936</u>
	<u>\$ 267,856</u>	<u>\$ 130,693</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remuneration of the directors and main management for the nine months ended September 30, 2019 and 2018, are summarized as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Salaries and other short-term employment benefits	\$ 135,069	\$ 123,834
Post-employment benefits	5,852	5,433
Interest arising from the employees' preferential rate in excess of normal rates	<u>1,505</u>	<u>1,317</u>
	<u>\$ 142,426</u>	<u>\$ 130,584</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:

	September 30, 2019	December 31, 2018	September 30, 2018
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collaterals for domestic overdraft	31,400,000	31,610,000	31,610,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	2,395,250	1,430,080	1,418,560
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,085,900	1,049,300	1,216,800
Guarantee deposits for the insurance operation	1,010,000	1,010,000	1,010,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	403,015	376,667	373,709
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	278,100	262,000	262,000
Guarantee deposits for the trust business compensation reserve	260,000	240,000	240,000
Collaterals for overseas branch U.S. dollar settlement	56,228	130,931	49,343
Overseas branches' guarantee deposits for operation	6,205	6,147	6,103
Others	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>\$ 88,839,698</u>	<u>\$ 88,060,125</u>	<u>\$ 88,131,515</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 September 30, 2019, December 31, 2018 and September 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	Outstanding Loan Balance	Collateral Value
September 30, 2019	<u>\$ 320,380</u>	<u>\$ 233,820</u>
December 31, 2018	<u>\$ 234,446</u>	<u>\$ 165,192</u>
September 30, 2018	<u>\$ 267,114</u>	<u>\$ 194,800</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 September 30, 2019, TCFHC's outstanding major construction and procurement contracts amounted to \$153,620 thousand, of which \$94,570 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) As of September 30, 2019, TCB's outstanding major construction and procurement contracts amounted to \$342,203 thousand, of which \$166,609 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 September 30, 2019, the commitments or contingencies that arose from business were as follows:

	<b>September 30, 2019</b>
Guarantees of commercial paper	<u>\$ 30,038,500</u>
Purchase of reference-rate commercial paper	<u>\$ 5,140,000</u>

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

1) As of September 30, 2019, TCS's agreements on the acquisition of equipment and procurement contracts amounted to \$16,714 thousand, of which \$12,780 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 \$2,317 thousand loss.

### 43. FINANCIAL INSTRUMENTS

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

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 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	\$ 554,912,670	\$ 559,992,758	\$ 558,505,884	\$ 561,239,159	\$ 527,807,184	\$ 530,163,364
<u>Financial liabilities</u>						
Bonds payable	60,000,000	61,460,351	55,000,000	56,204,741	50,000,000	50,913,007

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

September 30, 2019

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 559,992,758	\$ 8,018,620	\$ 551,974,138	\$ -
<u>Financial liabilities</u>				
Bonds payable	61,460,351	-	61,460,351	-

December 31, 2018

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<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	-

September 30, 2018

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 530,163,364	\$ 9,554,304	\$ 520,609,060	\$ -
<u>Financial liabilities</u>				
Bonds payable	50,913,007	-	50,913,007	-

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 0.5574% and 1.0693%, between 0.6707% and 1.3055%, between 0.6862% and 1.2345% as of September 30, 2019, December 31, 2018 and September 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 September 30, 2019, December 31, 2018 and September 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Discount for lack of marketability			
Increase 10%	<u>\$ (744,166)</u>	<u>\$ (621,461)</u>	<u>\$ (942,718)</u>
Decrease 10%	<u>\$ 744,166</u>	<u>\$ 621,461</u>	<u>\$ 942,718</u>
Discount for minority interest			
Increase 10%	<u>\$ (235)</u>	<u>\$ (239)</u>	<u>\$ (220)</u>
Decrease 10%	<u>\$ 235</u>	<u>\$ 239</u>	<u>\$ 220</u>

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

1) Fair value hierarchy

<b>Financial Instruments Measured at Fair Value</b>	<b>September 30, 2019</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,986,926	\$ 2,466,419	\$ 5,590	\$ 514,917
Debt instruments	8,814,883	4,558,649	4,256,234	-
Others	62,185,474	4,923,605	56,895,356	366,513
Financial assets at FVTOCI				
Equity instruments	16,023,528	10,981,501	-	5,042,027
Debt instruments	347,607,379	26,084,332	321,523,047	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,617,879)	(110,288)	(12,507,591)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,732,551	211,114	2,521,437	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,343,338)	-	(1,343,338)	-



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	September 30, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,433,569	\$ 2,016,901	\$ 4,186	\$ 412,482
Debt instruments	10,582,432	3,228,780	7,353,652	-
Others	50,896,076	5,347,841	45,548,235	-
Financial assets at FVTOCI				
Equity instruments	12,791,403	7,592,769	-	5,198,634
Debt instruments	295,415,208	24,670,068	270,745,140	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(11,339,619)	(201,304)	(11,138,315)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	6,142,498	296,137	5,846,361	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(2,375,719)	-	(2,375,719)	-

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	216,057	-	216,057
Recognized in OCI (investment in equity instruments at FVTOCI)	-	668,550	668,550
Purchases	87,512	-	87,512
Disposals	(349,015)	-	(349,015)
Transferred into Level 3	31,903	-	31,903
Transferred out of Level 3	<u>(76,999)</u>	<u>-</u>	<u>(76,999)</u>
Balance at September 30, 2019	<u>\$ 881,430</u>	<u>\$ 5,042,027</u>	<u>\$ 5,923,457</u>
Balance at January 1, 2018	\$ 161,676	\$ 5,521,358	\$ 5,683,034
Recognized in profit	25,350	-	25,350
Recognized in OCI (investment in equity instruments at FVTOCI)	-	52,276	52,276
Purchases	276,520	75,000	351,520
Disposals	(3,064)	(450,000)	(453,064)
Transfers out of Level 3	<u>(48,000)</u>	<u>-</u>	<u>(48,000)</u>
Balance at September 30, 2018	<u>\$ 412,482</u>	<u>\$ 5,198,634</u>	<u>\$ 5,611,116</u>

The change in unrealized gains for the nine months ended September 30, 2019 and 2018 included in profit or loss for assets held at the September 30, 2019 and 2018, respectively, was \$51,810 thousand and \$28,366 thousand, respectively.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Difference between carrying amount and contractual amount at maturity			
Fair value	\$ 12,507,591	\$ 11,483,955	\$ 11,138,315
Amount payable at maturity	<u>12,410,400</u>	<u>12,294,000</u>	<u>12,206,000</u>
	<u>\$ 97,191</u>	<u>\$ (810,045)</u>	<u>\$ (1,067,685)</u>
			<b>Change in Fair Values Resulting from Credit Risk Variations</b>
Accumulated amount of change			
As of September 30, 2019			<u>\$ 1,671</u>
As of December 31, 2018			<u>\$ 15,666</u>
As of September 30, 2018			<u>\$ 20,649</u>

The change in fair value attributable to change in credit risk was calculated as the difference between the 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 holding period. 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 borrowings of similar maturities to estimate the 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 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 commitments and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

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

b) Measurement of expected credit losses

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

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

Loans business

i) Quantitative benchmark

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

ii) Qualitative benchmark

- Borrower or its representative suffered from dishonored check due to insufficient funds.
- Borrower or its 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 increased significantly.

#### ii. Definition of default and credit loss on financial assets

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

### Loans business

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

ii) Borrower filed for bankruptcy or reorganization.

iii) Borrower defaulted on other financial instruments.

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

v) Borrower has been denied by TCH.

### Bonds and bills business

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

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

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

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

### iii. Reversal policy

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

- i) The debtor's inability to recover all or part of the debts due to dissolution, escape, settlement, bankruptcy or other reasons.
- ii) After collaterals assumed and assets of principal and subordinate debtors have been priced low or after deductions for first-order mortgage have been made, the remaining value of the assets is not enough to pay any obligation; also, if execution cost nears or exceeds the debtor's liability, no gain will be realized.
- iii) The Bank is not responsible for the collaterals assumed and assets of principal and subordinate debtors experiencing low priced auctions with no bidders.
- iv) Overdue loans or collections were made after two years from the settlement date.
- v) Overdue credit card loans and overdue receivables were aged over nine months after the settlement date.

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

### iv. Measurement of expected credit losses

#### Loans business

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

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

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

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



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

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

September 30, 2019

	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<u>Impaired financial assets</u>				
Discount and loans	<u>\$ 22,510,784</u>	<u>\$ 2,392,952</u>	<u>\$ 20,117,832</u>	<u>\$ 56,577,119</u>

December 31, 2018

	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<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>

September 30, 2018

	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<u>Impaired financial assets</u>				
Discount and loans	<u>\$ 19,914,346</u>	<u>\$ 2,079,682</u>	<u>\$ 17,834,664</u>	<u>\$ 48,718,668</u>

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in September 30, 2019, December 31, 2018 and September 30, 2018 were \$7,488,704 thousand, \$6,892,567 thousand and \$6,949,888 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:

<b>Credit Risk Profile by Group or Industry</b>	<b>September 30, 2019</b>		<b>December 31, 2018</b>		<b>September 30, 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 855,523,591	40	\$ 843,564,027	41	\$ 836,844,093	40
Manufacturing	404,797,509	19	387,603,437	19	386,049,609	19

iii. Master netting arrangement

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

d) Maximum exposures to credit risks

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

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

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at fair value through profit or loss - debt instrument	\$ 3,422,358	\$ 2,561,635	\$ 1,650,803

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

	September 30, 2019				Total
	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”	
Maximum exposures to credit risk	\$ 228,672,825	\$ 20,809	\$ 138,733	\$ -	\$ 228,832,367
Allowance for possible losses	(661,611)	(73)	(20,058)	-	(681,742)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(497,475)	(497,475)
	<u>\$ 228,011,214</u>	<u>\$ 20,736</u>	<u>\$ 118,675</u>	<u>\$ (497,475)</u>	<u>\$ 227,653,150</u>
	December 31, 2018				Total
	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”	
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>

September 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	\$ 244,149,138	\$ 450,510	\$ 139,098	\$ -	\$ 244,738,746
Allowance for possible losses	(585,957)	(1,000)	(20,522)	-	(607,479)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(496,397)	(496,397)
	<u>\$ 243,563,181</u>	<u>\$ 449,510</u>	<u>\$ 118,576</u>	<u>\$ (496,397)</u>	<u>\$ 243,634,870</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

	September 30, 2019			Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Discounts and loans	\$ 2,142,889,768	\$ 4,978,497	\$ 35,126,287	\$ -	\$ 2,182,994,552
Allowance for bad debts	(4,443,001)	(30,525)	(4,883,384)	-	(9,356,910)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(17,527,337)	(17,527,337)
	<u>\$ 2,138,446,767</u>	<u>\$ 4,947,972</u>	<u>\$ 30,242,903</u>	<u>\$ (17,527,337)</u>	<u>\$ 2,156,110,305</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 bad debts	(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>

September 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	\$ 2,048,660,888	\$ 6,233,581	\$ 31,767,965	\$ -	\$ 2,086,662,434
Allowance for bad debts	(3,693,565)	(26,097)	(4,642,360)	-	(8,362,022)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(16,748,442)	(16,748,442)
	<u>\$ 2,044,967,323</u>	<u>\$ 6,207,484</u>	<u>\$ 27,125,605</u>	<u>\$ (16,748,442)</u>	<u>\$ 2,061,551,970</u>

September 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	\$ 15,160,474	\$ 49,142	\$ 173,346	\$ 3,382,751	\$ -	\$ 18,765,713
Allowance for bad debts	(40,780)	(12,388)	(58,875)	(510,237)	-	(622,280)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(100,957)	(100,957)
	<u>\$ 15,119,694</u>	<u>\$ 36,754</u>	<u>\$ 114,471</u>	<u>\$ 2,872,514</u>	<u>\$ (100,957)</u>	<u>\$ 18,042,476</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 bad debts	(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>

September 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	\$ 14,285,292	\$ 50,175	\$ 168,301	\$ 3,366,863	\$ -	\$ 17,870,631
Allowance for bad debts	(42,457)	(12,182)	(40,580)	(533,885)	-	(629,104)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(105,925)	(105,925)
	<u>\$ 14,242,835</u>	<u>\$ 37,993</u>	<u>\$ 127,721</u>	<u>\$ 2,832,978</u>	<u>\$ (105,925)</u>	<u>\$ 17,135,602</u>

b) Credit quality analysis of securities

	September 30, 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 292,689,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,689,452</u>
Investments in debt instruments at amortized cost	\$ 552,737,231	\$ -	\$ -	\$ 552,737,231
Allowance for possible losses	<u>(51,782)</u>	<u>-</u>	<u>-</u>	<u>(51,782)</u>
	<u>\$ 552,685,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552,685,449</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>
	September 30, 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI	<u>\$ 243,421,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,421,178</u>
Investments in debt instruments at amortized cost	\$ 525,945,523	\$ -	\$ -	\$ 525,945,523
Allowance for possible losses	<u>(45,225)</u>	<u>-</u>	<u>-</u>	<u>(45,225)</u>
	<u>\$ 525,900,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,900,298</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	September 30, 2019	December 31, 2018	September 30, 2018
Interest rate risk	Interest rate curve increased 100 basis points	\$ (202,245)	\$ (72,019)	\$ (64,766)
	Interest rate curve fell 100 basis points	214,142	78,211	67,927
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(199,464)	(319,033)	(256,811)
	USD/NT\$, EUR/NT\$ fell 3%	199,464	319,033	256,811
	Others (RMB, AUD etc.)/ NT\$ increased 5%	23,848	16,140	29,949
	Others (RMB, AUD etc.)/ NT\$ fell 5%	(23,848)	(16,140)	(29,949)
Equity security price risk	Equity security price increased by 15%	243,557	66,851	110,962
	Equity security price fell by 15%	(243,557)	(66,751)	(110,855)

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 Nine Months Ended September 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	\$ 34,030,083	2.61	\$ 39,113,249	2.66
Due from the Central Bank	172,157,835	0.36	166,556,625	0.36
Call loans to banks and other financial assets - call loans to security firms	62,886,941	1.79	70,509,099	2.02
Financial assets mandatorily classified as at fair value through profit or loss	25,768,832	0.64	7,060,131	0.71
Financial assets at fair value through other comprehensive income	263,481,829	1.91	232,481,371	1.98
Investments in debt instruments at amortized cost	556,013,539	0.87	517,019,863	0.85
Securities purchased under resell agreements	1,180,036	0.59	13,738	0.39
Discounts and loans	2,128,174,654	2.14	2,070,362,026	2.05
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	238,311,283	1.36	237,689,566	1.03
Financial liabilities designated as at fair value through profit or loss	12,419,495	4.87	11,979,788	4.68
Securities sold under repurchase agreements	8,351,040	0.44	10,124,314	0.23

(Continued)

	<b>For the Nine Months Ended September 30</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
Demand deposits	\$ 522,752,998	0.19	\$ 508,242,591	0.15
Savings - demand deposits	879,457,144	0.27	833,246,515	0.28
Time deposits	599,188,488	1.60	532,705,409	1.37
Time savings deposits	627,608,566	1.05	638,604,537	1.05
Treasury deposits	96,628,075	0.65	90,589,392	0.64
Negotiable certificates of deposits	49,691,744	0.73	33,779,817	0.56
Structured products	2,405,419	1.81	1,503,156	2.30
Bank debentures	56,776,557	1.52	58,820,879	1.39
Lease liabilities	1,521,415	2.77	-	-

(Concluded)

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

(In Thousands)

	<b>September 30, 2019</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
USD	\$ 12,613,694	31.0260	\$ 391,352,477
RMB	14,213,576	4.3550	61,900,124
AUD	1,497,175	20.9450	31,358,340
EUR	319,361	33.8500	10,810,385
HKD	2,240,671	3.9605	8,874,176
JPY	28,431,844	0.2879	8,185,528
ZAR	3,371,522	2.0535	6,923,420
GBP	85,690	38.0900	3,263,921
KHR	276,272,539	0.0076	2,099,671
NZD	35,489	19.5100	692,392
CHF	4,874	31.2300	152,225
SEK	43,742	3.1731	138,798
SGD	4,802	22.4500	107,801
CAD	3,910	23.3900	91,245
THB	10,345	1.0128	10,478
PHP	1,870	0.6000	1,122

Financial liabilities

USD	13,894,594	31.0260	431,093,685
RMB	12,749,754	4.3550	55,525,178
AUD	1,325,681	20.9450	27,766,389
JPY	44,796,595	0.2879	12,896,940
ZAR	4,107,996	2.0535	8,435,770
HKD	1,757,055	3.9605	6,958,815
EUR	88,589	33.8500	2,998,743
NZD	147,736	19.5100	2,882,324
GBP	61,977	38.0900	2,360,685
CAD	53,730	23.3900	1,256,745

(Continued)

**September 30, 2019**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
KHR	\$ 154,156,053	0.0076	\$ 1,171,586
SEK	69,036	3.1731	219,057
SGD	8,735	22.4500	196,091
CHF	4,656	31.2300	145,404
THB	7,724	1.0128	7,823
PHP	7,279	0.6000	4,367
MYR	-	8.0000	2
			(Concluded)

**December 31, 2018**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<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

**September 30, 2018**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
USD	\$ 11,300,680	30.5150	\$ 344,840,244
RMB	13,067,640	4.4330	57,928,849
AUD	1,237,774	22.0150	27,249,597
EUR	388,379	35.5400	13,802,991
JPY	37,238,956	0.2688	10,009,831
HKD	1,911,468	3.9030	7,460,459
ZAR	2,018,640	2.1600	4,360,261
GBP	28,510	39.9300	1,138,392
CAD	15,945	23.4300	373,596
NZD	26,259	20.1900	530,176
CHF	6,389	31.2250	199,481
SGD	1,998	22.3300	44,614
KHR	137,810,705	0.0074	1,019,799
THB	14,791	0.9469	14,006
SEK	129,851	3.4500	447,987
PHP	4,598	0.5637	2,592
<u>Financial liabilities</u>			
USD	11,835,502	30.5150	361,160,344
RMB	13,787,891	4.4330	61,121,722
AUD	983,807	22.0150	21,658,511
JPY	48,579,973	0.2688	13,058,297
EUR	226,726	35.5400	8,057,838
ZAR	3,575,887	2.1600	7,723,915
NZD	270,630	20.1900	5,464,012
HKD	1,358,467	3.9030	5,302,095
GBP	30,358	39.9300	1,212,199
CAD	64,621	23.4300	1,514,079
CHF	10,416	31.2250	325,232
SGD	8,737	22.3300	195,094
SEK	123,499	3.4500	426,070
THB	13,517	0.9469	12,799
KHR	1,464,921	0.0074	10,840
PHP	1,052	0.5637	593
MYR	-	7.3690	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 reporting 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 28.52% in September 2019, 27.17% in December 2018 and 26.50% in September 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.

September 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	\$ 173,310,887	\$ 61,483,267	\$ 9,148,781	\$ 1,469,704	\$ -	\$ 245,412,639
Financial liabilities at fair value through profit or loss	-	-	-	-	12,410,400	12,410,400
Securities sold under repurchase agreements	2,810,030	2,707,919	1,399,049	80,000	-	6,996,998
Payables	32,877,710	2,670,122	3,447,403	4,427,724	2,637,387	46,060,346
Deposits and remittances	262,960,363	365,902,971	450,249,634	618,356,405	1,132,968,230	2,830,437,603
Bank debentures	-	1,000,000	7,500,000	-	51,500,000	60,000,000
Lease liabilities	52,600	117,509	135,647	265,184	1,138,656	1,709,596
Other items of cash outflow on maturity	2,239,734	355	439	830,532	33,995	3,105,055

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

<b>September 30, 2018</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Due to the Central Bank and other banks	\$ 154,286,117	\$ 49,216,620	\$ 9,171,015	\$ 1,455,761	\$ -	\$ 214,129,513
Financial liabilities at fair value through profit or loss	-	-	-	-	12,206,000	12,206,000
Securities sold under repurchase agreements	4,259,989	3,224,587	1,608,212	260,000	-	9,352,788
Payables	37,083,220	1,671,954	3,739,760	3,912,327	1,829,887	48,237,148
Deposits and remittances	304,773,497	344,059,930	419,251,024	590,123,407	1,051,021,051	2,709,228,909
Bank debentures	-	-	-	-	50,000,000	50,000,000
Other items of cash outflow on maturity	3,781,215	19,711	1,725	3,449	26,836	3,832,936

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 September 30, 2019, December 31, 2018 and September 30, 2018 must be repaid soon, the capital expenditure will be increased by \$1,477,363,976 thousand, \$1,409,026,262 thousand and \$1,385,797,760 thousand, respectively, within 30 days of 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

<b>September 30, 2019</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days- 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 121	\$ 191	\$ -	\$ -	\$ -	\$ 312
Interest	(922)	(286)	(670)	(2,077)	(11,092)	(15,047)

<b>December 31, 2018</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days- 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at fair value through profit or loss						
Interest	\$ (317)	\$ (209)	\$ (1,062)	\$ (2,324)	\$ (2,759)	\$ (6,671)

<b>September 30, 2018</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days- 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 2
Interest	(3,494)	(90)	(373)	(2,284)	(2,517)	(8,758)

b) Derivative financial liabilities to be settled at gross amounts

September 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	\$ 71,782,197	\$ 63,541,502	\$ 33,796,251	\$ 9,429,164	\$ -	\$ 178,549,114
Cash inflow	72,018,354	63,983,698	34,163,514	9,487,357	-	179,652,923
Interest derivatives						
Cash outflow	31,432	428,182	-	-	-	459,614
Cash inflow	30,903	424,818	-	-	-	455,721
Total cash outflow	71,813,629	63,969,684	33,796,251	9,429,164	-	179,008,728
Total cash inflow	72,049,257	64,408,516	34,163,514	9,487,357	-	180,108,644
Net cash flow	235,628	438,832	367,263	58,193	-	1,099,916

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

September 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	\$ 61,561,184	\$ 60,588,705	\$ 29,977,206	\$ 12,863,465	\$ 1,923,447	\$ 166,914,007
Cash inflow	61,954,019	61,136,390	30,242,216	12,971,080	1,966,451	168,270,156
Interest derivatives						
Cash outflow	-	5,521	126,414	841,014	22,264,439	23,237,388
Cash inflow	-	-	30,462	1,183,431	27,433,728	28,647,621
Total cash outflow	61,561,184	60,594,226	30,103,620	13,704,479	24,187,886	190,151,395
Total cash inflow	61,954,019	61,136,390	30,272,678	14,154,511	29,400,179	196,917,777
Net cash flow	392,835	542,164	169,058	450,032	5,212,293	6,766,382

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.

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,069,683	\$ 4,054,141	\$ 3,516,105	\$ 9,751,366	\$ 45,308,437	\$ 63,699,732
Irrevocable credit card commitments	586,793	280,288	452,897	1,111,510	48,594,610	51,026,098
Letters of credit issued yet unused	3,900,612	10,242,067	3,017,875	1,285,157	613,949	19,059,660
Other guarantees	3,815,477	5,565,983	4,810,350	9,834,376	71,020,691	95,046,877

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

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 854,372	\$ 31,466,774	\$ 4,134,369	\$ 16,385,804	\$ 41,225,754	\$ 94,067,073
Irrevocable credit card commitments	557,003	230,622	315,181	2,865,670	43,770,187	47,738,663
Letters of credit issued yet unused	5,219,493	12,617,367	2,393,225	650,392	1,247,495	22,127,972
Other guarantees	2,343,097	4,505,713	3,800,668	8,815,917	61,339,643	80,805,038

#### 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 \$431,762 thousand, \$469,775 thousand and \$425,765 thousand as of September 30, 2019, December 31, 2018 and September 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 September 30, 2019, December 31, 2018 and September 30, 2018 the fair values of financial assets would have decreased by \$23,621 thousand, \$23,876 thousand and \$23,732 thousand, respectively.

ii) Equity risk

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 September 30, 2019, December 31, 2018 and September 30, 2018, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$15,571 thousand, \$17,476 thousand and \$19,678 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 by 1% for the nine months ended September 30, 2019, for the whole year ended December 31, 2018, and for the nine months ended September 30, 2018, the income before income tax would have decreased by \$169,541 thousand, \$192,483 thousand and \$193,234 thousand, respectively.

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

September 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Savings accounts			
USD	\$ 51,404	31.03	\$ 1,594,867
ZAR	368,195	2.06	759,550
RMB	65,159	4.35	283,505
AUD	805	20.95	16,859
Receivables			
USD	4,983	31.03	154,595
RMB	3,245	4.35	14,120
EUR	1,122	33.87	38,015
Financial assets at FVTPL			
USD	3,171	31.03	98,392
Financial assets at FVTOCI			
USD	481,462	31.03	14,937,848
RMB	261,738	4.35	1,138,822
EUR	63,974	33.87	2,166,803
Financial assets at amortized cost			
USD	5,426	31.03	168,361
EUR	9,605	33.87	325,325

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<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

September 30, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Savings accounts			
USD	\$ 15,189	30.50	\$ 463,340
RMB	7,320	4.43	32,427
AUD	1,375	22.00	30,244
Receivables			
USD	11,704	30.50	357,024
RMB	3,956	4.43	17,526
Financial assets at FVTPL			
USD	4,365	30.50	133,138
Financial assets at FVTOCI			
USD	597,337	30.50	18,221,163
RMB	310,223	4.43	1,374,289
Financial assets at amortized cost			
USD	5,236	30.50	159,705
<u>Financial liabilities</u>			
Guarantee deposits			
USD	360	30.50	10,981

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 the 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 by 1% as of September 30, 2019, December 31, 2018 and September 30, 2018, the losses on financial assets of the BPCTLI would have been \$841,781 thousand, \$913,618 thousand and \$982,226 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

	<b>September 30, 2019</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 14,361,924	\$ 14,395,092	40
Domestic investment - corporate bonds (twAAA - twAA)	2,709,112	2,709,112	8
Overseas investment - government bonds	1,490,759	1,558,855	4
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,052,280	15,052,979	42
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,194,119</u>	<u>2,194,119</u>	<u>6</u>
	<u>\$ 35,808,194</u>	<u>\$ 35,910,157</u>	<u>100</u>

	<b>December 31, 2018</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
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>
	<b>September 30, 2018</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 18,555,982	\$ 18,553,644	46
Domestic investment - corporate bonds (twAAA - twAA)	1,846,676	1,846,676	5
Overseas investment - government bonds	973,128	972,146	2
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,388,190	16,388,190	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,393,839</u>	<u>2,393,839</u>	<u>6</u>
	<u>\$ 40,157,815</u>	<u>\$ 40,154,495</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.

	<b>September 30, 2019</b>			
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 128,204	\$ 1,585	\$ -	\$ -
	<b>December 31, 2018</b>			
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 19,171	\$ -	\$ -	\$ -
	<b>September 30, 2018</b>			
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 72,290	\$ -	\$ -	\$ -

- 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 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	58,476	59,786	59,797	59,797	59,799	59,799	59,799	59,799	59,799	1,323	
2018	35,690	45,466	46,001	46,306	46,316	46,316	46,318	46,318	46,318	46,318	46,318	852	
2019	67,402	86,458	87,197	90,780	90,794	90,794	90,796	90,796	90,796	90,796	90,796	23,394	
												Incurred but not reported	25,579
												Reported but not paid	48,301
												Balance of claim reserve	<u>\$ 73,880</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	30,809	30,809	30,810	30,810	30,810	30,810	30,810	8	
2017	51,121	58,887	56,308	57,335	57,346	57,346	57,348	57,348	57,348	57,348	57,348	1,040	
2018	34,932	44,497	45,023	45,297	45,307	45,307	45,309	45,309	45,309	45,309	45,308	811	
2019	60,426	75,760	76,498	78,661	78,675	78,675	78,677	78,677	78,677	78,677	78,677	18,251	
												Incurring but not reported	20,112
												Reported but not paid	33,298
												Balance of claim reserve	<u>\$ 53,410</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.

	September 30, 2019		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 50,652	\$ 40,522
Discount rate	(0.25%)	(50,765)	(40,612)
Mortality rate	10.00%	(18,838)	(15,071)
Mortality rate	(10.00%)	18,833	15,067
Withdrawal rate	30.00%	11,346	9,077
Withdrawal rate	(30.00%)	(11,241)	(8,993)
Illness rate/loss rate	15.00%	(13,204)	(10,563)
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)



**September 30, 2018**

	<b>Changes in the Assumptions</b>	<b>Impact on Income Before Income Tax</b>	<b>Impact on Equity</b>
Discount rate	0.25%	\$ 53,161	\$ 44,124
Discount rate	(0.25%)	(53,279)	(44,222)
Mortality rate	10.00%	(15,697)	(13,028)
Mortality rate	(10.00%)	15,693	13,025
Withdrawal rate	30.00%	10,849	9,005
Withdrawal rate	(30.00%)	(10,824)	(8,984)
Illness rate/loss rate	15.00%	(11,620)	(9,645)
Expense rate	10.00%	(55,372)	(45,959)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

g. Transfers of financial assets

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

<b>September 30, 2019</b>					
<b>Financial Assets</b>	<b>Carrying Amount of Transferred Financial Assets</b>	<b>Carrying Amount of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Position of Fair Value</b>
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 28,608,535	\$ 28,546,525	\$ 28,608,535	\$ 28,546,525	\$ 62,010
Financial assets at FVTOCI - securities sold under repurchase agreements	21,211,639	21,763,491	21,211,639	21,763,491	(551,852)
Securities purchased under sell agreements - securities sold under repurchase agreements	32,072	48,220	32,072	48,220	(16,148)

<b>December 31, 2018</b>					
<b>Financial Assets</b>	<b>Carrying Amount of Transferred Financial Assets</b>	<b>Carrying Amount of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Position of Fair Value</b>
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)

September 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	\$ 33,941,751	\$ 33,964,159	\$ 33,941,751	\$ 33,964,159	\$ (22,408)
Financial assets at FVTOCI - securities sold under repurchase agreements	15,975,852	16,014,705	15,975,852	16,014,705	(38,853)
Securities purchased under resell agreements - securities sold under repurchase agreements	274,369	289,808	274,369	289,808	(15,439)

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.

September 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	\$ 1,720,845	\$ -	\$ 1,720,845	\$ (1,720,845)	\$ -	\$ -

  

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 50,358,236	\$ -	\$ 50,358,236	\$ (49,385,255)	\$ -	\$ 972,981

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

September 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	\$ 1,560,048	\$ -	\$ 1,560,048	\$ (1,560,048)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 50,268,672	\$ -	\$ 50,268,672	\$ (49,510,800)	\$ -	\$ 757,872

#### 44. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 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	18.13
2	Group B Harbor services	15,157,173	6.79
3	Group C Real estate development	14,381,437	6.44
4	Group D Computers and computing peripheral equipment manufacturing	12,629,202	5.65
5	Group E Petroleum and coal products manufacturing	11,167,543	5.00
6	Group F Shipping agency	10,560,573	4.73
7	Group G Iron and steel smelting	10,445,031	4.68
8	Group H Cotton and textile	10,263,162	4.60
9	Group I Real estate development	8,168,879	3.66
10	Group J Liquid crystal panel and components manufacturing	6,881,630	3.08

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 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	\$ 40,485,293	19.46
2	Group E Petroleum and coal products manufacturing	17,038,261	8.19
3	Group B Harbor services	16,432,110	7.90
4	Group C Real estate development	11,675,303	5.61
5	Group H Cotton and textile	11,502,517	5.53
6	Group D Computers and computing peripheral equipment manufacturing	10,849,777	5.22
7	Group F Shipping agency	10,021,906	4.82
8	Group G Iron and steel smelting	9,488,708	4.56
9	Group I Real estate development	8,227,818	3.96
10	Group K Harbor services	7,980,697	3.84

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 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	\$ 1,450,000	21.86
2	Group B Real estate development	1,010,000	15.22
3	Group C Iron and steel rolls over extends and crowding	1,002,000	15.10
4	Group D Sheet glass and sheet glass products	900,000	13.57
5	Group E Real estate development	820,200	12.36
6	Group F Real estate development	800,000	12.06
7	Group G Real estate development	765,000	11.53
8	Group H Manmade fiber manufacturing	750,000	11.31
9	Group I Shipping agency	700,000	10.55
10	Group J Wholesale of electronic and communication equipment and parts	650,000	9.80

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 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	23.69
2	Group C Iron and steel rolls over extends and crowding	867,200	14.07
3	Group G Other financial intermediation not elsewhere classified	760,000	12.33
4	Group B Real estate development	725,000	11.76
5	Group I Shipping agency	700,000	11.36
6	Group K Real estate development	668,400	10.84
7	Group H Manmade fiber manufacturing	630,000	10.22
8	Group L Real estate development	599,000	9.72
9	Group M Wholesale of motor vehicles and motorcycles parts and accessories	580,000	9.41
10	Group N Real estate development	571,000	9.26

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  
September 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	\$ 2,300,933,555	\$ 97,408,620	\$ 15,021,251	\$ 322,370,618	\$ 2,735,734,044
Interest rate-sensitive liabilities	922,098,833	1,414,420,843	93,837,568	52,540,354	2,482,897,598
Interest rate sensitivity gap	1,378,834,722	(1,317,012,223)	(78,816,317)	269,830,264	252,836,446
Net worth					199,165,742
Ratio of interest rate-sensitive assets to liabilities					110.18
Ratio of interest rate sensitivity gap to net worth					126.95

**Interest Rate Sensitivity  
September 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	\$ 2,251,164,150	\$ 96,336,706	\$ 12,423,395	\$ 264,605,803	\$ 2,624,530,054
Interest rate-sensitive liabilities	933,596,381	1,328,058,709	96,677,020	45,454,906	2,403,787,016
Interest rate sensitivity gap	1,317,567,769	(1,231,722,003)	(84,253,625)	219,150,897	220,743,038
Net worth					188,034,568
Ratio of interest rate-sensitive assets to liabilities					109.18
Ratio of interest rate sensitivity gap to net worth					117.39

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  
September 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	\$ 11,882,871	\$ 990,380	\$ 193,677	\$ 1,731,279	\$ 14,798,207
Interest rate-sensitive liabilities	13,416,616	1,628,067	1,397,041	-	16,441,724
Interest rate sensitivity gap	(1,533,745)	(637,687)	(1,203,364)	1,731,279	(1,643,517)
Net worth					771,836
Ratio of interest rate-sensitive assets to liabilities					90
Ratio of interest rate sensitivity gap to net worth					(212.94)

**Interest Rate Sensitivity**  
**September 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	\$ 11,859,413	\$ 1,175,617	\$ 209,762	\$ 1,579,562	\$ 14,824,354
Interest rate-sensitive liabilities	13,737,908	1,210,478	964,348	-	15,912,734
Interest rate sensitivity gap	(1,878,495)	(34,861)	(754,586)	1,579,562	(1,088,380)
Net worth					655,362
Ratio of interest rate-sensitive assets to liabilities					93.16
Ratio of interest rate sensitivity gap to net worth					(166.07)

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		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	0.58	0.57
	After income tax	0.49	0.49
Return on equity	Before income tax	9.58	9.51
	After income tax	8.11	8.06
Net income ratio		36.44	36.00

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	7.17	7.23
	After income tax	7.21	7.25
Return on equity	Before income tax	8.06	7.99
	After income tax	8.09	8.01
Net income ratio		99.17	98.93

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	0.56	0.56
	After income tax	0.47	0.47
Return on equity	Before income tax	8.70	8.79
	After income tax	7.33	7.42
Net income ratio		34.53	34.52

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	0.98	1.04
	After income tax	0.93	1.03
Return on equity	Before income tax	7.75	9.04
	After income tax	7.35	8.92
Net income ratio		76.04	108.08

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	1.52	0.37
	After income tax	1.38	0.26
Return on equity	Before income tax	7.89	1.94
	After income tax	7.16	1.37
Net income ratio		32.36	8.99

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

(%)

Items		September 30, 2019	September 30, 2018
Return on total assets	Before income tax	0.67	0.73
	After income tax	0.57	0.62
Return on equity	Before income tax	10.72	12.64
	After income tax	9.04	10.74
Net income ratio		48.96	50.32

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  
September 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	\$ 3,108,092,336	\$ 366,776,053	\$ 369,530,977	\$ 208,896,829	\$ 190,269,939	\$ 331,850,400	\$ 1,640,768,138
Main capital outflow on maturity	3,600,100,870	212,441,771	177,918,664	434,848,245	481,050,141	636,278,410	1,657,563,639
Gap	(492,008,534)	154,334,282	191,612,313	(225,951,416)	(290,780,202)	(304,428,010)	(16,795,501)

Maturity Analysis of Assets and Liabilities  
September 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	\$ 3,041,379,488	\$ 371,750,365	\$ 367,683,818	\$ 219,801,708	\$ 205,680,135	\$ 333,016,321	\$ 1,543,447,141
Main capital outflow on maturity	3,549,720,061	244,323,349	203,422,023	418,851,390	449,236,323	636,141,059	1,597,745,917
Gap	(508,340,573)	127,427,016	164,261,795	(199,049,682)	(243,556,188)	(303,124,738)	(54,298,776)

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

Maturity Analysis of Assets and Liabilities  
September 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	\$ 24,764,147	\$ 8,543,192	\$ 4,466,859	\$ 2,394,537	\$ 1,195,782	\$ 8,163,777
Main capital outflow on maturity	29,094,506	12,818,156	5,356,091	3,174,087	4,292,079	3,454,093
Gap	(4,330,359)	(4,274,964)	(889,232)	(779,550)	(3,096,297)	4,709,684

Maturity Analysis of Assets and Liabilities  
September 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	\$ 24,176,299	\$ 7,343,376	\$ 5,890,911	\$ 2,245,254	\$ 1,693,971	\$ 7,002,787
Main capital outflow on maturity	28,071,147	11,449,031	6,808,067	3,083,807	3,628,179	3,102,063
Gap	(3,894,848)	(4,105,655)	(917,156)	(838,553)	(1,934,208)	3,900,724

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.

September 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	\$ 19,606,314	\$ 16,136,176	\$ 436,247	\$ -	\$ -
	Bonds	-	106,536	287,140	387,140	14,300,000
	Cash in bank	181,178	-	-	200	-
	Total	19,787,492	16,242,712	723,387	387,340	14,300,000
Source of funds	Borrowings	10,650,000	-	-	-	-
	Securities sold under repurchase agreements	33,268,370	1,173,723	3,007	-	-
	Total	43,918,370	1,173,723	3,007	-	-
Net flows		(24,130,878)	15,068,989	720,380	387,340	14,300,000
Accumulated capital net flows		(24,130,878)	(9,061,889)	(8,341,509)	(7,954,169)	6,345,831

September 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	\$ 16,930,112	\$ 17,973,766	\$ 3,408,200	\$ 704,169	\$ -
	Bonds	225,000	500,000	200,000	100,000	10,434,177
	Cash in bank	221,391	-	-	70,200	-
	Total	17,376,503	18,473,766	3,608,200	874,369	10,434,177
Source of funds	Borrowings	15,410,000	-	-	-	-
	Securities sold under repurchase agreements	29,975,416	2,183,769	70,074	-	-
	Total	45,385,416	2,183,769	70,074	-	-
Net flows		(28,008,913)	16,289,997	3,538,126	874,369	10,434,177
Accumulated capital net flows		(28,008,913)	(11,718,916)	(8,180,790)	(7,306,421)	3,127,756

#### 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	September 30,	December 31,	September 30,	Trust Liabilities	September 30,	December 31,	September 30,
	2019	2018	2018		2019	2018	2018
Cash in banks	\$ 5,093,100	\$ 5,038,852	\$ 5,293,013	Payables			
Short-term investments				Accrued expense	\$ 1,469	\$ 2,661	\$ 2,489
Mutual funds	171,200,610	168,601,296	168,623,773	Others	31	2,294	2,265
Stocks	1,227,745	1,045,199	1,278,638	Mutual funds	-	200	-
Debt instruments	4,806,020	3,976,219	3,595,083		1,500	5,155	4,754
Structured products	111,073	165,591	183,216	Accounts payable on securities under custody	169,748,923	115,683,741	118,794,715
	177,345,448	173,788,305	173,680,710	Trust capital			
Securities lending	115,031	278,417	142,838	Cash	180,624,811	176,013,465	176,498,149
Receivables	144,605	5,669	7,766	Real estate	79,808,331	73,184,329	70,854,809
Real estate				Leasehold	60,940	60,940	-
Land	61,135,189	56,391,821	54,451,775	Securities	1,243,193	1,324,259	1,302,290
Buildings	7,600	8,523	8,523	Others	92,403	119,350	119,114
Construction in process	18,035,653	15,137,667	15,260,732		261,829,678	250,702,343	248,774,362
	79,178,442	71,538,011	69,721,030	Reserves and retained earnings			
Intangible assets				Net income	103,369	11,725	127,713
Leasehold	60,940	60,940	60,940	Appropriation	(294,031)	(248,802)	(243,330)
Securities under custody	169,748,923	115,683,741	118,794,715	Retained earnings	297,050	239,773	242,798
					106,388	2,696	127,181
Total	\$ 431,686,489	\$ 366,393,935	\$ 367,701,012	Total	\$ 431,686,489	\$ 366,393,935	\$ 367,701,012

### Trust Property List

Investment Items	September 30, 2019	December 31, 2018	September 30, 2018
Cash in banks	\$ 5,093,100	\$ 5,038,852	\$ 5,293,013
Short-term investments			
Mutual funds	171,200,610	168,601,296	168,623,773
Stocks	1,227,745	1,045,199	1,278,638
Debt instruments	4,806,020	3,976,219	3,595,083
Structured products	111,073	165,591	183,216
Securities lending	115,031	278,417	142,838
Receivables			
Accrued interest	3,180	3,857	4,892
Cash dividends	260	-	1,323
Receivable on the sale of securities	-	200	-
Mutual funds	140,281	-	-
Others	884	1,612	1,551
Real estate			
Land	61,135,189	56,391,821	54,451,775
Buildings	7,600	8,523	8,523
Construction in process	18,035,653	15,137,667	15,260,732
Intangible assets			
Leasehold	60,940	60,940	60,940
Securities under custody	<u>169,748,923</u>	<u>115,683,741</u>	<u>118,794,715</u>
Total	<u>\$ 431,686,489</u>	<u>\$ 366,393,935</u>	<u>\$ 367,701,012</u>

### Statements of Income on Trust Accounts For the Nine Months Ended September 30, 2019 and 2018

	2019	2018
Revenues		
Interest revenue	\$ 4,550	\$ 5,183
Cash dividends	58,594	60,714
Realized gain on investment - stocks	4,694	6,080
Unrealized gain on investment - stocks	205,343	197,648
Realized gain on investment - mutual funds	200	51
Rentals	3,220	4,061
Others	82	855
Total revenues	<u>276,683</u>	<u>274,592</u>
Expenses		
Management fees	3,153	2,849
Taxes	31	18
Service charge	308	187
Postage	102	25
Unrealized loss on investment - stocks	168,622	142,285
Realized loss on investment - mutual funds	43	488
Others	1,055	1,027
Total expenses	<u>173,314</u>	<u>146,879</u>
Income before income tax	103,369	127,713
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 103,369</u>	<u>\$ 127,713</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, and marketing expenses paid by TCB were based on the arrangements.

As of September 30, 2019, December 31, 2018 and September 30, 2018, TCB's accrued receivables were \$2,820 thousand, \$3,168 thousand and \$2,709 thousand, respectively. TCB's revenues from cross-selling transactions were \$8,779 thousand and \$8,169 thousand for the nine months ended September 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 September 30, 2019, December 31, 2018 and September 30, 2018, TCB's accrued receivables were \$1,929 thousand, \$2,541 thousand and \$2,535 thousand, respectively. TCB's revenues from cross-selling transactions were \$24,023 thousand and \$28,842 thousand for the nine months ended September 30, 2019 and 2018, respectively.

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

Table 3 (attached).

**49. BUSINESS SEGMENT FINANCIAL INFORMATION**

Table 4 (attached).

**50. CASH FLOW INFORMATION**

a. Non-Cash financing activities

Undistributed cash dividends approved by stockholders' meetings are \$339,653 thousand, \$305,577 thousand and \$305,577 thousand as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

b. Changes in liabilities arising from financing activities

For the nine months ended September 30, 2019

	Opening Balance	Cash Inflows (Outflows)	New Leases	Non-cash Changes 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	\$ -	\$ -	\$ 13,995	\$ 1,009,641	\$ 12,507,591
Commercial paper issued	26,091,523	5,851,000	-	-	(4,848)	31,937,675
Bonds payable	55,000,000	5,000,000	-	-	-	60,000,000
Other borrowings	2,425,405	948,433	-	-	(19,028)	3,354,810
Guarantee deposits received	1,334,404	602,293	-	-	(9,302)	1,927,395
Lease liabilities	1,528,139	(407,392)	575,519	-	(23,654)	1,672,612
Other liabilities - other	91,155	25,047	-	-	10,508	126,710
	<u>\$ 97,954,581</u>	<u>\$ 12,019,381</u>	<u>\$ 575,519</u>	<u>\$ 13,995</u>	<u>\$ 963,317</u>	<u>\$ 111,526,793</u>

For the nine months ended September 30, 2018

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes 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	\$ -	\$ (18,235)	\$ (531,741)	\$ 11,138,315
Commercial paper issued	25,657,429	2,570,000	-	(1,123)	28,226,306
Bonds payable	64,610,000	(14,610,000)	-	-	50,000,000
Other borrowings	800,027	1,735,920	-	(21,387)	2,514,560
Guarantee deposits received	1,605,813	(305,673)	-	(3,888)	1,296,252
Other liabilities - other	90,048	(10,422)	-	(8,619)	71,007
	<u>\$ 104,451,608</u>	<u>\$ (10,620,175)</u>	<u>\$ (18,235)</u>	<u>\$ (566,758)</u>	<u>\$ 93,246,440</u>

**51. ADDITIONAL DISCLOSURES**

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

- 1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company: Table 5 (attached).
- 2) Endorsements/guarantees provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company: None.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company: Table 6 (attached).
- 4) Marketable securities acquired or 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: Table 7 (attached).



- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
  - 7) Financial asset securitization by subsidiaries: None.
  - 8) Allowance of service fees to related parties amounting to at least NT\$5 million: Table 8 (attached).
  - 9) Sale of nonperforming loans by subsidiaries: Table 9 (attached).
  - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 10 (attached).
  - 11) Percentage share in investees and related information: Not applicable.
  - 12) Derivative transactions: Notes 8, 40 and 43 to the consolidated financial statements
  - 13) Other significant transactions which may affect the decisions of users of financial reports: None.
- c. Investments 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 11 (attached)
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 12 (attached).

## 52. OPERATING SEGMENTS

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

- a. TCB business, including deposits and loans, capital, trust, insurance and other businesses;
- b. Other noncore businesses.

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 nine months ended September 30, 2019 and 2018 are as follows:

	<b>For the Nine Months Ended September 30, 2019</b>				
	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 25,518,077	\$ 908,625	\$ 26,426,702	\$ 5,250	\$ 26,431,952
Net revenues and gains other than interest	<u>8,937,717</u>	<u>14,309,567</u>	<u>23,247,284</u>	<u>(13,408,889)</u>	<u>9,838,395</u>
Net revenues	34,455,794	15,218,192	49,673,986	(13,403,639)	36,270,347
Bad-debt expenses and provision for losses on commitment and guarantees	(3,156,354)	(9,392)	(3,165,746)	-	(3,165,746)
Net change in reserves for insurance liabilities	-	1,355,370	1,355,370	-	1,355,370
Operating expenses	<u>(17,170,710)</u>	<u>(1,863,203)</u>	<u>(19,033,913)</u>	<u>194,983</u>	<u>(18,838,930)</u>
Income before income tax	<u>\$ 14,128,730</u>	<u>\$ 14,700,967</u>	<u>\$ 28,829,697</u>	<u>\$ (13,208,656)</u>	<u>\$ 15,621,041</u>
	<b>For the Nine Months Ended September 30, 2018</b>				
	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 25,307,846	\$ 1,336,106	\$ 26,643,952	\$ -	\$ 26,643,952
Net revenues and gains other than interest	<u>7,619,208</u>	<u>13,358,813</u>	<u>20,978,021</u>	<u>(12,647,626)</u>	<u>8,330,395</u>
Net revenues	32,927,054	14,694,919	47,621,973	(12,647,626)	34,974,347
Bad-debt expenses and provision for losses on commitment and guarantees	(2,497,795)	106,686	(2,391,109)	-	(2,391,109)
Net change in reserves for insurance liabilities	-	858,715	858,715	-	858,715
Operating expenses	<u>(16,977,527)</u>	<u>(1,735,083)</u>	<u>(18,712,610)</u>	<u>130,304</u>	<u>(18,582,306)</u>
Income before income tax	<u>\$ 13,451,732</u>	<u>\$ 13,925,237</u>	<u>\$ 27,376,969</u>	<u>\$ (12,517,322)</u>	<u>\$ 14,859,647</u>

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

**CONSOLIDATED ENTITIES**

**SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018**

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				September 30, 2019	December 31, 2018	September 30, 2018	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	Note
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	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	Note

Subsidiaries not included in the consolidated financial statements

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

Note: Non-major subsidiary, which financial reports for the nine months ended September 30, 2019 and 2018 are not reviewed.

## TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES  
 SEPTEMBER 30, 2019 AND 2018  
 (In Thousands of New Taiwan Dollars, %)

Period		September 30, 2019					September 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	\$ 4,086,692	\$ 706,238,813	0.58	\$ 8,807,359	215.51	\$ 3,159,259	\$ 672,311,555	0.47	\$ 7,118,362	225.32
	Unsecured	443,118	635,911,592	0.07	6,223,294	1,404.43	1,031,194	592,671,332	0.17	6,613,346	641.33
Consumer banking	Housing mortgage (Note 4)	1,389,860	527,638,316	0.26	8,031,248	577.85	1,557,303	513,758,639	0.30	7,823,116	502.35
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	12,438	12,024,396	0.10	145,081	1,166.43	47,916	12,563,709	0.38	189,187	394.83
	Other (Note 6)	Secured	1,020,414	280,225,972	0.36	3,337,268	327.05	1,207,609	277,188,449	0.44	3,073,726
Unsecured		19,123	9,764,587	0.20	157,486	823.54	30,592	8,980,898	0.34	133,066	434.97
Loan		6,971,645	2,171,803,676	0.32	26,701,736	383.00	7,033,873	2,077,474,582	0.34	24,950,803	354.72
		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		10,369	4,187,469	0.25	61,867	596.65	6,603	3,855,534	0.17	53,294	807.12
Accounts receivable factored without recourse (Note 7)		-	207,075	-	8,758	-	-	375,546	-	10,231	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)					704				1,129		
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)					5,591				7,597		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)					9,412				14,049		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)					44,442				46,840		

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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

## 1. TCFHC's financial statements

## Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2019	December 31, 2018	September 30, 2018	Liabilities and Equity	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	\$ 76,905	\$ 25,293	\$ 36,622	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income	20,150	22,500	22,500	Commercial paper issued, net	\$ 27,138,563	\$ 20,854,385	\$ 20,798,443
Receivables	146	146	148	Payables	253,881	240,318	215,531
Current tax assets	1,802,432	1,817,239	1,811,096	Current tax liabilities	1,839,592	1,823,604	1,855,233
Investments accounted for using equity method	244,441,760	229,324,491	227,889,197	Other financial liabilities	2,846	1,756	1,396
Properties and equipment, net	2,049	2,593	2,804	Lease liabilities	70,395	-	-
Right-of-use assets, net	69,717	-	-	Deferred tax liabilities	-	-	3,453
Intangible assets	206	193	134	Other liabilities	9,261	6,972	2,970
Deferred tax assets	293	335	256	Total liabilities	<u>29,314,538</u>	<u>22,927,035</u>	<u>22,877,026</u>
Other assets	<u>6,134</u>	<u>8,449</u>	<u>8,234</u>	<u>Equity</u>			
				Capital stock	129,458,483	125,687,847	125,687,847
				Capital surplus	57,973,141	57,964,343	57,964,343
				Retained earnings	21,947,618	22,209,318	19,464,392
				Other equity	<u>7,726,012</u>	<u>2,412,696</u>	<u>3,777,383</u>
				Total equity	<u>217,105,254</u>	<u>208,274,204</u>	<u>206,893,965</u>
Total	<u>\$ 246,419,792</u>	<u>\$ 231,201,239</u>	<u>\$ 229,770,991</u>	Total	<u>\$ 246,419,792</u>	<u>\$ 231,201,239</u>	<u>\$ 229,770,991</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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,701,860	\$ 4,458,116	\$ 13,108,851	\$ 12,440,368
Other revenues and gains	<u>1,116</u>	<u>965</u>	<u>2,652</u>	<u>2,625</u>
Total revenues and gains	<u>4,702,976</u>	<u>4,459,081</u>	<u>13,111,503</u>	<u>12,442,993</u>
Expenses and losses				
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	2,573
Operating expenses	61,087	57,142	163,398	151,884
Other expenses and losses	<u>30,714</u>	<u>16,293</u>	<u>97,406</u>	<u>57,182</u>
Total expenses and losses	<u>91,801</u>	<u>73,435</u>	<u>260,804</u>	<u>211,639</u>
Income before income tax	4,611,175	4,385,646	12,850,699	12,231,354
Income tax benefit (expense)	<u>35,467</u>	<u>(1,785)</u>	<u>54,803</u>	<u>19,077</u>
Net income	4,646,642	4,383,861	12,905,502	12,250,431
Other comprehensive income (loss)	<u>(907,490)</u>	<u>745,189</u>	<u>5,343,339</u>	<u>114,358</u>
Total comprehensive income	<u>\$ 3,739,152</u>	<u>\$ 5,129,050</u>	<u>\$ 18,248,841</u>	<u>\$ 12,364,789</u>
Earnings per share (New Taiwan dollars)				
Basic	<u>\$ 0.36</u>	<u>\$ 0.34</u>	<u>\$ 1.00</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 0.36</u>	<u>\$ 0.34</u>	<u>\$ 1.00</u>	<u>\$ 0.95</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	Capital Stock		Retained Earnings			Other Equity					Total Equity	
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for- sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss		Other Comprehensive Income on Reclassification of Overlay Approach
	BALANCE 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
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	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	30,023	-	(30,023)	-	-	-	-
Total comprehensive income												
Net income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	-	-	-	-	-	12,905,502
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	93,366	5,067,371	-	(13,995)	196,597	5,343,339
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	93,366	5,067,371	-	(13,995)	196,597	18,248,841
BALANCE AT SEPTEMBER 30, 2019	<u>12,945,848</u>	<u>\$ 129,458,483</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 13,023,960</u>	<u>\$ (188,973)</u>	<u>\$ 7,727,380</u>	<u>\$ -</u>	<u>\$ 1,671</u>	<u>\$ 185,934</u>	<u>\$ 217,105,254</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 APPLIED RETROSPECTIVELY	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	203,681,204
Appropriation of the 2017 earnings												
Legal reserve	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,152,028)	-	-	-	-	-	(9,152,028)
Stock dividends	366,081	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-
Gains on disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	8,206	-	(8,206)	-	-	-	-
Total comprehensive income												
Net income for the nine months ended September 30, 2018	-	-	-	-	-	12,250,431	-	-	-	-	-	12,250,431
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	731,655	(669,329)	-	18,235	33,797	114,358
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	12,250,431	731,655	(669,329)	-	18,235	33,797	12,364,789
BALANCE AT SEPTEMBER 30, 2018	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,964,343</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 12,016,918</u>	<u>\$ (446,279)</u>	<u>\$ 3,986,357</u>	<u>\$ -</u>	<u>\$ 20,649</u>	<u>\$ 216,656</u>	<u>\$ 206,893,965</u>

(Continued)

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

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

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
Cash flows from operating activities		
Income before income tax	\$ 12,850,699	\$ 12,231,354
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(13,108,851)	(12,437,795)
Depreciation and amortization expenses	18,607	655
Interest expense	97,406	57,182
Interest revenue	(22)	(25)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through other comprehensive income	-	(25,000)
Decrease in receivables	-	2
Decrease (increase) in other assets	2,315	(449)
Increase in payables	22,361	16,704
Increase (decrease) in other liabilities	2,289	(682)
Cash used in operations	(115,196)	(158,054)
Interest received	22	25
Dividends received	3,337,271	7,521,856
Interest paid	(101,693)	(57,780)
Income tax return back	85,640	43,310
Net cash generated by operating activities	<u>3,206,044</u>	<u>7,349,357</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	-	(1,000,000)
Acquisition of properties and equipment	(96)	(1,065)
Acquisition of intangible assets	(94)	-
Net cash used in investing activities	<u>(190)</u>	<u>(1,001,065)</u>
Cash flows from financing activities		
Increase in commercial paper issued	6,290,000	2,780,000
Increase in guarantee deposits received	1,090	1,043
Repayments of the principal portion of lease liabilities	(18,743)	-
Dividends paid	(9,426,589)	(9,152,028)
Net cash used in financing activities	<u>(3,154,242)</u>	<u>(6,370,985)</u>
Net increase (decrease) in cash and cash equivalents	51,612	(22,693)
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>\$ 76,905</u>	<u>\$ 36,622</u>

(Continued)



2. Subsidiaries' condensed balance sheets

**Taiwan Cooperative Bank, Ltd.**

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

<b>Assets</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>Liabilities and Equity</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash and cash equivalents	\$ 46,090,345	\$ 53,883,846	\$ 54,015,056	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	275,415,337	271,883,276	282,547,737	Due to the Central Bank and other banks	\$ 242,720,696	\$ 211,479,593	\$ 212,996,423
Financial assets at fair value through profit or loss	27,960,714	9,490,716	12,459,936	Financial liabilities at fair value through profit or loss	13,840,120	12,953,221	13,503,200
Financial assets at fair value through other comprehensive income	307,472,241	256,663,367	255,467,941	Securities sold under repurchase agreements	6,996,998	9,602,141	9,352,788
Investments in debt instruments at amortized cost	551,167,766	554,882,807	524,616,394	Payables	46,546,674	43,885,780	48,714,778
Securities purchased under resell agreements	-	3,521,000	-	Current tax liabilities	1,421,155	1,120,604	1,102,820
Receivables, net	17,994,039	18,429,376	17,102,525	Deposits and remittances	2,830,295,494	2,728,608,123	2,709,083,286
Current tax assets	1,298,667	1,509,126	1,574,713	Bank debentures	60,000,000	55,000,000	50,000,000
Discounts and loans, net	2,144,589,194	2,050,071,547	2,052,076,715	Other financial liabilities	3,105,055	3,166,974	3,832,936
Investments accounted for using equity method	2,100,041	2,116,666	2,127,176	Provisions	7,815,020	8,022,491	7,730,062
Other financial assets, net	19,353,542	18,727,650	19,859,304	Lease liabilities	1,631,816	-	-
Properties and equipment, net	33,652,302	33,630,953	33,624,440	Deferred tax liabilities	3,238,184	3,292,854	3,414,118
Right-of-use assets, net	1,695,154	-	-	Other liabilities	1,283,723	1,137,459	1,260,774
Investment properties, net	7,156,469	7,151,574	7,163,292	Total liabilities	<u>3,218,894,935</u>	<u>3,078,269,240</u>	<u>3,060,991,185</u>
Intangible assets	3,604,344	3,551,969	3,460,087	<u>Equity</u>			
Deferred tax assets	1,492,167	1,388,293	1,452,586	Capital stock	96,765,300	90,310,300	90,310,300
Other assets, net	<u>965,339</u>	<u>1,101,315</u>	<u>1,476,222</u>	Capital surplus	58,767,245	58,767,245	58,767,245
				Retained earnings	60,708,439	58,153,358	55,360,125
				Other equity	6,871,742	2,503,338	3,595,269
				Total equity	<u>223,112,726</u>	<u>209,734,241</u>	<u>208,032,939</u>
<b>Total</b>	<b><u>\$ 3,442,007,661</u></b>	<b><u>\$ 3,288,003,481</u></b>	<b><u>\$ 3,269,024,124</u></b>	<b>Total</b>	<b><u>\$ 3,442,007,661</u></b>	<b><u>\$ 3,288,003,481</u></b>	<b><u>\$ 3,269,024,124</u></b>

(Continued)

**Taiwan Cooperative Bills Finance Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>Liabilities and Equity</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash and cash equivalents	\$ 61,178	\$ 93,142	\$ 51,391	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	37,185,393	34,216,145	41,503,962	Call loans from banks	\$ 10,650,000	\$ 12,180,000	\$ 15,410,000
Financial assets at fair value through other comprehensive income	13,696,595	12,770,749	11,021,768	Securities sold under repurchase agreements	34,433,878	29,930,007	32,219,352
Investments in debt instruments at amortized cost	1,254,886	1,056,082	1,056,604	Payables	575,923	68,063	60,944
Receivables, net	159,769	185,888	134,368	Provisions	420,222	433,422	460,922
Current tax assets	25,814	83,662	66,184	Lease liabilities	31,568	-	-
Other financial assets	120,200	240,200	240,200	Other liabilities	75,972	50,999	33,684
Properties and equipment, net	12,403	13,246	13,631	Total liabilities	<u>46,187,563</u>	<u>42,662,491</u>	<u>48,184,902</u>
Right-of-use assets, net	31,276	-	-	<u>Equity</u>			
Intangible assets	6,481	5,644	5,915	Capital stock	4,560,710	4,237,877	4,237,877
Other assets, net	<u>267,612</u>	<u>253,159</u>	<u>254,409</u>	Capital surplus	312,633	312,633	312,633
				Retained earnings	1,686,533	1,654,006	1,567,080
				Other equity	74,168	50,910	45,940
				Total equity	<u>6,634,044</u>	<u>6,255,426</u>	<u>6,163,530</u>
Total	<u>\$ 52,821,607</u>	<u>\$ 48,917,917</u>	<u>\$ 54,348,432</u>	Total	<u>\$ 52,821,607</u>	<u>\$ 48,917,917</u>	<u>\$ 54,348,432</u>

**Taiwan Cooperative Securities Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>Liabilities and Equity</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Current assets	\$ 27,965,154	\$ 24,471,823	\$ 27,487,327	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income - noncurrent	54,548	48,037	46,188	Current liabilities	\$ 23,241,468	\$ 20,027,942	\$ 22,812,887
Properties and equipment, net	59,072	69,725	45,958	Lease liabilities	124,083	-	-
Right-of-use assets, net	160,609	-	-	Deferred tax liabilities	3,373	8,162	11,913
Intangible assets	48,827	55,077	51,661	Other liabilities	4,513	3,311	2,026
Deferred tax assets	4,482	14,294	8,362	Total liabilities	<u>23,373,437</u>	<u>20,039,415</u>	<u>22,826,826</u>
Other noncurrent assets	<u>424,851</u>	<u>437,309</u>	<u>430,668</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	320,787	80,317	256,484
				Other equity	4,679	(42,107)	(31,786)
				Total equity	<u>5,344,106</u>	<u>5,056,850</u>	<u>5,243,338</u>
Total	<u>\$ 28,717,543</u>	<u>\$ 25,096,265</u>	<u>\$ 28,070,164</u>	Total	<u>\$ 28,717,543</u>	<u>\$ 25,096,265</u>	<u>\$ 28,070,164</u>

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets  
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2019	December 31, 2018	September 30, 2018	Liabilities and Equity	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 67,447	\$ 38,250	\$ 71,073	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	366,513	491,655	-	Current liabilities	\$ 3,747,195	\$ 3,161,262	\$ 3,284,889
Financial assets at fair value through other comprehensive income	20,150	22,500	22,500	Lease liabilities	20,806	-	
Accounts receivable, net	1,326,410	1,634,426	2,230,560	Deferred tax liabilities	35,617	33,431	22,372
Investments accounted for using the equity method	962,434	942,715	918,166	Other liabilities	112,137	91,076	81,988
Properties and equipment, net	13,647	3,113	7,958	Total liabilities	<u>3,915,755</u>	<u>3,285,769</u>	<u>3,389,249</u>
Investment properties, net	3,404,788	2,925,388	2,851,161	<u>Equity</u>			
Right-of-use assets, net	20,621	-	-	Capital stock	2,825,280	2,825,280	2,825,280
Intangible assets	7,989	10,294	2,193	Capital surplus	2,553	2,553	2,553
Deferred tax assets	210,610	205,473	190,936	Retained earnings	522,440	624,912	591,722
Long-term lease payments receivable	513,410	134,064	179,884	Other equity	(94,190)	(71,294)	(77,201)
Other assets	<u>257,819</u>	<u>259,342</u>	<u>257,172</u>	Total equity	<u>3,256,083</u>	<u>3,381,451</u>	<u>3,342,354</u>
Total	<u>\$ 7,171,838</u>	<u>\$ 6,667,220</u>	<u>\$ 6,731,603</u>	Total	<u>\$ 7,171,838</u>	<u>\$ 6,667,220</u>	<u>\$ 6,731,603</u>

(Continued)

**BNP Paribas Cardif TCB Life Insurance Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>Liabilities and Equity</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Cash and cash equivalents	\$ 6,469,466	\$ 5,766,662	\$ 3,080,223	<u>Liabilities</u>			
Receivables	691,636	772,571	1,307,003	Payables	\$ 2,153,825	\$ 704,485	\$ 766,451
Current tax assets	99,428	104,219	43,922	Current tax liabilities	20,687	-	-
Investments	40,338,377	43,168,078	45,003,599	Financial liabilities at fair value through profit or loss	15,853	15,308	94
Reinsurance assets	80,078	46,975	16,342	Insurance liabilities	28,223,491	29,698,376	29,846,938
Equipment, net	73,854	93,605	72,451	Reserve for insurance contracts with financial instruments features	7,213,758	10,434,066	11,072,717
Right-of-use assets, net	29,948	-	-	Reserve of foreign exchange variation	241,212	239,440	210,863
Deferred tax assets	-	145,620	137,965	Lease liabilities	30,192	-	-
Other assets	1,112,354	1,115,764	1,083,026	Deferred tax liabilities	203,615	-	4,706
Separate-account assets	<u>103,525,904</u>	<u>91,245,818</u>	<u>97,319,701</u>	Other liabilities	474,405	2,000,717	319,954
				Separate-account liabilities	<u>103,525,904</u>	<u>91,245,818</u>	<u>97,319,701</u>
				Total liabilities	<u>142,102,942</u>	<u>134,338,210</u>	<u>139,541,424</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	1,807,125	1,390,281	1,273,403
				Other equity	<u>1,782,202</u>	<u>2,045</u>	<u>520,629</u>
				Total equity	<u>10,318,103</u>	<u>8,121,102</u>	<u>8,522,808</u>
<b>Total</b>	<u>\$ 152,421,045</u>	<u>\$ 142,459,312</u>	<u>\$ 148,064,232</u>	<b>Total</b>	<u>\$ 152,421,045</u>	<u>\$ 142,459,312</u>	<u>\$ 148,064,232</u>

(Continued)

**Taiwan Cooperative Securities Investment Trust Co., Ltd.**

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

Assets	September 30, 2019	December 31, 2018	September 30, 2018	Liabilities and Equity	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 407,873	\$ 382,541	\$ 373,660	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	1,905	1,938	1,978	Current liabilities	\$ 68,216	\$ 33,987	\$ 33,444
Properties and equipment, net	2,982	3,734	3,706	Lease liabilities	6,105	-	-
Right-of-use assets, net	5,901	-	-	Other liabilities	921	245	1,400
Intangible assets	1,569	1,982	2,430	Total liabilities	<u>75,242</u>	<u>34,232</u>	<u>34,844</u>
Prepaid equipment	3,741	-	-	<u>Equity</u>			
Other assets	<u>56,239</u>	<u>26,238</u>	<u>26,239</u>	Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Retained earnings (accumulated deficit)	29,477	6,677	(2,395)
				Other equity	(369)	(336)	(296)
				Total equity	<u>404,968</u>	<u>382,201</u>	<u>373,169</u>
Total	<u>\$ 480,210</u>	<u>\$ 416,433</u>	<u>\$ 408,013</u>	Total	<u>\$ 480,210</u>	<u>\$ 416,433</u>	<u>\$ 408,013</u>

**Taiwan Cooperative Venture Capital Co., Ltd.**

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

Assets	September 30, 2019	December 31, 2018	September 30, 2018	Liabilities and Equity	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 1,020,443	\$ 806,575	\$ 971,560	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	-	151,506	-	Current liabilities	\$ 15,728	\$ 6,654	\$ 5,580
Properties and equipment, net	747	1,223	1,339	Lease liabilities	10,196	-	-
Right-of-use assets, net	10,136	-	-	Other liabilities	159	159	159
Intangible assets	7	17	25	Total liabilities	<u>26,083</u>	<u>6,813</u>	<u>5,739</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)	39,816	(20,660)	(14,778)
				Other equity	(34,092)	(26,358)	(17,564)
				Total equity	<u>1,005,724</u>	<u>952,982</u>	<u>967,658</u>
Total	<u>\$ 1,031,807</u>	<u>\$ 959,795</u>	<u>\$ 973,397</u>	Total	<u>\$ 1,031,807</u>	<u>\$ 959,795</u>	<u>\$ 973,397</u>

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

**Taiwan Cooperative Bank, Ltd.**

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

	<b>2019</b>	<b>2018</b>
Interest revenues	\$ 44,069,342	\$ 41,167,008
Less: Interest expenses	<u>(18,551,265)</u>	<u>(15,859,162)</u>
Net interest	25,518,077	25,307,846
Net revenues and gains other than interest	<u>8,937,717</u>	<u>7,619,208</u>
Total net revenues	34,455,794	32,927,054
Bad-debt expenses and provision for losses on commitment and guarantees	(3,156,354)	(2,497,795)
Operating expenses	<u>(17,170,710)</u>	<u>(16,977,527)</u>
Income before income tax	14,128,730	13,451,732
Income tax expense	<u>(2,232,276)</u>	<u>(2,084,438)</u>
Net income	11,896,454	11,367,294
Other comprehensive income	<u>4,435,031</u>	<u>512,648</u>
Total comprehensive income	<u>\$ 16,331,485</u>	<u>\$ 11,879,942</u>
Earnings per share (NT\$)		
Basic	<u>\$1.23</u>	<u>\$1.17</u>

**Taiwan Cooperative Bills Finance Co., Ltd.**

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

	<b>2019</b>	<b>2018</b>
Net interest	\$ 184,799	\$ 164,124
Net revenues and gains other than interest	<u>282,618</u>	<u>185,539</u>
Total net revenues	467,417	349,663
Reversal of allowance for credit losses and provision	16,509	141,259
Operating expenses	<u>(109,090)</u>	<u>(107,908)</u>
Income before income tax	374,836	383,014
Income tax expense	<u>(19,394)</u>	<u>(5,103)</u>
Net income	355,442	377,911
Other comprehensive income (loss)	<u>23,253</u>	<u>(62,625)</u>
Total comprehensive income	<u>\$ 378,695</u>	<u>\$ 315,286</u>
Earnings per share (NT\$)		
Basic	<u>\$0.78</u>	<u>\$0.83</u>

(Continued)

**Taiwan Cooperative Securities Co., Ltd.**

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

	<b>2019</b>	<b>2018</b>
Revenues	\$ 1,006,210	\$ 790,027
Service charge	(29,135)	(33,706)
Other operating costs	(136,404)	(146,170)
Employee benefits	(319,852)	(308,673)
Other operating expenses	(235,806)	(226,601)
Other gains and losses	<u>22,554</u>	<u>3,233</u>
Income before income tax	307,567	78,110
Income tax expense	<u>(28,217)</u>	<u>(22,942)</u>
Net income	279,350	55,168
Other comprehensive income (loss)	<u>7,906</u>	<u>(33,261)</u>
 Total comprehensive income	 <u>\$ 287,256</u>	 <u>\$ 21,907</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.59</u>	<u>\$0.12</u>

**Co-operative Assets Management Co., Ltd.**

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 345,892	\$ 465,666
Operating expenses	<u>(155,420)</u>	<u>(178,282)</u>
Operating benefits	190,472	287,384
Non-operating gains and losses	<u>22,231</u>	<u>18,196</u>
Income before income tax	212,703	305,580
Income tax expenses	<u>(42,665)</u>	<u>(35,981)</u>
Net income	170,038	269,599
Other comprehensive loss	<u>(22,896)</u>	<u>(19,904)</u>
 Total comprehensive income	 <u>\$ 147,142</u>	 <u>\$ 249,695</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.60</u>	<u>\$0.95</u> (Continued)

**BNP Paribas Cardif TCB Life Insurance Co., Ltd.**

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 14,236,611	\$ 8,651,674
Operating costs	(12,959,775)	(7,294,644)
Operating expenses	<u>(535,240)</u>	<u>(553,721)</u>
Income before income tax	741,596	803,309
Income tax expenses	<u>(116,449)</u>	<u>(120,505)</u>
Net income	625,147	682,804
Other comprehensive income (loss)	<u>1,780,157</u>	<u>(545,595)</u>
Total comprehensive income	<u>\$ 2,405,304</u>	<u>\$ 137,209</u>
Earnings per share (NT\$)		
Basic	<u>\$0.93</u>	<u>\$1.02</u>

**Taiwan Cooperative Securities Investment Trust Co., Ltd.**

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 268,565	\$ 131,503
Operating expenses	<u>(242,228)</u>	<u>(136,048)</u>
Operating gain (loss)	26,337	(4,545)
Non-operating gains and losses	<u>1,911</u>	<u>1,972</u>
Gain (loss) before income tax	28,248	(2,573)
Income tax expenses	<u>-</u>	<u>-</u>
Net income (loss)	28,248	(2,573)
Other comprehensive loss	<u>(33)</u>	<u>(457)</u>
Total comprehensive income (loss)	<u>\$ 28,215</u>	<u>\$ (3,030)</u>
Earnings (loss) per share (NT\$)		
Basic	<u>\$0.93</u>	<u>\$(0.08)</u>

(Continued)



**Taiwan Cooperative Venture Capital Co., Ltd.**

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 82,267	\$ 43,803
Operating expenses	<u>(24,471)</u>	<u>(22,145)</u>
Operating income	57,796	21,658
Non-operating gains and losses	<u>569</u>	<u>755</u>
Income before income tax	58,365	22,413
Income tax expenses	<u>(169)</u>	<u>(246)</u>
Net income	58,196	22,167
Other comprehensive loss	<u>(5,453)</u>	<u>(1,291)</u>
Total comprehensive income	<u>\$ 52,743</u>	<u>\$ 20,876</u>
Earnings per share (NT\$)		
Basic	<u>\$0.58</u>	<u>\$0.22</u>
		(Concluded)

**TABLE 4**

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

### BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

Business Segment Items	For the Nine Months Ended September 30, 2019				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 25,627,612	\$ (60,041)	\$ 735,962	\$ 128,419	\$ 26,431,952
Net revenues and gains other than interest	8,056,852	545,496	(192,968)	1,429,015	9,838,395
Total net revenues	33,684,464	485,455	542,994	1,557,434	36,270,347
Bad-debt expenses and provision for losses on commitment and guarantees	(3,170,544)	16,509	-	(11,711)	(3,165,746)
Net change in reserves for insurance liabilities	-	-	1,355,370	-	1,355,370
Operating expenses	(17,216,669)	(102,366)	(495,833)	(1,024,062)	(18,838,930)
Income before income tax	13,297,251	399,598	1,402,531	521,661	15,621,041
Income tax expenses	(2,235,709)	(19,394)	(116,449)	(31,382)	(2,402,934)
Net income	11,061,542	380,204	1,286,082	490,279	13,218,107

Business Segment Items	For the Nine Months Ended September 30, 2018				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 25,395,988	\$ (84,866)	\$ 803,378	\$ 529,452	\$ 26,643,952
Net revenues and gains other than interest	6,823,377	441,087	346,218	719,713	8,330,395
Total net revenues	32,219,365	356,221	1,149,596	1,249,165	34,974,347
Bad-debt expenses and provision for losses on commitment and guarantees	(2,499,307)	141,259	-	(33,061)	(2,391,109)
Net change in reserves for insurance liabilities	-	-	858,715	-	858,715
Operating expenses	(17,016,174)	(101,340)	(541,342)	(923,450)	(18,582,306)
Income before income tax	12,703,884	396,140	1,466,969	292,654	14,859,647
Income tax expenses	(2,092,426)	(5,103)	(120,505)	(51,617)	(2,269,651)
Net income	10,611,458	391,037	1,346,464	241,037	12,589,996

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

FINANCING PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 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.	Xindan Co., Ltd.	Receivables on lending funds	No	\$ 35,000	\$ 35,000	\$ 29,446	3-8	Short-term financing	\$ -	Operating use	\$ 294	Real estate	\$ 48,769	\$ 338,145 (Note 3)	\$ 1,352,580 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	40,000	40,000	32,222	3-8	Short-term financing	-	Operating use	322	Real estate	56,073	338,145 (Note 3)	1,352,580 (Note 3)
		General Energy Solutions Inc.	Receivables on lending funds	No	41,808	4,245	4,245	3-8	Short-term financing	-	Operating use	42	Guarantee	5,000	338,145 (Note 3)	1,352,580 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	12,500	12,500	3-8	Short-term financing	-	Operating use	125	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Shinex Machinery Engineering Inc.	Receivables on lending funds	No	50,000	50,000	50,000	3-8	Short-term financing	-	Operating use	500	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	50,000	47,500	47,500	3-8	Short-term financing	-	Operating use	475	-	-	338,145 (Note 3)	1,352,580 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	100,000	97,256	97,256	3-8	Short-term financing	-	Operating use	973	Stocks	70,300	338,145 (Note 3)	1,352,580 (Note 3)
		Kuang Ming Shipping Corp.	Receivables on lending funds	No	200,000	170,181	170,181	3-8	Short-term financing	-	Operating use	1,702	Guarantee	40,000	338,145 (Note 3)	1,352,580 (Note 3)
		Tai-Hwei Trade Co, Ltd.	Receivables on lending funds	No	200,000	190,000	186,174	3-8	Short-term financing	-	Operating use	1,862	Real estate	390,927	338,145 (Note 3)	1,352,580 (Note 3)
		Hanky and Partners Taiwan Ltd.	Receivables on lending funds	No	220,000	218,248	210,868	3-8	Short-term financing	-	Operating use	2,109	Real estate	334,042	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	8,276	2,649	2,649	10.61	Short-term financing	-	Operating use	40	Real estate	48,319	137,800 (Note 4)	367,467 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	23,953	8,710	8,710	8	Business relationship	45,872	Operating use	131	Real estate	45,336	137,800 (Note 4)	367,467 (Note 4)

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

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

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

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on December 31, 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 \$918,667 thousand (RMB210,945 thousand).

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

## MARKETABLE SECURITIES HELD

SEPTEMBER 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	September 30, 2019				Note
				Shares (In 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	\$ 49,099	-	\$ 49,099	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	962,434	100.00	962,434	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	20,150	5.00	20,150	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,905	0.38	1,905	
Taiwan Cooperative Venture Capital Co., Ltd.	Lin BioScience, Inc.	-	Financial assets at fair value through profit or loss	426	13,564	0.72	13,564	
	GEOSAT Aerospace & Technology Inc.	-	Financial assets at fair value through profit or loss	1,759	31,433	5.60	31,433	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	113,135	2.82	113,135	
	eLand Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	550	37,009	3.38	37,009	
	M2Communication Inc.	-	Financial assets at fair value through profit or loss	250	3,273	1.14	3,273	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	21,856	2.75	21,856	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	27,070	2.38	27,070	
	Tircgo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	95	1,336	2.95	1,336	
	ULSee Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	651	30,842	0.45	30,842	
	ENRESTEC, Inc.	-	Financial assets at fair value through profit or loss	2,000	36,000	2.10	36,000	
	Taiwan Mobile Corp.	-	Financial assets at fair value through other comprehensive income	239	26,768	0.01	26,768	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Chunghwa Telecom Co., Ltd.	-	Financial assets at fair value through other comprehensive income	240	\$ 26,640	-	\$ 26,640	
	MiTAC Holdings Corporation	-	Financial assets at fair value through other comprehensive income	652	17,061	0.06	17,061	
	Nan Ya Plastics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	589	41,053	0.01	41,053	
	TA CHEN Stainless Pipe Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,080	37,530	0.09	37,530	
	Wistron Corporation	-	Financial assets at fair value through other comprehensive income	1,907	47,770	0.07	47,770	
	Taiwan Cement Co., Ltd.	-	Financial assets at fair value through other comprehensive income	717	28,428	0.01	28,428	
	Quanta Computer, Inc.	-	Financial assets at fair value through other comprehensive income	461	26,093	0.01	26,093	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	21,440	2.45	21,440	

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

(Concluded)

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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Co-operative Assets Management Co., Ltd.	No. 103, 105, 107 and 109, Ruihu St., Neihu Dist., Taipei City 114, Taiwan R.O.C.	2019.10.09	\$ 301,330	Payment in full	Taiwan Shilin District Court	-	-	-	-	\$ -	Court auction	Operating activities	-

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

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

**(In Thousands of New Taiwan Dollars)**

<b>Securities Firms</b>	<b>Counter-party</b>	<b>Nature of Relationship</b>	<b>Total Amounts of Brokerage Service Revenue</b>	<b>Total Allowance of Brokerage Service Revenue</b>	<b>Service Revenue from Related Party</b>	<b>Allowance of Service Revenue for Related Party</b>	<b>Percentage of Service Revenue from Related Party to Total Amounts</b>	<b>Percentage of Allowance of Service Revenue for Related Party to Total Allowance</b>
Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Same parent company	\$ 609,847	\$ 319,891	\$ 32,755	\$ 23,566	5.37	7.37

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****SALE OF NONPERFORMING LOANS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
(In Thousands of New Taiwan Dollars)**

## 1. Sale of nonperforming loans

Co-operative Assets Management Co., Ltd.

<b>Trade Date</b>	<b>Counterparty</b>	<b>Form of Nonperforming Loan</b>	<b>Book Value (Note)</b>	<b>Selling Price</b>	<b>Gain (Loss)</b>	<b>Terms</b>	<b>Relationship Between the Counterparty and the Company</b>
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 the original loan of US\$7,445 thousand minus the allowance for bad debts of US\$7,445 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**

**SEPTEMBER 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	\$ 1,080,183	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	680,443	-	-	-	-	-

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

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

INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 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)	\$ 229,013	100	\$ 229,013	\$ 5,863,316	\$ -
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)	(26,320)	100	(26,320)	3,004,143	-
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)	116,425	100	116,425	3,212,129	-
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)	(249,320)	100	(249,320)	2,445,182	-

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 133,998,572 (Note 2)

## 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 September 30, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 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)	\$ 45,402	100	\$ 45,402	\$ 962,434	\$ -

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 910,980 (RMB 185,460) (Note 1)	\$ 910,980 (RMB 185,460) (Note 1)	\$ 1,953,650 (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 NINE MONTHS ENDED SEPTEMBER 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	\$ 680,443	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	680,443	Note 4	0.02
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,080,183	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,080,183	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	578,979	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	578,979	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	8,547,955	Note 4	0.23
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	8,547,955	Note 4	0.23
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	3,211,450	Note 4	0.09
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	3,211,450	Note 4	0.09
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	821,600	Note 4	2.27
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	821,600	Note 4	2.27
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	137,314	Note 4	0.38
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	137,314	Note 4	0.38

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	\$ 1,800,000	Note 4	0.05
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	1,800,000	Note 4	0.05
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreement	958,367	Note 4	0.03
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchase agreements	958,367	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment accumulated earnings	580,423	Note 4	1.60
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	310,200	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other borrowings	310,200	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	159,804	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	160,716	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	2,057	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	30,633	Note 4	0.08
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	31,778	Note 4	0.09

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

(Continued)

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

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

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

(Concluded)