Stock No: 2812

Taichung Commercial Bank Co., Ltd. and subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2016 and 2015

Address: No. 87, Min Chuan Road, West District, Taichung

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§Index§

Statement of Affiliate's Consolidated Financial Report

The companies to be included by the Bank in the consolidated financial statements of affiliates in accordance with the "Rules Governing the Preparation of Affiliated Company's Consolidated Business Report, Affiliated Company's Consolidated Financial Statements and Relationship Report" in 2016 (from January 1 to December 31, 2016) are identical to those to be included in the consolidated financial statements of the Parent Company and subsidiaries in accordance with the International Financial Reporting Standards No. 10. Also, the information to be disclosed in the consolidated financial statements of the affiliated companies has been disclosed in said consolidated financial statements of the Parent Company and subsidiaries. Therefore, the Bank will not separately prepare the consolidated financial statements of the affiliated companies.

Hereby declare

Company name: Taichung Commercial Bank Co., Ltd.

Responsible Person: Chun-Sheng Lee

Date: March 16, 2017

Auditor's Report

To: Taichung Commercial Bank Co., Ltd.

Audit opinions

We have audited the accompanying consolidated balance sheet of Taichung Commercial Bank Co., Ltd. and subsidiary as of December 31, 2016 and 2015, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to present fairly, in all material aspects the financial position of Taichung Commercial Bank as of December 31 2016 and December 31 2015, and the results of its operations and cash flows for the years then ended in conformity with the Criteria for the Compilation of Financial Statements by Banks, Criteria for the Compilation of Financial Statements by Securities Firms, and applicable IFRS, IAS,SIC, and IFRIC as recognized by the Financial Supervisory Commission.

The basis for opinions

We conducted the audit in accordance with the Criteria for Certified Public Accountants in the Auditing of Financial Statements Compiled by Financial Firms and the accounting principle generally accepted in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Taichung Commercial Bank and its subsidiaries in accordance with the Code of Ethics for certified public accountants in the part of relevant to the audit of the consolidated financial statements of Taichung Commercial Bank, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of Taichung Bank in 2016. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the consolidated financial statements of Taichung Commercial Bank and its subsidiaries in 2016 included:

Evaluate the impairment of discount and loans to customers

Notes to key audit matters

As stated in Note 11, Taichung Commercial Bank and its subsidiaries had impairment in discount and loans to customers amounting to NTD425,166,259 thousand and NTD672,436 thousand in 2016, respectively. These accounted for 67.80% of the total assets and 6.23% of net income, which are of significance to the overall financial reporting. As stated in Note 5 (1), in consideration of the overall impairment of Taichung Bank and its subsidiaries, material estimation and judgment of the management are involved, included the estimation of cash flows, recovery rate and impairment rates in the future. For these reasons, impairment of discount and loans to the customers are determined as key audit matters. The disclosures of the accounting policies, accounting estimates, and uncertainty of assumption related to the estimation of discount and loans to customers' impairment are specified in Note 4 (12) and Note 5 (1) and Note 11.

Audit response

1. Understand and examine the internal control of discount and loans to customer impairment of Taichung Commercial Bank and its subsidiaries.
2. We examined the impairment of discount and loans to customers of individual cases of Taichung Commercial Bank and its subsidiaries recognized for material impairment, on a selective basis, on the reasonability of future cash flows of collaterals.
3. We examined the impairment of discount and loans to customer in aggregate of Taichung Commercial Bank and its subsidiaries through an understanding of the significant parameters used in the model for testing impairment (recovery ratio and probability of impairment) for assessing the reasonability of future cash flows with relevance to the experience and economic conditions for the time being.

Discount and loan interest income

Notes to key audit matters

As stated in Note 31, Taichung Commercial Bank and its subsidiaries had interest income from discount and loans to customers amounted to NTD9,801,641 thousand or at 90.82% of net income in 2016. This remained the primary source of income for Taichung Commercial Bank and its subsidiaries. Taichung Commercial Bank and its subsidiaries processed loan application through an approval procedure along the line of corporate hierarchy. Applications, upon approval, will be registered into the loan system with information on the conditions of lending and related matters entered into the system manually. Loans will be released upon the final approval of the supervisors and interest income will be calculated automatically by the systems relevant to the conditions of lending on individual cases at the end of each month. Taichung Commercial Bank and its subsidiaries highly rely on the computer system for the automatic calculation of interest income from discount and loans to customers, which made the data input on the conditions of

related lending cases and the computing logics for the accurate calculation of interest income from discount and loans to customers essential. We therefore considered the interest income from discount and loans to customers as key audit matters.

The disclosures of the accounting policies, accounting estimates, and uncertainty of assumption related to the estimation of interest income from discount and loans to customers are specified in Note 4 (14) and Note 31 (1).

Audit response

1. Understand and examine the internal control of interest income from discount and loans to customer, including the understanding and testing of the internal control of the general computer system and the application system.
2. We checked the monthly interest income in the system, on a selective basis, with reference to the approved agreement on loans to determine the conditions of lending are congruent with the information used in the system for calculation of interest income. We also compared the interest income and the computing results from the system through a new round of calculation to examine no significant difference of the computing system of Taichung Commercial Bank and its subsidiaries.

Other information

We have also audited the individual financial statements of the Bank for 2016 and 2015, and have expressed modified unqualified opinions on such financial statements.

Responsibilities of Management and Those in Charge with Governance of the Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Criteria for the Compilation of Financial Statements by Banks, Criteria for the Compilation of Financial Statements by Securities Firms, and applicable IFRS, IAS,SIC, and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of Taichung Bank and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Taichung Commercial Bank and its subsidiaries or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of Taichung Commercial Bank and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism through the audit. We also perform the following works:

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

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Taichung Commercial Bank and subsidiaries of 2016 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not

be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

Kuan-Chung Lai, CPA

Wen-Ya Hsu, CPA

Securities and Futures Bureau Approval Document No.
Tai-Cai-Jheng (6) No. 0920123784

Securities and Futures Bureau Approval Document No.
Tai-Cai-Jheng (6) No. 0920123784

Date: March 16, 2017

Taichung Commercial Bank Co., Ltd. and subsidiaries

Consolidated Balance Sheet

December 31, 2016 and 2015

Unit: NTD thousand

Code	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
11000	Cash and cash equivalents (Note 4 & 6)	$ 14,105,611	2	$ 10,199,598	2
11500	Due from the Central Bank and lend to banks (Note 7)	86,216,971	14	86,125,827	15
12000	Financial assets at fair value through profit and loss (Note 4 and 8)	22,383,134	4	31,693,725	6
12500	Bonds and securities sold under repurchase agreements (Note 4 and 9)	3,627,189	1	6,994,022	1
13000	Receivables - net (Notes 4, 10, 11 & 35)	9,802,310	2	6,653,345	1
13200	Current income tax asset (Notes 4 & 32)	6,313	-	5,895	-
13500	Discounts and loans – net (Notes 4, 11 & 34)	425,166,259	68	391,083,582	68
14000	Available-for-sale financial assets, net (Notes 4 and 12)	37,455,220	6	23,770,062	4
14500	Held-to-maturity financial assets - net (Notes 4, 13, 35)	14,276,270	2	5,559,399	1
15000	Investment by equity method – net (Notes 4, and 14)	130,935	-	136,612	-
15100	Restricted assets - net (Notes 15 and 35)	285,234	-	535,475	-
15500	Other financial assets, net (Notes 4 & 16)	1,171,178	-	1,090,841	-
18500	Property, plant, and equipment – net (Notes 4 & 17)	9,436,524	1	9,271,750	2
18700	Invest in investment property – net (Note 4 and Note 18).	78,268	-	-	-
19000	Intangible assets – net (Notes 4 & 19)	166,769	-	183,995	-
19300	Deferred income tax asset (Notes 4 & 32)	713,301	-	759,682	-
19500	Other assets (Notes 4, 20 & 35)	2,081,215	-	1,566,905	-
10000	Total assets	$ 627,102,701	100	$ 575,630,715	100
Code	Liabilities and equity				
21000	Due to Central Bank and other banks (Note 21)	$ 11,617,728	2	$ 3,864,104	1
21500	Funds borrowed from Central Bank and other banks (Notes 22 and 35)	4,199,858	1	3,132,454	-
22000	Financial liabilities at fair value through profit and loss (Note 4 and 8)	162,792	-	179,557	-
22500	Bills and bonds sold under repurchase agreements (Notes 4 &23)	4,222,258	1	273,312	-
23000	Payables (Note 24)	9,805,707	1	5,181,226	1
23200	Current income tax liability (Notes 4 & 32)	60,890	-	386,746	-
23500	Deposits and remittances (Notes 25 and 34)	539,809,008	86	504,863,979	88
24000	Financial bonds payable (Note 26)	13,000,000	2	15,900,000	3
25500	Other financial liabilities (Note 27)	807,967	-	279,014	-
25600	Liability reserve (Notes 4 & 28)	1,307,838	-	1,095,522	-
29300	Deferred tax liabilities (Notes 4 & 32)	111,021	-	111,021	-
29500	Other liabilities (Note 29)	615,599	-	417,791	-
20000	Total liabilities	585,720,666	93	535,684,726	93
	Equity of the parent company (Note 30)				
31101	Common stock capital	32,381,307	5	31,840,027	6
31500	Capital surplus	684,156	-	684,156	-
	Retained earnings				
32001	Legal reserve	4,881,792	1	3,959,058	1
32003	Special reserve	38,685	-	38,685	-
32011	Undistributed earnings	3,382,461	1	3,075,778	-
32500	Other equity	13,634	-	348,285	-
31000	Total shareholder's equity in the parent company	41,382,035	7	39,945,989	7
30000	Total equity	41,382,035	7	39,945,989	7
	Total Liabilities and Equity	$ 627,102,701	100	$ 575,630,715	100

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: Chun-Sheng Lee Manager: Chin-Yuan Lai Chief accountant: Chin-Min Liao

Taichung Commercial Bank Co., Ltd. and subsidiaries

Consolidated Income Statement

January 1 to December 31, 2016 and 2015

Unit: NTD thousands, except Earnings Per Share (NTD)

Code		2016 Amount	2016 %	2015 Amount	2015 %	Percentage of Variation (%)
41000	Interest revenues (Notes 4, 31 and 34)	$ 11,473,495	106	$ 11,591,190	115	(1)
51000	Interest expenses (Notes 31 and 34)	(3,686,021)	(34)	(4,116,426)	(41)	(10)
49010	Net interest income	7,787,474	72	7,474,764	74	4
	Net income (loss) other than interest income					
49100	Net income from service fees (Notes 4, 31 and 34)	2,271,998	21	2,043,450	20	11
49200	Net gain (loss) on financial assets and liabilities at fair value through profit and loss (Notes 4 and 31)	662,520	6	309,093	3	114
49300	Realized gain (loss) on available-for-sale financial assets (Note 4 and 31)	158,432	1	15,771	-	905
49600	Exchange loss (Note 4)	(241,784)	(2)	(7,735)	-	3,026
49700	Net gain (loss) on reversal of assets impairment (Notes 4, 16 and 31)	106,146	1	38,527	1	176
49750	Profit or loss of affiliated companies and joint ventures under the equity method (Notes 4 and 14)	(5,540)	-	(3,672)	-	51
58000	Net income other than interest income (Notes 28 and 31)	53,390	1	232,543	2	(77)
4xxxx	Net revenue	10,792,636	100	10,102,741	100	7
58200	Bad debt expense and guaranty reserve (Notes 4, 11 and 28)	(801,040)	(7)	(744,283)	(7)	8
	Operating expenses					
58500	Employee benefits expenses (Notes 4, and 31)	(3,361,279)	(31)	(3,025,408)	(30)	11
59000	Depreciation and amortization expenses (Notes 4, and 31)	(254,192)	(2)	(205,823)	(2)	24
59500	Business and administrative expenses (Notes 31, and 34)	(2,232,062)	(21)	(1,990,670)	(20)	12
58400	Total operating expenses	(5,847,533)	(54)	(5,221,901)	(52)	12
61001	Income before tax from continuing operations	4,144,063	39	4,136,557	41	-
61003	Income tax expenses (Notes 4 & 32)	(629,248)	(6)	(659,525)	(6)	(5)

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Code		2016 Amount	2016 %	2015 Amount	2015 %	Percentage of Variation (%)
64000	Current year net income after tax	$ 3,514,815	33	$ 3,477,032	35	1
	Other comprehensive profit or loss					
	Titles not reclassified as profit (loss) accounts:					
65201	Determined Benefit Plan Reevaluation (Notes 4 and 28)	(183,108)	(2)	(323,440)	(3)	(43)
65207	Other comprehensive profit (loss) of the subsidiary, affiliated company and joint venture under the equity method	(137)	-	2	-	(6,950)
65220	Income tax related to titles without reclassification (Notes 4 and 32)	31,128	-	54,985	-	(43)
65200	The total of titles not reclassified as profit (loss) accounts (after taxation)	(152,117)	(2)	(268,453)	(3)	(43)
	Titles that could be reclassified as profits (loss) accounts in the future					
65301	Exchange differences from the translation of financial statements of foreign operations	(74,336)	(1)	(62,370)	(1)	19
65302	Available-for-sale financial assets unrealized valuation gains (losses)	(260,202)	(2)	259,062	3	(200)
65320	Income tax related to titles that could be reclassified (Notes 4 and 32)	(113)	-	(3,267)	-	(97)
65300	The total of the titles that could be reclassified as profits (loss) accounts in the future (after taxation)	(334,651)	(3)	193,425	2	(273)
65000	Other comprehensive net income (after tax)	(486,768)	(5)	(75,028)	(1)	549
66000	Current period other comprehensive income (after tax)	$ 3,028,047	28	$ 3,402,004	34	(11)
	Consolidated EPS (Note 33)					
	Business units in continuing operation					
67501	Basic	$ 1.09		$ 1.12		
67701	Diluted	$ 1.08		$ 1.12		

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: Chun-Sheng Lee Manager: Chin-Yuan Lai Chief accountant: Chin-Min Liao

Taichung Commercial Bank Co., Ltd. and subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

January 1 to December 31, 2016 and 2015

Unit: NTD thousand

		Equity of the company							
		Capital stock		Retained earnings			Other equity		
Code		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total equity
A1	Balance as of January 1, 2015	$ 28,515,063	$ 683,751	$ 2,885,334	$ 72,861	$ 3,444,588	$ 113,523	$ 41,337	$ 35,756,457
	The 2014 appropriation and distribution of earnings								
B1	Legal reserve	-	-	1,073,724	-	(1,073,724)	-	-	-
B5	Cash Dividends	-	-	-	-	(712,877)	-	-	(712,877)
B9	Stock dividends	1,824,964	-	-	-	(1,824,964)	-	-	-
B17	Reversal of special reserve	-	-	-	(34,176)	34,176	-	-	-
D1	2015 net income	-	-	-	-	3,477,032	-	-	3,477,032
D3	Other comprehensive net income in 2015	-	-	-	-	(268,453)	(62,370)	255,795	(75,028)
D5	Other comprehensive income in 2015	-	-	-	-	3,208,579	(62,370)	255,795	3,402,004
E1	Issuance of common stock for cash	1,500,000	-	-	-	-	-	-	1,500,000
N1	Share-based payment transaction (Notes 4 and 30)	-	405	-	-	-	-	-	405
Z1	Balance as of December 31, 2015	31,840,027	684,156	3,959,058	38,685	3,075,778	51,153	297,132	39,945,989
	The 2015 appropriation and distribution of earnings								
B1	Legal reserve	-	-	922,734	-	(922,734)	-	-	-
B5	Cash Dividends	-	-	-	-	(1,592,001)	-	-	(1,592,001)
B9	Stock dividends	541,280	-	-	-	(541,280)	-	-	-
D1	2016 net income	-	-	-	-	3,514,815	-	-	3,514,815
D3	Other comprehensive net income in 2016	-	-	-	-	(152,117)	(74,336)	(260,315)	(486,768)
D5	Other comprehensive income in 2016	-	-	-	-	3,362,698	(74,336)	(260,315)	3,028,047
Z1	Balance as of December 31, 2016	$ 32,381,307	$ 684,156	$ 4,881,792	$ 38,685	$ 3,382,461	($ 23,183)	$ 36,817	$ 41,382,035

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: Chun-Sheng Lee Manager: Chin-Yuan Lai Chief accountant: Chin-Min Liao

Taichung Commercial Bank Co., Ltd. and subsidiaries

Consolidated Statements of Cash Flow

January 1 to December 31, 2016 and 2015

Unit: NTD thousand

Code		2016	2015
	Cash flow from operating activities		
A10000	Current year net profit before taxation	$ 4,144,063	$ 4,136,557
	Revenue, expense and loss that do not affect the cash flows		
A20100	Depreciation expenses	196,992	160,640
A20200	Amortization expenses	57,200	45,183
A20300	Bad debt expense and reserve for guarantee liability	801,040	744,283
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(662,520)	(309,093)
A22500	Disposal and obsolescence loss (gain) of property and equipment	(177)	35
A20900	Interest expenses	3,686,021	4,116,426
A21200	Interest revenue	(11,473,495)	(11,591,190)
A21300	Dividend income	(24,282)	(19,206)
A21800	Net change in other provisions for liabilities	300	(800)
A21900	Cost of share-based payment service	-	405
A22300	Loss of the affiliated company under the equity method	5,540	3,672
A23100	Gain on disposal of investments	(157,149)	(15,771)
A23600	Financial assets impairment loss (reversal gain)	(106,146)	(38,527)
A24100	Unrealized foreign currency exchange loss (gain)	224,382	(92,510)
A24300	Gain on sale of NPL	(386)	(2,742)
A20010	Total income, expense and loss that do not affect the cash flows	(7,452,680)	(6,999,195)
	Changes in operating activities related assets/liabilities		
A41110	Due from Central Bank and lend to Banks	661,047	(1,653,284)
A41120	Financial assets at fair value through profit and loss	10,671,305	(18,116,765)
A41150	Accounts receivable	(3,281,935)	1,262,756
A41160	Discounts and loans	(34,727,382)	(7,357,091)
A41190	Other financial assets	16,611	228,893
A41990	Other assets	228,825	(204,751)
A42110	Due to Central Bank and other banks	7,753,624	(6,833,283)

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Code		2016	2015
A42120	Financial liabilities at fair value through profit and loss	($ 714,959)	($ 210,064)
A42140	Bills and bonds sold under repurchase agreements	3,948,946	(261)
A42150	Payables	4,644,938	(2,143,831)
A42160	Customer deposits and remittances	34,945,029	48,897,855
A42170	Other financial liabilities	73,127	(1,251)
A42180	Employee benefit liabilities reserve	(10,963)	(12,527)
A42990	Other liabilities	197,808	(94,265)
A40000	Total changes in operating activities related assets/liabilities	24,406,021	13,762,131
A33000	Cash inflow from operating activities	21,097,404	10,899,493
A33100	Interest received	11,340,012	11,611,607
A33200	Dividends received	24,282	19,206
A33300	Interest payment	(3,706,478)	(4,155,028)
A33500	Income tax payment	(878,126)	(624,912)
AAAA	Net cash inflow from operating activities	27,877,094	17,750,366
	Cash flow from investing activities		
B00300	Acquisition of available-for-sale financial assets	(23,688,144)	(5,989,086)
B00400	Disposition of available-for-sale financial assets	9,823,915	3,405,412
B00900	Acquisition of held-to-maturity financial assets	(10,960,910)	(4,460,133)
B01000	Disposition of held-to-maturity financial assets	150,570	-
B01100	Return of capital from held-to-maturity financial assets	1,632,655	450,000
B02700	Acquisition of Property, plant, and equipment	(442,499)	(4,331,521)
B02800	Disposal of Property, plant, and equipment	1,497	564
B03700	Increase in refundable deposits	(294,913)	(370,729)
B04500	Acquisition of Intangible assets	(37,684)	(83,270)
B06300	Receipt of payment from disposal of non-performing loans.	272,897	84,921
BBBB	Net cash outflow from investing activities	(23,542,616)	(11,293,842)
	Cash flow from financing activities		
C00300	Increase (decrease) in Funds borrowed from Central Bank and other banks	1,067,404	(367,506)
C00700	Increase (decreased) in commercial papers payable	455,826	(60,031)
C01400	Issuance of financial bonds	1,500,000	1,500,000
C01500	Repayment of financial bonds	(4,400,000)	-
C04500	Cash dividend released	(1,592,001)	(712,877)
C04600	Issuance of common stock for cash	-	1,500,000
CCCC	Net cash inflow (outflow) from financing activities	(2,968,771)	1,859,586

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Code		2016	2015
DDDD	Impact of changes in exchange rate on cash and cash equivalents	($ 74,336)	($ 62,370)
EEEE	Current cash and cash equivalents increase	1,291,371	8,253,740
E00100	Balance of cash and cash equivalents, beginning of period	86,730,074	78,476,334
E00200	Balance of cash and cash equivalent, end of period	$ 88,021,445	$ 86,730,074

Ending cash and cash equivalents adjustment

Code		December 31, 2016	December 31, 2015
E00210	Cash and cash equivalents on the balance sheet	$ 14,105,611	$ 10,199,598
E00220	The “Due from Central Bank and Banks” in compliance with the definition of cash and cash equivalents under IAS 7	70,288,645	69,536,454
E00230	The “bonds and securities sold under repurchase agreements” that meet the definitions of cash and cash equivalents under IAS 7	3,627,189	6,994,022
E00200	Balance of cash and cash equivalent, end of period	$ 88,021,445	$ 86,730,074

The notes attached shall constitute an integral part of this Consolidated financial statement.

Chairman: Chun-Sheng Lee Manager: Chin-Yuan Lai Chief accountant: Chin-Min Liao

Taichung Commercial Bank Co., Ltd. and subsidiaries

Consolidated Notes to financial statements

January 1 to December 31, 2016 and 2015

(In Thousands of New Taiwan Dollars, unless otherwise specified)

1. Organization and operations

Formerly a cooperative savings company in central Taiwan (known as Central Taiwan Cooperative Company" established on September 27 1952, Taichung Commercial Bank Co., Ltd. (hereinafter, the "Bank" or "Taichung Bank") was approved to establish in April 1953 as a commercial bank and started its operation since August of the same year. The amended Banking Act was promulgated in July 1975 on which Central Taiwan Cooperative Company was approved to reorganize as "Taichung Small and Medium Business Bank Co., Ltd." (hereinafter, Taichung business bank") on January 1 1978. On May 15 1984, the Bank was approved to list its stocks in TWSE.

In order to cope with national financial policy, provide the pubic with financial services and support economic construction and develop industrial and commercial business, the Taichung Small and Medium Business Bank Company Limited was renamed Taichung Commercial Bank Co., Ltd. in December 1998. As of December 31, 2016, it had established a Business Department, Trust Department, International Banking Department and 79 local branches, and an International Banking Branch. It is engaged mainly in financial operations regulated by Banking Law, trust business, offshore banking business and others approved by the competent authority.

The Taichung Bank's capital was NTD 500 thousand when the Bank was incorporated. In order to found its capital structure and comply with the Government Apparatus's order and decree, the Bank has increased/reduced its capital over the past years. As of December 31, 2016, its paid-in capital was NTD 32,381,307 thousand.

This consolidated financial statement is denominated in the functional currency of Taichung Bank, which is NTD.

2. Financial reporting date and procedures

The consolidated financial statements were approved for publication by the board of directors on March 16, 2017.

3. Application of new and revised standards and interpretation

(1) The Criteria for Compilation of Financial Statements by Public Banks, which has not yet come into effect, and the IFRS, IAS, IFRIC and SIC, approved by Financial Supervisory Commission for introduction in 2017.

According to Letter Chin-Kuan-Yin-Fa-Zi No. 10610000830 and Chin-Kuan-Yin-Fa-Zi No. 1050026834 issued by Financial Supervisory Commission (hereinafter referred to as "FSC"), consolidated company shall start to adopt the IFRS, IAS, IFRIC, and SIC (collectively known as IFRSs) releases of IASB and, as approved by FSC from 2017 and the Criteria for the Compilation of Financial Statements by Public Banks.

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"The annual improvement plan for the periods of 2010-2012"	July 1, 2014 (Note 2)
"The annual improvement plan for the periods of 2011-2013"	July 1, 2014
"The annual improvement plan for the periods of 2012-2014"	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12, and IAS 28, "Interests in other Entities, Consolidated Financial Statements, and Investment in Associates".	January 1, 2016
Amendment to IFRS 11, "Joint Arrangement"	January 1, 2016
IFRS 14 "Restricted Deferred Account"	January 1, 2016
Disclosure Initiative -Amendments to IAS 1 Statement of Cash Flows	January 1, 2016
Amendments to IAS 16, and IAS 38, "Property, Plant, and Equipment, and Intangible Assets, acceptable depreciations and amortizations"	January 1, 2016
Amendments to IAS 16, IAS 41, "Agriculture: Productive Plants"	January 1, 2016
Amendments to the IAS 19 "Defined benefit plans: employees contribution"	July 1, 2014
Amendment to IAS 27, " Consolidated and Separate Financial Statements, the equity method adopted"	January 1, 2016
Amendments to the IAS 36 "Disclosure of recoverable amount of non-financial assets"	January 1, 2014
Amendments to the IAS 39 "Derivatives contract replacement and hedge accounting continuity"	January 1, 2014
IFRIC 21, "Levies"	January 1, 2014

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: Amendments to the IFRS 2 are applicable to the share-based transactions after the payment date of July 1, 2014. Amendments to the IFRS 3 are applicable to the business merger after the acquisition date of July 1, 2014. Amendments to the IFRS 13 shall enter into force immediately. The remaining amendments are applicable in the years after July 1, 2014.

Note 3: Except for the Amendments to IFRS 5, which will not come into effect until the years beyond January 1 2016, amendments to all other standards shall become effective in retrospect in the years starting January 1 2016

The use of the IFRSs applicable in 2017 and the Criteria for Compilation of Financial Statements by Public Banks will not cause material change in the accounting policies of consolidated company.

(2) IFRSs announced by IASB pending on the recognition of FSC

IFRSs released by IASB pending on the approval of FSC are not applicable to the Bank. FSC did not announce the effective date of any other standards beyond IFRS 9 and IFRS 15, which will be applicable in 2018, as of the date this financial statement was released.

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"The annual improvement plan for the periods of 2014-2016"	Note 2
The amendment to IFRS 2 on "share-based payment-classification and measurement".	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018 (Note 3)
Amendments to the IFRS 9 and IFRS 7 "Mandatory Effective Date and Transitional Disclosures"	January 1, 2018
Amendment to IFRS 10 and IAS 28, "Consolidated Financial Statements and Investment in Associates".	Undefined
IFRS 15, "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15, "The interpretation of IFRS 15".	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Disclosure Initiative -Amendments to IAS 7 Statement of Cash Flows	January 1, 2017
Disclosure Initiative –Amendments to IAS 12 Income taxes, "Recognition of unrealized loss as deferred income tax assets"	January 1, 2017
Amendments to the IAS 40 -"Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance"	January 1, 2018

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: The revision of IFRS 12 is applicable to the period from January 1 2017 in retrospect. The revision of IAS 28 is applicable to the period from January 1 2018 in retrospect.

Further to the notes specified below, the aforementioned announcement / amendment / revision of standards and interpretations shall not cause significant change in the accounting policy of the companies in the consolidated financial statements:

1. IFRS 9 "Financial Instruments"

<u>Recognition and measurement of financial assets</u>

In terms of financial assets, the subsequent measurement of financial assets within the scope of the IAS 39 "Financial Instruments: Recognition and Measurement" is measured at cost after amortization or fair value.

The requirement of IFRS 9 on the classification of financial assets is shown below.

The debt instruments in invested by the companies in the consolidated financial statements are classified and measured as follows if the contract cash flows are fully for the settlement of principal and the interests of the outstanding amount of principal:

(1) The holding of financial assets is for purpose of collecting the contract cash flow volume shall be measured amortized cost of the financial assets. This category of financial assets shall be recognized as profit or loss on the interest calculated under the effective interest rate with continued assessment of impairment. Any gains or loss from impairment shall also be recognized as profits or loss.

(2) The holding of financial assets is for purpose of collecting the contract cash flow volume and for selling the financial assets shall be measured at fair value through consolidated income statements. This category of financial assets shall be recognized as profit or loss on the interest calculated under the effective interest rate with continued assessment of impairment. Any gains or loss from impairment or exchange shall also be recognized as profits or loss. The change in fair value shall be recognized through consolidated income statement. For removal of the financial assets from book listing or reclassification, the change in fair value previously accumulated in the consolidated financial statement shall be reclassified as profits or loss.

For the investment of financial assets by the companies in the consolidated financial statements beyond the aforementioned terms and conditions, they shall be measured at fair value and the change in fair value shall be recognized through profit and loss. If the companies in the consolidated financial statements are discrete in initial recognition, the equity investment not available for sales shall be measured at fair value through consolidated financial statement. With the exception of dividend income, which shall be recognized as profit or loss, any other related benefits and profit or loss from this category of financial assets shall be recognized as other comprehensive income without being assessed for impairment, and accumulated as change in fair value of other comprehensive income and not classified as profit or loss.

Impairment of financial assets

IFRS 9 adopts the “expected credit losses model” in the recognition of the impairment of financial assets. Financial assets based on cost after amortization, financial assets at fair value through consolidated income state under compulsion, receivable rents, assets from contracts under IFRS 15, “Revenue from Contracts of Customers”, or commitment of financing and financial guarantee contracts shall be recognized as provision for credit loss. If the credit risk of the aforementioned financial assets has no significant deterioration after initial recognition, the provision for credit loss shall be measured based on the expected credit loss in the 12 months ahead. If the credit risk of the aforementioned financial assets turned severe after the initial recognition and credit risk is not low, the provision for credit loss shall be measured based on the expected credit loss before the maturity of the assets. However, this does not include account receivables that contain material financial components,

which shall be subject to assessment for the provision of expected credit loss before the perpetuity of the account receivables.

For financial assets already showed credit impairment at the initial recognition, the companies in the consolidated financial statements shall consider the expected credit loss at the time of initial recognition and the effective interest rate after adjustment. Subsequent provision for credit loss shall be recognized based on accumulated changes of expected credit loss.

Transitional provisions

IFRS 9 will not be applicable to the items already removed on the day of first use after coming into effect. Classification, measurement, and impairment of financial assets shall be applicable in retrospect. Since the consolidated company is not required to recompile the statements for comparison, the accumulated effect of the first use of the system is recognized as of the day of first use. The use of general hedge accounting is deferred, but the profit and loss of options for hedge shall be recognized retroactively.

2. IFRS 16 “Leases”

IFRS 16 governs the accounting of leasing and will replace IAS 17, “Leasing” and related interpretations.

In application of IFRS 16, if the company contained in the consolidated financial statements is the lesser and except for low rent leasing and short-term leasing that accounting of leasehold as business as stated in IAS 17, all other leasehold shall be recognized as equity assets and leasehold liability in the balance sheet. The comprehensive income statement shall present the interest expenses incurred from the depreciations of the utilization of equity assets and leasehold liability under effective interest method. The principal amount of rent payment liability shall be recognized as financing while the interest payment shall be recognized as operation in the statement of cash flows.

No anticipated significant influence from the accounting where the company contained in the consolidated financial statement is the lessor.

Company contained in the consolidated financial statements may, at the time IFRS 16 becomes effective, apply the standard to the period of comparison retroactively, or recognize the accumulated effect of first use as of the day of first use.

Further to the aforementioned influence, the companies in the consolidated financial statements will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the companies in the consolidated financial statements to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

4. Summary of significant accounting policies

(1) Compliance Statement

This consolidated financial statement is compiled in accordance with the Criteria for the Compilation of Financial Statements by Public Banks, Criteria for the Compilation of Financial Statements by Securities Firms, and the IFRSs recognized and released by FSC.

(2) Basis of preparation

Further to financial instruments measured at fair value, the content contained in this consolidated financial statement is compiled based on historical data.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment)
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability

(3) Standards in differentiating current and non-current assets and liabilities.

Because it was difficult to ascertain the business cycle due to the operational characteristics of a consolidated bank, it was not necessary for the Bank to categorize assets and liabilities into current or non-current items. However, the assets and liabilities have been categorized by nature and in the order subject to the equivalent liquidity. The analysis on maturity is also disclosed in Note 38.

(4) Basis of consolidation

1. Principle of consolidated financial statements preparation

This consolidated financial statement contains the information of the financial statements of the Bank and its controlled entities (subsidiaries).

The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the consolidated company. In preparing these consolidated financial statements, the transactions, account balances, incomes and loss and expenses among the individual entities are written off in full amount.

2. Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

			Percentage of shareholdings	
Investor	Subsidiary name	Nature of the operation	December 31, 2016	December 31, 2015
Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	Insurance brokerage	100	100
Taichung Commercial Bank Co.	Taichung Commercial Bank Lease Enterprise	Leasing	100	100
Taichung Commercial Bank Co.	Taichung Commercial Bank Securities Co., Ltd.	Securities Brokerage	100	100
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	Financing, leasing and investments.	100	100
TCCBL Co., Ltd.	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Financing Leasing and investments	100	100

3. The subsidiaries not included in the consolidated financial statements: None

(5) Foreign currency

When preparing the financial statements of each business entity of the consolidated company, the transactions in currencies other than the functional currency (the currency of the primary economic environment in which the entity operates) of the respective business entity (foreign currency) should be translated into the functional currency in accordance with the exchange rate on the transaction day.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the consolidated financial statements, the assets and liabilities of the consolidated company's foreign operations should be translated into New Taiwan dollars in accordance with the exchange rate on the balance sheet date. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(6) Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

For underwritten bonds and securities that are sold under RP and RS agreements, recognize interest expense and interest income on the accrual basis between the purchase and sale dates and agreed RP and RS date; also, recognize RP (Debt) and bonds and securities sold under resell agreements between the sale and purchase dates.

(7) Investments in the affiliated company

The consolidated company has a significant influence on an affiliated company that is not a subsidiary or joint venture.

Consolidated company has the investment in an affiliated company handled in accordance with the equity method. Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss by the consolidated company. In addition, for changes in the affiliated company's equity, the consolidated company may be entitled to have it recognized proportionally to the shareholding.

When assessing impairment, the consolidated company has the overall book value (including goodwill) of the investment deemed as a single asset when comparing the recoverable amount and the book amount in order to conduct impairment testing. The recognized impairment loss is an integral part of the book

amount of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the consolidated company and the affiliated company is recognized in the consolidated financial statement within the range that is irrelevant to the consolidated company's interest in the affiliated company.

(8) Property, plant, and equipment

Real properties and equipment shall be recognized based on cost. Subsequent costing shall be measured on the cost net of accumulated depreciations and accumulated impairments.

Proprietary land is not depreciated.

Real properties and equipment are depreciated under the straight-line method. Particular portion shall be individually singled out for depreciation. The companies in the consolidated financial statements review the methods for assessment of life span, residual value and depreciation method on the ending day of each fiscal year. ◦ The impact of changes in accounting estimates is processed in accordance with the put-off method.

The de-recognized profit or loss arising from the property, plant and equipment is the difference between the net disposal proceeds and the book amount of the asset and it is recognized in profit or loss.

(9) Investment property

Investment property is the real property held for purpose of earning of rental income or appreciation or both. Investment property includes lands held at present without determination of future use.

Investment property is measured on the basis of initial cost (including transaction cost) and subsequent measurement shall be based on the subtraction of accumulated depreciations and accumulated impairment from cost. The Company has depreciation appropriated in accordance with the straight-line method

In removing investment property, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(10) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. The consolidated company has depreciation appropriated in accordance with the straight-line method and, at least at the end of each year, has the estimated useful lives, residual values and amortization method reviewed. Unless the consolidated company is expected to have the intangible assets disposed of before the end of their economic life, the residual value of the intangible asset with limited useful lives is estimated at zero. The impact of changes in accounting estimates is processed in accordance with the put-off method. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. De-recognition

The de-recognized profit or loss arising from the intangible assets is the difference between the net disposal proceeds and the book amount of the asset and it is recognized in the profit or loss.

(11) Impairment of tangible and intangible assets (except for goodwill).

The consolidated company at each balance sheet date is to assess whether there is any indication of the impairment occurring to the tangible and intangible assets (except for goodwill). If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit. If the community assets can be amortized to the cash-generating units on a reasonable and consistent basis, it is allocated to individual cash-generating unit or it is allocated to the smallest cash-generating cluster on a reasonable and consistent basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(12) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting. A customary transaction refers to the purchase or sale of financial assets and the delivery period is within the period prescribed by the regulations or customary market practice:

(1) Classification of measurement

The financial assets held by the companies in the consolidated statements are financial assets at fair value through profit and loss, financial assets held to maturity, financial assets available for sale, and loans and receivables.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit or loss includes held-for-sale and designated financial assets measured at fair value through profit or loss.

Financial asset measured at fair value through profit or loss is measured at fair value and the profit or loss generated from the secondary measurement is recognized as profit or loss (not includes any dividend or interest arising from the financial asset). Please refer to Note 37 for the determination of fair value.

If the financial asset measured at fair value through profit or loss is an equity investment no public market price available and the fair value cannot be reliably measured and the derivatives that are linked to the equity instrument without a market quote and the settlement must be completed with the equity instrument delivered, it is measured subsequently at cost, net of the impairment loss and it is individually booked as “Financial assets measured at cost.” If these financial assets can be measured subsequently at fair value reliably, it is measured again at fair value and the difference between the book amount and fair value is recognized in the profit or loss.

B. Held-to-maturity investments

The government bonds and domestic and international corporate bonds and foreign government bonds with specific credit ratings that are invested by the consolidated company and the consolidated company has the positive intention and ability to hold it to maturity are classified as held-to-maturity investments.

The held-to-maturity financial assets after the initial recognition are measured at the amortized cost after deducting impairment losses in accordance with the effective interest method.

C. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets measured at fair value through profit or loss.

Financial assets available for sale are measured at fair value. If the change in book value of financial assets available for sale is exchange gain/loss from foreign currencies, recognize as profit or loss based on the interest income calculated under the effective interest rate. The same principle is applicable to the dividend of equity investment available for sale. The changes in the book value of the other available-for-sale financial assets are recognized in the other comprehensive profit or loss and are reclassified to the profit or loss upon disposal of the investment or when the impairment is confirmed.

The dividend of available-for-sale equity investments is recognized when the right to collection of the consolidated company is established.

If the available-for-sale financial asset is an equity investment without a market quote in an active market and the fair value cannot be reliably measured and the derivatives that are linked to the equity instrument without a market quote and the settlement must be completed with the equity instrument delivered, it is measured subsequently at cost, net of impairment loss, and it is individually booked as "Financial assets measured at cost." If such financial assets could be subsequently measured at fair value, measure based on fair value and the difference between the book value and the fair value shall be recognized under other comprehensive income. In case of impairment, recognize as profit or loss.

D. Loans and accounts receivable

Loans and receivables (including accounts receivable, cash and cash equivalents, and bond investments without an active market) are measured at the amortized cost after deducting the impairment losses in accordance with the effective interest method, except for the interest of short-term accounts receivable that is insignificant.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets

Except for the financial assets measured at fair value through profit or loss, the consolidated company examines whether there is an evidence of impairment occurring on the other financial assets at each balance sheet date. When there is objective evidence of one or more events occurring after the initial recognition of financial assets with a resulting loss to the future cash flow of the financial asset, the impairment of financial assets had already occurred.

For financial assets measured at the amortized cost, such as loans, discounts, exchange purchased and accounts receivable, the assets that are individually assessed without any impairment identified are collectively reassessed for impairment. The collective objective evidence of the impairment of receivables may include the consolidated company's experience of collection, the increase in collective deferred payment and the observable changes in national or local economic conditions related to receivables arrearages. Objective evidence for impairment may include:

A. Significant financial difficulty of the issuer or debtors:

B. Breach of contract, such as, interest or principal payment delays or defaults;

C. The possibility of debtor's entering bankruptcy or other financial reorganization is greatly increased; or

D. Financial difficulties may cause the active market for financial asset to disappear.

Furthermore, according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the Bank evaluates the collectability of loaned assets according to the borrower's financial condition and the repayment of principal and interest and also based on the evaluated value of the collateral provided for specific credit. According to the aforementioned requirement, non-performing loans shall be recognized as assets under the categories of loss, doubtful, substandard, special mention, and normal depending on the collaterals and overdue period. Accordingly, provision for loss at 100%, 50%, 10%, 2% and 1% shall be recognized as per the requirement of Financial Supervisory Commission Letter Chin-Kuan-Yin-Fa-Zi No. 10010006830. If the provision for bad debts accounted for more than 1% of the total lending, the proportion for the provision for bad debts for real properties shall not fall below 1.5% pursuant to Letter Chin-Kuang-Yin-Kuo-Zi No. 10300329440.

The impairment amount of the financial assets measured at amortized cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's original effective interest rate.

If the financial assets being recognized after the amortization of the cost showed a decrease of the amount of impairment in subsequent periods, and the decreased amount of impairment is related to the events after the recognition for impairment, the impairment so recognized previously shall

be directly reversed or via the adjustment of provision of accounts and recognized as profit or loss. However, the amount of such reversal shall not exceed the cost after amortization before the recognition of impairment on the day of recognition.

When the fair value of the available-for-sale equity investments below cost and the decline is significant or persistent, it will be deemed as an objective evidence of impairment.

When available-for-sale financial asset is impaired, the cumulative loss previously recognized in the other comprehensive profit or loss will be reclassified into profit or loss.

The impairment loss of the available-for-sale equity instruments that is already recognized in the profit or loss may not be reversed through the profit or loss. The fair value reversed amount after recognizing the impairment losses is recognized in the other comprehensive profit or loss. If the fair value of the available-for-sale financial assets increased in the subsequent period and the increase is objectively linked to an event occurring after the impairment is recognized, the impairment loss is reversed and recognized in the profit or loss.

For the objective evidence of impairment of other financial assets, please refer to the note on financial assets booked at the amortized cost.

The impairment amount of the financial assets measured at cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's current market rate of return. The said impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is directly deducted from the book amount of the financial asset. However, the book value of the accounts receivable and loans is adjusted down by the allowance for bad debt. The accounts receivable and loans that are concluded to be uncollectible are written off against the allowance account. The amount previously written off and collected subsequently is credited to the allowance account. Changes in the book amount of the allowance account are recognized in the profit or loss.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When de-recognizing a financial asset, the difference between the book amount and the consideration received plus any cumulative profit or loss recognized in the other comprehensive profit or loss is recognized in the profit or loss.

2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

A. Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss includes held-for-sale and designated financial liabilities measured at fair value through profit or loss.

Financial liability measured at fair value through the profit or loss is measured at fair value and the profit or loss generated from the secondary measurement is recognized as a profit or loss. The gain or loss recognized in the profit or loss does not include any dividends or interest paid for the financial liability. Please refer to Note 37 for the determination of fair value.

If the financial liability measured at fair value through the profit or loss is: (a) the sale of an equity whose fair value cannot be reliably measured and has no market quote, and the settlement of the equity must be completed with the equity delivered; or (b) a derivative liability that is linked to an equity that cannot be reliably measured and has no market quote, and the settlement of the equity must be completed with the equity delivered, it is measured at cost on the balance sheet date and it is individually booked as "Financial assets measured at cost." If these financial liabilities can subsequently be reliably measured at fair value, it is measured again at fair value and the difference between the book amount and the fair value is recognized in the profit or loss.

B. Financial guarantee contract

The financial guarantee contracts that are not measured at fair value through the profit or loss issued by the consolidated Company, after the initial recognition, are measured at cost after amortization. If specific amount shall be payable under contractual obligation under assessment, the optimal estimated amount and the amount after amortization under contractual obligation shall be measured, whichever is higher.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

4. Derivatives

The derivative instruments signed by the consolidated company include forward foreign exchange contracts, currency swap contracts, and convertible bond asset swap contracts that are used to manage the interest rate and exchange rate risk of the consolidated company.

Upon signing the contracts, derivatives are recognized at fair value initially and then subsequently measured at fair value on the balance sheet date. The profit or loss resulting from the subsequent measurement is directly booked under the profit or loss. Then, the timing of recognizing the designated and effective hedging derivatives depends on the nature of the hedging relationship. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

The risk and features of an embedded derivative instrument and the main contract are not closely related and if the main contract is a financial asset or a financial liability measured at fair value through profit or loss, the derivatives are deemed as a separate derivative.

(13) Liability reserve

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

If part or all of the expenditure needed for liquidating liability reserve is expected to be reimbursed by the other party, when the reimbursement is almost certain to be received and the amount can be reliably measured, the reimbursement is recognized as an asset.

(14) Recognition of revenue

Income refers to the total economic effect inflows due to the increase of equity resulting from normal operating activities, but does not include the increase of equity resulting from the input of equity participants. The main income of the consolidated company:

1. Interest revenue

For the interest income from financial assets, when the economic benefits are likely to flow into the consolidated company and the amount of revenues can be measured reliably, all interest income generated from interest-bearing financial instruments should be recognized on an accrual basis in accordance with the effective interest rate.

For a single or a group of similar financial asset that is reduced due to impairment losses, the subsequently recognized interest income is calculated in accordance with the interest rate that is used for the discounting of future cash flow when measuring the impairment loss.

2. Service fees and commission income

Service fee income and expense are recognized in a lump sum when the loan or other service is provided. If the service fees are earned for completing major projects, they are recognized on the completion of the major projects, such as, the syndicated loan service fee charged collected by the organizing bank. If the service fees income and expenses are earned or paid for the subsequent loan service, they are to be amortized over the service period depending on the materiality, or included for the calculation of loans and receivables' effective interest rate.

3. Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the preconditions that the economic benefits associated with the transaction system are likely to flow into the consolidated company and the amount of revenues can be measured reliably.

(15) Lease

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

1. The consolidated company is the lessor.

Under a financial lease, the amount to be collected from the lessee is recognized as lease receivables in accordance with the net lease investment of the consolidated company. Financial revenue is amortized into each accounting period to reflect the consolidated company's fixed rate of return available for each respective period from the outstanding net lease investment.

An operating lease rent is recognized as income on a straight-line basis over the lease period, unless another systematic basis is more representative of the leased asset's efficiency in use and time consumption pattern. The original direct cost arising from negotiating and arranging an operating lease is included in the book value of the leased asset and it is recognized as an expense on a

straight-line basis over the lease period. Under an operating lease, the contingent rent is recognized as income in the current period.

Lease incentives given when signing an operating lease are recognized as assets. The total incentive cost is credited to the rent income on a straight-line basis, unless another systematic basis is more representative of the leased asset's efficiency in use and time consumption pattern.

2. The consolidated company is the lessee.

An operating lease payment is recognized as an expense on a straight-line basis over the lease period, unless another systematic basis is more representative of the user's efficiency in use and time consumption pattern. Under an operating lease, a contingent rent is recognized as an expense in the current period.

Lease incentives acquired from an operating lease are recognized as liability. The total incentive earning is credited to the rent expenses on a straight line basis, unless another systematic basis is more representative of the user's efficiency in use and time consumption pattern.

(16) Employee benefits

1. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as a current expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. Cost of service and net determined benefit liability interest shall be recognized as employee benefit expense at the time of realization. Reevaluation (including actuarial profit and loss, change in the influence of upper limit of assets, and projected ROA net of applicable interest) shall be recognized as other comprehensive income and stated as retained earnings at the time of realization, and will not be reclassified as income in subsequent periods.

Net determined benefit liability is the amount short in appropriation of determined benefit retirement plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

2. Employees preferential deposit benefit

The companies of the consolidated financial statements provide preferred deposit for the employees, including the offering of fixed amount preferred deposit at special rate for the employees currently in employment and for the payment to the retired employees and current employees at their retirement. The difference between the interest rate for the aforementioned preferred deposits and market rate shall fall within the scope of employee welfare.

According to the "Criteria for the Compilation of Financial Statements by Public Banks", the interest from the preferred deposit for employees prearranged after retirement in excess of the interest under regular market rate shall be subject to actuarial calculation at the time of the retirement of the employees pursuant to IAS 19, "Employee Benefits" as recognized by FSC. However, the parameters for the assumptions in the actuarial calculation may be regulated by the competent authority, comply accordingly, if applicable.

3. Other long-term employee benefits

The accounting process of the other long-term employee benefits is same as the accounting process of retirement interests. However, the relevant actuarial gains and losses and prior period service cost are recognized immediately in the profit or loss.

(17) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

The 10% additional income tax levied on Accumulated earnings calculated according to the Income Tax Law is stated as income tax expenses in the year of the resolution made by the shareholders' meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred income tax is recognized in accordance with the temporary differences arising from the book amount of the assets and liabilities in the consolidated financial statements and the tax base for the computation of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductable temporary differences and tax loss carryforwards. If the temporary differences are the results of goodwill or the initial recognition of other assets and liabilities (excluding a business merger), and they do not affect the taxable income and accounting profit at the time of transaction, they are not recognized as deferred income tax assets or liabilities.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the consolidated company can control the timing of reversal of the temporary differences and that the temporary differences are unlikely to be reversed in the foreseeable future. The deferred income tax asset arising from deductible temporary differences

associated with such investment and equity is recognized within the range of earnings that are with sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

(18) Employee stock option

Employee Stock Option (ESO) is based on the fair value of the equity instrument and the optimized estimation of projected entitlement as of the day of transfer and recognized as expense under the straight line method within the period of projected entitlement, and subject to adjustment of capital surplus simultaneously – ESO. If gain is realized as of the day of transfer, recognize as expenses in full amount as of the transfer day.

The business combination revises the projected quantity of ESO entitlement on each balance sheet date. For the revision of the previous estimated quantity, the influence will be recognized as profit and loss and allow the accumulated expenses to reflect the revised estimation and adjust the capital surplus accordingly –ESO. The fair value of the liability is subject to reevaluation on each balance sheet date and settlement date, and the change in fair value is recognized as profit and loss.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

When the accounting policies stated in Note IV adopted by the consolidated company, for the information that is hard to collect from other sources, the management should have the relevant judgments, estimates, and assumptions made in accordance with the historical experience and other relevant factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods. Significant accounting judgments, estimates, and assumptions made by the consolidated company are described as follows:

(1) Estimated impairment of loans and receivables

Consolidated company shall include impairment of loans and receivable on a separate basis or in aggregate and estimate the future cash flows in accordance with the following methods:

1. Separate impairment

If specific account amounted to NTD10 million or more after settlement showed signs of impairment with objective evidence, the consolidated company will consider whether collateral has been collected, the nature of the collaterals, the character of the case and experience in the past for assessing the perpetuity and estimate the cash flow in the future.

2. Overall impairment assessment.

If there is no objective evidence showing signs of impairment on loans and receivable of specific account after settlement, the consolidated company shall assess the impairment in aggregate by categorization. Consolidated company based on the book value of individual accounts in the groups to estimate the probability of default and the recovery rate for the evaluation of cash flow in the future.

The amount of impairment is based on the difference between the book value of the asset and the cash flow in the future of the assets at the initial effective interest under discount in measurement. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

The book value of loans and account receivables and the amount recognized for provision for bad debts are explained in Note 10 and Note 11.

(2) The fair value of derivatives and other derivative financial instruments

As described in Note 37, the management of the consolidated company applies judgment to select appropriate evaluation techniques in order to assess the financial instrument that is without a market price quoted in an active market. Consolidated company adopted the commonly used evaluation techniques of market participants. The assumptions made on the derivatives are adjusted in accordance with the market prices or interest rates and the features of the instruments. Debt instrument is estimated using the discounted cash flow approach and the assumption is made in accordance with the observable market prices or interest rates (if available). The fair value of the emerging and not listed (OTC) equity instruments is estimated in accordance with the investee's financial position and results of operations analysis, the recent trading prices, the quotations of similar equity instruments in an inactive

market, quotation of similar instruments in an active market and the comparable companies' valuation multipliers, including the assumptions not supported by the observable market prices or interest rates.

The management of the consolidated company believes that the selected evaluation techniques and assumptions used are appropriate to determine the fair value of financial instruments.

6. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 3,925,239	$ 3,345,094
Notes and checks for clearing	5,136,729	1,625,391
Due to Central Bank and other banks	5,043,643	5,229,113
	$ 14,105,611	$ 10,199,598

The cash and cash equivalent balance on the consolidated Statement of Cash Flow as of December 31, 2016 and 2015, respectively, and the related adjustments of the consolidated balance sheet are as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents on the consolidated balance sheet	$ 14,105,611	$ 10,199,598
The "Due from Central Bank and other banks" that meet the definitions of IAS 7 "Definition of Cash and cash equivalents" approved by the FSC.	70,288,645	69,536,454
The "Bonds and securities sold under re-purchase agreements" comply with the IAS 7 "Definition of Cash and cash equivalents" approved by the FSC.	3,627,189	6,994,022
Cash and cash equivalents on the Consolidated Statement of Cash Flow	$ 88,021,445	$ 86,730,074

As of December 31, 2016 and 2015, the time deposit of the business combination at other banks as performance bond of TCB Securities amounting to NTD210,000 thousand, and converted to refundable security deposit. Please refer to Note 20.

7. Due from Central Bank and lend to Banks

	December 31, 2016	December 31, 2015
Reserve for deposits		
Reserve for deposits –checking account	$ 14,600,055	$ 10,479,978
Reserve for deposits –demand account	15,590,016	15,031,703
Financial Information Service Co., Ltd. – liquidated account	1,010,848	1,060,166
Reserve for deposits in foreign currency	48,383	49,245
Certificate of deposit of the Central Bank	54,500,000	56,700,000
Call loans to banks	417,669	2,754,735
Reserve for trust funds compensation	50,000	50,000
	$ 86,216,971	$ 86,125,827

(1) The deposit reserves in the Central Bank are calculated by multiplying the average monthly balances of all deposit accounts by the legally required ratio The demand account reserve can be used only for the monthly adjustment of the deposit reserve.

(2) The Reserve for trust funds compensation by Government bonds held to maturity on December 31, 2016 and 2015 is stated at the par value of NTD 50,000 thousand. Please refer to Note 35 for details.

8. Financial instruments measured at fair value through profit or loss

	December 31, 2016	December 31, 2015
Held-for-sale financial assets		
Commercial papers	$ 19,831,335	$ 29,473,712
Listed stocks – domestic and emerging stock	696,980	995,245
Beneficiary certificate	614,880	530,622
Corporate bond	67,493	48,603
Assets swap agreement	756,942	499,432
Foreign exchange contracts	206,620	76,595
Forward contracts	186,806	6,721
FX options contracts	20,770	62,795
Interest rate derivatives	1,308	-
	$ 22,383,134	$ 31,693,725
Held-for-sale financial liabilities		
Foreign exchange contracts	$ 78,515	$ 65,662
Forward contracts	60,084	49,584
FX options contracts	22,885	64,311
Interest rate derivatives	1,308	-
	$ 162,792	$ 179,557

(1) The consolidated company financial derivative contract related to a foreign exchange rate is a non-trading operation performed for the purpose of providing customers with a hedging tool for the foreign exchange position generated from import/export

and foreign exchange and hedging the risk from business and meeting the need for foreign exchange funds.

(2) The foreign exchange contracts which have not yet matured before December 31, 2016 and 2015 are specified as follows:

December 31, 2016				December 31, 2015			
Contract amount (NTD 1,000)			Date of maturity	Contract amount (NTD 1,000)			Date of maturity
Sold	CNY	577,098	2017/02/09-2017/12/01	Sold	AUD	9,300	2016/01/12-2016/01/13
	HKD	221,017	2017/01/06-2017/02/09		CNY	407,607	2016/01/04-2016/12/02
	JPY	499,470	2017/09/29-2017/10/04		HKD	148,035	2016/01/05-2016/01/28
	USD	232,279	2017/01/03-2017/03/06		JPY	1,271,133	2016/01/04-2016/01/07
Bought	AUD	28,000	2017/01/05-2017/01/12		USD	35,109	2016/01/04-2016/06/13
	CAD	8,661	2017/01/18		EUR	13,300	2016/01/07-2016/03/17
	EUR	10,000	2017/03/06		CHF	297	2016/01/11
	GBP	3,000	2017/02/03		NZD	900	2016/01/07
	JPY	3,514,964	2017/03/03	Bought	AUD	38,133	2016/01/04-2016/01/07
	NZD	6,000	2017/01/24		CAD	7,947	2016/01/12
	USD	117,100	2017/01/06-2017/12/01		CNY	61,419	2016/01/05-2016/06/13
	ZAR	170,429	2017/01/06		EUR	4,600	2016/01/21-2016/04/21
					SGD	1,325	2016/01/13
					USD	257,833	2016/01/04-2016/12/02
					ZAR	95,164	2016/01/05

(3) The forward contracts which have not yet matured before December 31, 2016 and 2015 are specified as follows:

	Currency	Date of maturity	Contract amount (NTD 1,000)
December 31, 2016			
Forward exchange sold	USD translated into NTD	2017/01/03-2017/12/11	USD58,395/NTD1,847,270
Forward exchange sold	RMB translated into NTD	2017/06/12	CNY800/NTD3,597
Forward exchange sold	EUR translated into JPY	2017/01/12-2017/06/30	EUR1,741/NTD59,883
Forward exchange sold	JPY translated into NTD	2017/01/26-2017/02/21	JPY174,996/NTD51,793
Forward exchange bought	NTD translated into USD	2017/01/10-2017/03/21	NTD313,038/USD10,000
Forward exchange bought	EUR translated into USD	2017/01/11-2017/12/15	EUR23,950/USD26,089
Forward exchange bought	GBP translated into USD	2017/01/04-2017/03/27	GBP5,250/USD6,771
Forward exchange bought	JPY translated into USD	2017/01/10-2017/09/29	JPY5,420,607/USD50,700
Forward exchange bought	USD translated into RMB	2017/01/18-2017/03/14	USD2,712/CNY19,000
Forward exchange bought	USD translated into EUR	2017/02/02-2017/07/03	USD8,875/EUR8,300
Forward exchange bought	USD translated into GBP	2017/03/03-2017/05/22	USD7,452/GBP6,000
Forward exchange bought	USD translated into JPY	2017/03/30-2017/09/29	USD14,500/JPY1,662,751
December 31, 2015			
Forward exchange sold	USD translated into NTD	2016/01/04-2016/07/22	USD45,276/NTD1,470,723
Forward exchange sold	JPY translated into NTD	2016/01/29-2016/02/17	JPY94,981/NTD24,112
Forward exchange sold	EUR translated into NTD	2016/02/23-2016/05/03	EUR1,053/NTD38,495
Forward exchange sold	RMB translated into NTD	2016/04/01-2016/06/13	CNY12,199/NTD62,046

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	Currency	Date of maturity	Contract amount (NTD 1,000)
December 31, 2015			
Forward exchange bought	NTD translated into USD	2016/02/05	NTD16,210/USD500
Forward exchange bought	USD translated into RMB	2016/01/05-2016/03/16	USD5,200/CNY33,745
Forward exchange bought	RMB translated into USD	2016/02/17-2016/03/16	CNY16,616/USD2,500
Forward exchange bought	EUR translated into USD	2016/03/16-2016/04/21	EUR3,900/USD4,348
Forward exchange bought	USD translated into EUR	2016/03/21-2016/04/21	USD1,208/EUR1,100
Forward exchange bought	NZD translated into USD	2016/01/07	NZD210/USD142

(4) As of December 31, 2016 and 2015, the consolidated Company undertook assets swap contracts amounting to NTD 756,200 thousand and NTD 499,000 thousand respectively, at interest range of 1.00%~1.40% and 1.30%~1.70%.

(5) The foreign currency option contracts underwritten by the consolidated Company amounted to NTD 330,100 thousand (USD 10,234 thousand) and NTD 1,060,113 thousand (USD 32,291 thousand) as of December 31, 2016, respectively.

(6) As of December 31 2016, the Company undertook structured products totaled NTD73,377 thousand with interest rate ranging from 6.50%~6.60%.

9. Bonds and securities sold under repurchase agreements

As of December 31, 2016 and 2015, the consolidated Company's bonds securing RP were NTD 3,627,189 thousand and NTD 6,994,022, respectively. The redemption price as agreed were NTD 3,627,654 thousand and NTD 6,994,762 thousand, respectively.

10. Receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	$ 3,326,719	$ 2,890,405
repurchase agreements	768,144	690,026
Acceptances receivable	771,318	322,764
Interests receivable	991,212	742,893
Receivable spot exchange settlement payment	1,494,328	659,671
Rent receivables	2,385,327	1,071,973
Receivable out-of-pocket expenses for attorney fees and cost of action	41,631	22,148
Other receivables	535,077	731,789
	10,313,756	7,131,669
Less: Unrealized interest income	(311,829)	(250,119)
Less: allowance for bad debt (Note 11)	(199,617)	(228,205)
	$ 9,802,310	$ 6,653,345

(1) The consolidated company classifies receivables based on credit risk features of products as follows:

Item			Total receivables	Allowance for bad debt	Total receivables	Allowance for bad debt
			December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2015
With individual objective evidence of impairment	Individual evaluation of impairment	Corporate banking	$ 27,839	$ 3,394	$ 42,007	$ 4,377
		Personal banking	8,660	259	5,503	182
		Others	361,112	103,367	746,270	133,036
	Portfolio evaluation of impairment	Corporate banking	9,514	2,035	7,555	1,495
		Personal banking	40,125	19,213	31,322	15,792
Without individual objective evidence of impairment	Portfolio evaluation of impairment	Corporate banking	1,034,686	13,824	553,473	7,281
		Personal banking	928,789	5,882	851,078	4,778
		Others	102,897,494	46,281	103,779,027	31,979
Total			105,308,219	194,255	106,016,235	198,920

The aforementioned receivables of the Bank as of December 31, 2016 and 2015 covered due from banks, due from the Central Bank and call loans to banks, bonds and securities sold under repurchase agreements, note receivables, credit card proceeds receivables, interest receivables, acceptance receivables, non-loan recognized as accounts for collection, and refundable security deposits.

The aforementioned provision for bad debts is disclosed is calculated by the specific feature of the risk pursuant to IAS 39. The Bank has recognized provision for bad debts for Category 1 loan assets of more than 1% in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and Letter Chin-Kuan-Yin-Fa-Zi No. 10010006830 as of December 31, 2016 and 2015, with the additional amount of recognition by NTD 17,754 thousand and NTD 47,184 thousand, respectively.

(2) Please refer to Note 35 for the notes receivable used as collateral of interbank financing.

11. Discounts and loans, net

	December 31, 2016	December 31, 2015
Bills negotiated and discounts	$ 616,797	$ 510,906
Overdraft	1,182	1,306
Secured overdraft	29,812	40,347
Accounts receivable financing	84,669	28,840
Securities receivable financing	1,265,656	768,411
Short-term loan	46,495,818	35,723,465
Short-term secured loans	86,823,379	79,123,938
Mid-term loans	39,579,761	41,189,468
Mid-term secured loans	112,660,384	105,337,887
Long-term loans	4,290,507	3,538,056
Long-term secured loans	137,239,847	129,957,611
Delinquent loans	2,250,091	1,044,375
	431,337,903	397,264,610
Add: Adjustment of premium/discount	55,043	84,288
Less: allowance for bad debt	(6,226,687)	(6,265,316)
	$ 425,166,259	$ 391,083,582

(1) The balances of loans and other loans on which no interest has accrued by the Bank on December 31, 2016 and 2015 were NTD 2,226,189 and NTD 1,030,645 thousand, respectively. The interest receivable on which no interest has accrued internally were NTD 37,696 thousand and NTD 26,705 thousand, respectively.

(2) There was no credit loan written off without pursuit in 2016 and 2015.

(3) The consolidated company classifies discounts and loans based on credit risk features of products as follows:

Discounts and loans

Item			Total amount	Allowance for bad debt	Total amount	Allowance for bad debt
			December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2015
With individual objective evidence of impairment	Individual evaluation of impairment	Corporate banking	$ 7,197,008	$ 1,294,757	$ 5,607,352	$ 1,284,034
		Personal banking	1,798,103	157,085	1,993,011	219,989
	Portfolio evaluation of impairment	Corporate banking	935,133	274,044	753,653	183,012
		Personal banking	1,848,381	199,529	1,700,574	187,620
Without individual objective evidence of impairment	Portfolio evaluation of impairment	Corporate banking	225,277,425	1,582,056	207,319,900	1,502,451
		Personal banking	194,281,853	170,626	179,890,120	154,673
Total			431,337,903	3,678,097	397,264,610	3,531,779

The aforementioned provision for bad debts is disclosed pursuant to IAS 39 and based on the characteristics of the risk. TC Bank has recognized more than 1% as provision for bad debts for Class I loan assets in accordance with the "Regulations Governing the Estimation of Provision for Loss, Overdue Loans and Non-Performing Loans of Bank Assets" and Letter Chin-Kuan-Yin-Fa-Zi No. 10010006830 and complied with the requirements set forth in Letter Chin-Kuan-Kuo-Zi No. 10300329440 whereby provision for non-performing realty loans shall be no less than 1.5%. As of December 31, 2016 and 2015, the accumulated provision for bad debts amounted to NTD 2,548,590 thousand and NTD 2,733,537 thousand, respectively.

(4) Details and changes of allowance for bad debts for receivables and discounts and loans for 2016 and 2015 are summarized as follows:

	2016		
	Accounts receivable	Discounts and loans	Total
Balance, beginning	$ 246,104	$ 6,265,316	$ 6,511,420
Provided in the current period	103,604	672,436	776,040
Write-off of non-performing loans	(154,130)	(1,221,228)	(1,375,358)
Collection of written off bad debt	16,764	537,894	554,658
Exchange effects	(1,333)	(11,731)	(13,064)
Reclassification	1,000	(16,000)	(15,000)
Balance, ending	$ 212,009	$ 6,226,687	$ 6,438,696

	2015		
	Accounts receivable	Discounts and loans	Total
Balance, beginning	$ 299,203	$ 5,526,354	$ 5,825,557
Provided in the current period	60,101	675,468	735,569
Write-off of non-performing loans	(162,354)	(983,598)	(1,145,952)
Collection of written off bad debt	18,325	1,066,771	1,085,096
Exchange effects	129	10,021	10,150
Reclassification	30,700	(29,700)	1,000
Balance, ending	$ 246,104	$ 6,265,316	$ 6,511,420

Allowance for bad debts for above-mentioned receivables includes allowance for bad debts for delinquent loans other than loans transferred from loans. Please refer to Note 16 for details.

12. Available-for-Sale Financial Assets

	December 31, 2016	December 31, 2015
Corporate bond	$ 28,373,933	$ 23,251,869
Overseas bond	-	295,506
Government bonds	8,839,124	-
Listed stocks - overseas	117,793	117,722
Listed stocks - domestic	124,370	104,965
Bonds and depository receipts	-	-
	$ 37,455,220	$ 23,770,062

(1) Foreign bonds, listed stocks and depository receipts are valued in foreign currencies as follows:

	December 31, 2016	December 31, 2015
USD	$ 3,652	$ 12,587

(2) As of December 31 2016 and December 31 2015, the amount of government bonds available for sale of the business combination availed as the condition for R/P amounted to NTD2,740,000 and NTD0 thousand, respectively.

(3) As of December 31, 2016 and 2015, bonds and depository receipts of the companies in the consolidated financial statements available for sale are recognized as impairment loss in full amount after evaluation.

13. Held to maturity investments, net

	December 31, 2016	December 31, 2015
Overseas bond	$ 13,243,533	$ 4,893,690
Government bonds	532,737	665,709
Negotiable certificate of deposits issued by Central Bank	500,000	-
	$ 14,276,270	$ 5,559,399

(1) Foreign bonds are valued in foreign currencies as follows:

	December 31, 2016	December 31, 2015
USD	$263,962	$ 74,000
RMB	815,000	492,750
AUD	34,000	-

(2) As of December 31, 2016 and 2015, the book values of the held-to-maturity government bonds securing RP were NTD 319,000 thousand and NTD 269,100 thousand, respectively. The book values of the held-to-maturity overseas bonds securing RP were NTD 1,193,435 thousand (USD37,000 thousand), and NTD 0 thousand, respectively.

(3) As of December 31, 2016 and 2015, the book values of the held-to-maturity overseas bonds securing funds borrowed from banks were NTD 0 thousand and NTD 164,150 thousand (USD5,000 thousand). Please refer to Note 35 for details.

14. Investment under the equity method

	December 31, 2016		December 31, 2015	
	Amount	Shareholding	Amount	Shareholding
Individual non-dominant associates				
Reliance Securities Investment Trust Co., Ltd.	$ 130,935	38.46	$ 136,612	38.46

The 2016 and 2015 investment loss of the consolidated company in the affiliated company recognized under the equity method is as follows:

Investee	2016	2015
Reliance Securities Investment Trust Co., Ltd.	($ 5,540)	($ 3,672)

The consolidated financial information of the affiliated company of the consolidated company is as follows:

	December 31, 2016	December 31, 2015
Total assets	$351,645	$365,041
Total Liabilities	$ 11,213	$ 9,852

	2016	2015
Operating income - current	$ 35,328	$ 41,036
Net loss of current period	($ 14,402)	($ 9,549)
Current period other comprehensive income	($ 356)	($ 4)

The 2016 and 2015 profit or loss and other comprehensive profit or loss of the affiliated company under the equity method was recognized in accordance with the audited financial statements during the same period of the affiliated company.

15. Restricted assets

	December 31, 2016	December 31, 2015
Restricted assets – bank deposits	$284,118	$404,280
Underwriting money collected	1,046	131,195
Pending settlement payments	70	-
	$285,234	$535,475

The consolidated company's restricted bank deposit as the collateral for the interbank financing of the consolidated company. Please refer to Note 35.

16. Other financial assets - net

	December 31, 2016	December 31, 2015
Financial assets at cost	$ 145,684	$ 145,684
Other financial assets - others	1,022,835	931,394
Other Delinquent loans, net	2,659	13,763
	$ 1,171,178	$ 1,090,841

(1) Details of the financial assets carried at cost are summarized as follows:

	December 31, 2016	December 31, 2015
Common stock other than publicly offering of domestic common stock	$145,684	$145,684

The unlisted/OTC equity investment referred to above of the consolidated company is measured at cost less impairment losses on the balance sheet date, because a reasonable estimate of the fair value range is significant and the probability of a variety of estimates cannot be reasonably assessed, causing the consolidated company's management to believe that the fair value cannot be reliably measured.

(2) Other financial assets - others

	December 31, 2016	December 31, 2015
Repurchase products issued by PEM Group.	$ 2,160,014	$ 2,198,520
Less: accumulated impairment	(1,137,179)	(1,267,126)
	$ 1,022,835	$ 931,394

The consolidated company according to the resolution reached in the board meeting on May 6, 2009 has the "Private Equity Management Group (PEM Group) Structured Note Customer Interests Protection Program" defined for repurchasing PEM Group structured notes entirely from the investors with the insurance assets accepted in February, 2011.

After evaluating the value of insurance policy assets issued by PEM Group, the consolidated company recognized a gain on reversal of impairment loss of NTD 106,146 thousand and NTD 38,527 thousand respectively for 2016 and 2015.

(3) Details of other delinquent accounts, net are summarized as follows:

	December 31, 2016	December 31, 2015
December 31, 2012		
Non-delinquent loans restated from loans	$ 15,051	$ 31,662
Less: Allowance for bad debt (Note 10 and 11)	(12,392)	(17,899)
	$ 2,659	$ 13,763

17. Property, plant, and equipment

	December 31, 2016	December 31, 2015
The book amount of each category		
Land	$ 7,766,120	$ 7,837,300
Buildings and structures	1,020,914	937,389
Transportation and communication equipment	16,683	12,866
Miscellaneous equipment	521,017	441,748
Leasehold improvement	4,824	6,119
Prepayments for real properties	-	34,853
Construction in process and prepayment for machinery purchase	106,966	1,475
	$ 9,436,524	$ 9,271,750

	2016							
	Land	Buildings and structures	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvement	Prepayments for real properties	Construction in process and prepayment for machinery purchase	Total
Cost								
Balance, beginning	$ 7,914,300	$ 1,991,855	$ 36,477	$ 1,412,103	$ 7,317	$ 34,853	$ 1,475	$ 11,398,380
Increase	-	-	8,556	233,449	191	89,147	111,156	442,499
Decrease	-	-	(6,611)	(78,162)	-	-	-	(84,773)
Reclassified in the current period	(71,180)	94,547	-	5,665	-	(124,000)	(5,665)	(100,633)
Net exchange differences	-	-	-	(1,881)	-	-	-	(1,881)
Balance, ending	7,843,120	2,086,402	38,422	1,571,174	7,508	-	106,966	11,653,592
Accumulated depreciation								
Balance, beginning	-	1,054,466	23,611	970,355	1,198	-	-	2,049,630
Increase	-	33,387	3,893	158,226	1,486	-	-	196,992
Decrease	-	-	(5,765)	(77,688)	-	-	-	(83,453)
Reclassified in the current period	-	(22,365)	-	-	-	-	-	(22,365)
Net exchange differences	-	-	-	(736)	-	-	-	(736)
Balance, ending	-	1,065,488	21,739	1,050,157	2,684	-	-	2,140,068
Accumulated impairment								
Balance, beginning	77,000	-	-	-	-	-	-	77,000
Provided in the current period	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Reclassified in the current period	-	-	-	-	-	-	-	-
Balance, ending	77,000	-	-	-	-	-	-	77,000
Net, ending	$ 7,766,120	$ 1,020,914	$ 16,683	$ 521,017	$ 4,824	$ -	$ 106,966	$ 9,436,524

	2015							
	Land	Buildings and structures	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvement	Prepayments for real properties	Prepayments for equipment	Total
Cost								
Balance, beginning	$ 2,106,800	$ 1,992,863	$ 35,775	$ 1,283,045	$ 1,961	$ 1,725,000	$ 5,600	$ 7,151,044
Increase	4,082,500	-	3,051	201,886	5,356	34,853	3,875	4,331,521
Decrease	-	(1,008)	(2,349)	(78,412)	-	-	-	(81,769)
Reclassified in the current period	1,725,000	-	-	5,846	-	(1,725,000)	(8,000)	(2,154)
Net exchange differences	-	-	-	(262)	-	-	-	(262)
Balance, ending	7,914,300	1,991,855	36,477	1,412,103	7,317	34,853	1,475	11,398,380
Accumulated depreciation								
Balance, beginning	-	1,022,247	22,006	925,852	153	-	-	1,970,258
Increase	-	33,227	3,945	122,423	1,045	-	-	160,640
Decrease	-	(1,008)	(2,340)	(77,822)	-	-	-	(81,170)
Reclassified in the current period	-	-	-	-	-	-	-	-
Net exchange differences	-	-	-	(98)	-	-	-	(98)
Balance, ending	-	1,054,466	23,611	970,355	1,198	-	-	2,049,630
Accumulated impairment								
Balance, beginning	77,000	-	-	-	-	-	-	77,000
Provided in the current period	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Reclassified in the current period	-	-	-	-	-	-	-	-
Balance, ending	77,000	-	-	-	-	-	-	77,000
Net, ending	$ 7,837,300	$ 937,389	$ 12,866	$ 441,748	$ 6,119	$ 34,853	$ 1,475	$ 9,271,750

(1) Property and equipment of the consolidated company are appreciated in accordance with the straight line method over the useful years as follows:

Buildings and structures	
Buildings	30 to 60 years
Renovation engineering	10 to 29 years
Transportation and communication equipment	3 to 5 years
Miscellaneous equipment	2 to 15 years
Leasehold improvement	5 years

(2) As of December 31 2016, the consolidated company reclassified lands, premises, and buildings in part to investment property. Refer to Note 18 for detail.

18. Investment property

	2016		
	Land	Buildings	Total
Cost			
Balance, beginning	$ -	$ -	$ -
Increase	-	-	-
Decrease	-	-	-
Reclassification	71,180	29,453	100,633
Balance, ending	71,180	29,453	100,633
Accumulated depreciation			
Balance, beginning	-	-	-
Increase	-	-	-
Decrease	-	-	-
Reclassification	-	22,365	22,365
Balance, ending	-	22,365	22,365
Net, ending	$ 71,180	$ 7,088	$ 78,268

2015: None.

Investment property of the consolidated company are appreciated in accordance with the straight line method over the useful years as follows:

Buildings and structures	
Buildings	60 years
Renovation engineering	10 to 25 years

The consolidated company had investment property at fair value of NTD518,350 thousand as of December 31 2016. The aforementioned fair value has not been appraised by independent appraisers and was appraised by Taichung Commercial Bank with reference to the transaction price of similar property in market.

19. Intangible assets

Change of Intangible assets are as follows:

	2016	2015
Balance, beginning	$ 183,995	$143,759
Increase	37,684	83,270
Amortization in the current period	(57,200)	(45,183)
Reclassified in the current period	2,319	2,154
Net exchange differences	(29)	(5)
Balance, ending	$ 166,769	$183,995

The intangible assets of the business combination are computer software and the assigned right of operation from Feng Sing Securities. Computer software is amortized along the years of use by nature of the software. The right of operation is intangible assets that the life span cannot be determined and no amortization is made. As of December 31 2016, no impairment of such right of operation has been declared in the evaluation.

20. Other assets

	December 31, 2016	December 31, 2015
Refundable deposits	$ 1,983,158	$ 1,487,945
Prepayments	97,752	77,385
Others	305	1,575
	$ 2,081,215	$ 1,566,905

The time deposits and government bonds held to maturity deposited by the consolidated company as the security bond for provisional seizure at court and for business guarantee on December 31, 2016 and 2015 were NTD 1,253,200 thousand and NTD 1,053,200 thousand, which are stated as refundable deposits. Please refer to Note 35 for details.

21. Due to Central Bank and other banks

	December 31, 2016	December 31, 2015
Call loans to banks	$ 10,919,125	$ 3,000,000
Due to Chunghwa Post Co., Ltd.	697,810	863,454
Deposits of other banks	793	650
	$ 11,617,728	$ 3,864,104

22. Funds borrowed from Central Bank and other banks

	December 31, 2016	December 31, 2015
Funds borrowed from banks	$ 4,199,858	$ 3,132,454
Interbank financing rate (%)	0.85~5.00	1.70~3.10

Please refer to Note 35 for the collateral of the interbank loans:

23. Bills and bonds sold under repurchase agreements

	December 31, 2016	December 31, 2015
Government bonds	$ 3,060,139	$ 273,312
Overseas bond	1,162,119	-
	$ 4,222,258	$ 273,312

Post-period re-purchase amount and interest rate are as follows:

	December 31, 2016	December 31, 2015
Government bonds	$ 3,062,028	$ 273,484
Overseas bond	1,165,535	-
	$ 4,227,563	$ 273,484
Government bonds	0.39%-0.55%	0.38%
Overseas bond	1.15%	-

Foreign bonds are valued in foreign currencies as follows:

	December 31, 2016	December 31, 2015
USD	$ 36,029	$ -

24. Payables

	December 31, 2016	December 31, 2015
Notes and checks in clearing	$ 5,136,729	$ 1,625,391
Payable spot exchange settlement payment	1,492,044	659,395

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	December 31, 2016	December 31, 2015
Acceptances payable	$ 774,900	$ 324,223
Interest payable	306,690	327,147
Accrued expenses	1,265,935	1,153,941
Collection payable	25,503	152,474
Payable structured note indemnity (Note 36)	4,392	4,392
Receivable accounts for settlement	287,381	239,834
Other payables	512,133	694,429
	$ 9,805,707	$ 5,181,226

25. Customer deposits and remittances

	December 31, 2016	December 31, 2015
Check deposits	$ 9,132,347	$ 6,703,617
Current deposits	126,251,969	135,884,256
Current saving deposits	118,154,950	110,418,572
Time deposits	144,077,549	112,451,494
Time saving deposits	142,156,486	139,369,307
Remittances	35,707	36,733
	$ 539,809,008	$ 504,863,979

26. Financial bonds payable

	December 31, 2016	December 31, 2015
Subordinate financial bonds	$ 13,000,000	$ 15,900,000

(1) As approved by FSC's Letter under Jin-Guan-Yin (4) Zi No. 09800104050 dated March 20, 2009, the Taichung Bank issued 1st term to 4th term subordinate financial bonds for 2009 on June 26, December 10, December 18, and December 30, 2009 and 1st term to 2nd term subordinate financial bonds for 2010 on January 28 and February 9, 2010 upon the following terms and conditions:

1. Approved: NTD 5,000,000 thousand.
2. Issued:
   (1) 1st term 2009: 1,800,000 thousand.
   (2) 2nd term 2009: 100,000 thousand.
   (3) 3rd term 2009: 1,200,000 thousand.

(4) 4th term 2009: 1,100,000 thousand.

(5) 1st term 2010: 600,000 thousand.

(6) 2nd term 2010: 200,000 thousand.

3. Book value:

(1) 1st term 2009: NTD 100 thousand, issued at par value.

(2) 2nd term 2009: NTD 500 thousand, issued at par value.

(3) 3rd term 2009: NTD 500 thousand, issued at par value.

(4) 4th term 2009: NTD 500 thousand, issued at par value.

(5) 1st term 2010: NTD 500 thousand, issued at par value.

(6) 2nd term 2010: NTD 10,000 thousand, issued at par value.

4. Duration:

(1) 1st term 2009: 7 years, matured on June 26, 2016.

(2) 2nd term 2009: 7 years, matured on December 10, 2016.

(3) 3rd term 2009: 7 years, matured on December 18, 2016.

(4) 4th term 2009: 6.5 years, matured on June 30, 2016.

(5) 1st term 2010: 7 years, matured on January 28, 2017.

(6) 2nd term 2010: 6 years, matured on February 9, 2016.

5. Bond interest rate:

(1) 1st term 2009: the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 1.40%.

(2) 2nd term 2009: the fixed annual rate of 2.75%.

(3) 3rd term 2009: the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 1.50%.

(4) 4th term 2009: the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 1.48%.

(5) 1st term 2010: the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 1.50%.

(6) 2nd term 2010: the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 1.50%.

6. Repayment Methods: repayment in lump sum upon maturity.

7. Payment of interest: interest paid per six months as of the date of issuance.

(2) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 09900204230 dated June 4, 2010, the Taichung Bank issued 3rd term subordinate financial bonds on June 25, 2010 upon the following terms and conditions:

1. Approved: NTD 900,000 thousand.
2. Issued: NTD 900,000 thousand.
3. Denomination: NTD 10,000 thousand, issued at par value.
4. Duration: 7 years, matured on June 25, 2017.
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 1.75%.
6. Repayment Methods: repayment in lump sum upon maturity.
7. Payment of interest: interest paid per six months as of the date of issuance.

(3) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 10100305900 dated September 24, 2012, the Taichung Bank issued 1st term subordinate financial bonds November 13, 2012 upon the following terms and conditions:

1. Approved: NTD 3,000,000 thousand.
2. Issued: NTD3,000,000 thousand.
3. Denomination: NTD 1,000 thousand, issued at par value.
4. Duration: 7 years, matured on November 13, 2019.
5. Coupon rate: Fixed annual interest rate 2.1%.
6. Repayment Methods: repayment in lump sum upon maturity.
7. Payment of interest: interest paid per six months as of the date of issuance.

(4) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 10200089330 dated April 8, 2013, the Taichung Bank issued 1st term and 2nd term subordinate financial bonds June 25 and December 16, 2013 upon the following terms and conditions:

1. Approved: NTD6,000,000 thousand.
2. Issued:
   (1) 1st term 2013: 2,500,000 thousand.
   (2) 2nd term 2013: 3,000,000 thousand.

3. Book value:
   (1) 1st term 2013: NTD 500 thousand, issued at par value.
   (2) 2nd term 2013: NTD 500 thousand, issued at par value.
4. Duration:
   (1) 1st term 2013: 7 years, matured on June 25, 2020.
   (2) 2nd term 2013: 6 years, matured on December 16, 2019.
5. Bond interest rate:
   (1) 1st term 2013: the fixed annual rate of 2.1%.
   (2) 2nd term 2013: the fixed annual rate of 2.1%.
6. Repayment Methods: repayment in lump sum upon maturity.
7. Payment of interest: interest paid per six months as of the date of issuance.

(5) The company has been approved by Financial Supervisory Commission under Letter Chin-Kuan-Yin-Piao-Zi No. 10400200460 dated August 26 2015 for the issuance of no maturity non-cumulative subordinated financial debentures Issue 1st for 2015 on December 28 2015. The terms and conditions for issuance are shown below:

1. Approved: NTD 1,500,000 thousand.
2. Issued: NTD 1,500,000 thousand.
3. Denomination: NTD 10,000 thousand, issued at par value.
4. Maturity: no maturity date
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Principal retirement: executed in accordance with the regulations of issuance
7. Interest payment: once annually from the issuing date

(6) The company has been approved by Financial Supervisory Commission under Letter Chin-Kuan-Yin-Piao-Zi No. 10500210950 dated September 2, 2016 for the issuance of no maturity non-cumulative subordinated financial debentures Issue 1st for 2016 on December 28, 2016. The terms and conditions for issuance are shown below:

1. Approved: NTD 3,500,000 thousand.
2. Issued: NTD 1,500,000 thousand.
3. Denomination: NTD 10,000 thousand, issued at par value.
4. Maturity: no maturity date
5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
6. Principal retirement: executed in accordance with the regulations of issuance
7. Interest payment: once annually from the issuing date

27. Other financial liabilities

	December 31, 2016	December 31, 2015
principal of structured commercial products	$ 73,377	$ -
Commercial papers payable	734,471	278,645
Allocated to lending fund	119	369
	$ 807,967	$ 279,014

28. Liability reserve

	December 31, 2016	December 31, 2015
Employee benefit liabilities reserve	$ 1,140,778	$ 968,633
Reserve for guarantee liability	166,760	126,889
Allowance for contingency	300	-
	$ 1,307,838	$ 1,095,522

(1) Employee benefit liabilities reserve is detailed as follows:

	December 31, 2016	December 31, 2015
Defined benefit liabilities	$ 1,032,017	$ 877,509
Employees preferential deposit plan	93,544	75,801
Other long-term employee benefit liabilities	15,217	15,323
	$ 1,140,778	$ 968,633

1. Defined contribution pension plan

The pension system of the "Labor Pension Act" that is applicable to the Company and its subsidiaries of the consolidated company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

The amount to be appropriated in accordance with the defined contribution plan by the consolidated company on the comprehensive income statement in 2016 and 2015 were NTD 76,980 thousand and NTD 64,921 thousand, respectively.

2. Defined benefit plan

The consolidated company's pension system under the "Labor Standards Law" of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The business combination has contributed to the employee pension fund monthly based on the total salaries to Labor Pension Reserve Supervisory Committee for deposit at the special account in the Bank of Taiwan bearing the title of the committee. If the balance of the special account before the end of the fiscal year is insufficient to settle the payment for employees qualified for retirement in the next fiscal year, the company shall make up the difference in lump sum by the end of March of the next fiscal year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The company contained in the consolidated financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the consolidated balance sheet is shown below:

	December 31, 2016	December 31, 2015
Present value of the defined benefit obligations	$ 1,810,954	$ 1,676,661
The fair value of plan assets	(778,937)	(799,152)
Appropriation shortage	1,032,017	877,509
Net determined benefit liability	$ 1,032,017	$ 877,509

Change in net determined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2015	$ 1,415,357	($ 838,764)	$ 576,593
Service costs			
Current service cost	22,351	-	22,351
Interest expenses (revenues)	22,638	(13,698)	8,940
Recognized in the profit or loss	44,989	(13,698)	31,291
Reevaluation			
Planned ROE (except the amount of net interest)	-	(8,703)	(8,703)
Actuarial loss – change in the assumption of the census	229,017	-	229,017
Actuarial loss – adjustment through experience	77,952	-	77,952
Recognized in the other comprehensive profit of loss	306,969	(8,703)	298,266
Employer appropriation	-	(24,570)	(24,570)
Planned asset payment	(86,583)	86,583	-
Company account payment	(4,071)	-	(4,071)
December 31, 2015	1,676,661	(799,152)	877,509
Service costs			
Current service cost	23,114	-	23,114
Service costs from previous period	21,781	-	21,781
Interest expenses (revenues)	24,953	(11,803)	13,150
Recognized in the profit or loss	69,848	(11,803)	58,045

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	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
Reevaluation			
Planned ROE (except the amount of net interest)	$ -	$ 6,187	$ 6,187
Actuarial loss – change in the assumption of the census	2,032	-	2,032
Actuarial loss – change in financial assumptions	135,915	-	135,915
Actuarial loss – adjustment through experience	16,194	-	16,194
Recognized in the other comprehensive profit of loss	154,141	6,187	160,328
Employer appropriation	-	(50,805)	(50,805)
Planned asset payment	(76,636)	76,636	-
Company account payment	(13,060)	-	(13,060)
December 31, 2016	$ 1,810,954	($ 778,937)	$ 1,032,017

The recognized loss of determined benefit plans by function is summarized below:

	2016	2015
Operating expenses	$ 58,045	$ 31,291

The pension fund system of the company contained in the consolidated financial statements is exposed to the following risks due to the "Labor Standards Act":

(1) Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the business combination shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.

(2) Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.

(3) Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the consolidated financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	December 31, 2016	December 31, 2015
Discounted rate	1.000%	1.625%
The expected rate of increase in salaries	1.500%	1.500%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	December 31, 2016	December 31, 2015
Discounted rate		
Increase by 0.25%	($ 54,952)	($ 52,242)
Decrease by 0.25%	$ 57,265	$ 54,499
The expected rate of increase in salaries		
Increase by 0.25%	$ 55,934	$ 53,522
Decrease by 0.25%	($ 53,949)	($ 51,555)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	December 31, 2016	December 31, 2015
Prepaid amount for 1 year	$ 32,287	$ 36,647
Average maturity of determined benefit obligation	12.4 years	12.8 years

3. Employees preferential deposit plan

With effect on December 21, 2014, the companies in the financial statements adjusted the interest rate for the deposit of the banking staff. According to Order Chin-Kuan-Yin-Fa-Zi No. 10110000850 and the Criteria for the Compilation of Financial Statements by Public Banks, the employee preferred deposit plan liabilities shall be subject to the actuarial calculation of a qualified actuary professional.

The provision for liabilities due to the recognition of employee preferred deposit plan of the company contained in the consolidated financial statements in the balance sheet of individual entities is shown below:

	December 31, 2016	December 31, 2015
Present value of preferred deposit plan	$ 93,544	$ 75,801
The fair value of plan assets	-	-
Appropriation shortage	93,544	75,801
Provision for liability – preferred deposit plan	$ 93,544	$ 75,801

Change in employee preferred deposit plan liability is shown below:

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2015	$ 65,568	$ -	$ 65,568
Service costs			
Service costs from previous period	4,154	-	4,154
Interest expenses	2,623	-	2,623
Recognized in the profit or loss	6,777	-	6,777
Reevaluation			
Actuarial loss – change in the assumption of the census	6,868	-	6,868
Actuarial loss – adjustment through experience	18,306	-	18,306
Recognized in the other comprehensive profit of loss	25,174	-	25,174
Company account payment	(21,718)	-	(21,718)
December 31, 2015	75,801	-	75,801
Service costs			
Service costs from previous period	15,240	-	15,240
Interest expenses	2,598	-	2,598
Recognized in the profit or loss	17,838	-	17,838
Reevaluation			
Actuarial loss – change in the assumption of the census	4,512	-	4,512
Actuarial loss – adjustment through experience	18,268	-	18,268
Recognized in the other comprehensive profit of loss	22,780	-	22,780
Company account payment	(22,875)	-	(22,875)
December 31, 2016	$ 93,544	$ -	$ 93,544

The amount of employee preferred deposit plan recognized as profit and loss by function is summarized below:

	2016	2015
Operating expenses	$ 17,838	$ 6,777

The employee preferred deposit obligation of the business combination is based on the actuarial calculation of professional actuary and the major assumption as of the evaluation day is shown below:

	December 31, 2016	December 31, 2015
Discounted rate	4.00%	4.00%
Return on deposited fund	2.00%	2.00%
Excessive interest rate	2.00%	2.00%
The withdrawal rate of preferred deposits	4.75%	5.25%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of employee preferred deposit obligation will be:

	December 31, 2016	December 31, 2015
Discounted rate		
Increase by 0.25%	($ 2,105)	($ 1,651)
Decrease by 0.25%	$ 2,192	$ 1,718
The withdrawal rate of preferred deposits		
Increase by 0.25%	$ 2,300	$ 1,814
Decrease by 0.25%	($ 2,391)	($ 1,884)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of employee preferred deposit obligation.

	December 31, 2016	December 31, 2015
Prepaid amount for 1 year	$ 22,875	$ 2,598
The average maturity of employee preferred deposit obligation	9.6 years	9.2 years

4. Other long-term employee benefits

The other long-term employee benefits of the consolidated company meant for the long-term disability benefits. The Company will issue pensions to the employees who die of sickness or accidents at work for reasons other than occupational hazards.

The consolidated company recognized long-term employee benefits in the consolidated comprehensive income statement for an amount of NTD 106 thousand and NTD 236 thousand in 2016 and 2015, respectively. The other long-term employee benefit liabilities reserve amounted to NTD 15,217 thousand and NTD 15,323 thousand as of December 31, 2016 and 2015, respectively.

(2) The breakdown and change of the secured collateral:

	2016	2015
Balance, beginning	$ 126,889	$119,042
Deposit in the current period	25,000	8,714
Reclassified in the current period	15,000	(1,000)
Exchange differences	(129)	133
Balance, ending	$ 166,760	$126,889

Current appropriation recorded as bad debt expenses.

(3) The breakdown and change of the allowance for contingency:

	2016	2015
Balance, beginning	$ -	$ 800
Transactions (reversal) in current period	300	(800)
Balance, ending	$ 300	$ -

Recognized as other net loss of other interest in book in current period

29. Other liabilities

	December 31, 2016	December 31, 2015
Deposits received	$370,300	$258,271
Advances	165,974	121,956
Others	79,325	37,564
	$615,599	$417,791

30. Shareholders' equity

(1) Capital stock

Common stock

	December 31, 2016	December 31, 2015
Authorized number of shares (thousand shares)	4,320,000	4,320,000
Authorized capital	$ 43,200,000	$ 43,200,000
Number of shares issued with fully paid-in capital (thousand shares)	3,238,131	3,184,003
Outstanding capital	$ 32,381,307	$ 31,840,027

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

As of January 1 2015, TC Bank had paid-in capital amounting to NTD 28,515,063 thousand in 2,851,506 thousand shares. In capitalization of retained earnings in September 2015 amounting to NTD1,824,964 thousand and raising new capital amounting to NTD1,500,000 thousand by issuing new shares at NTD10/share in December 2015, TC Bank had paid-in capital amounting to NTD31,840,027 thousand in 3,184,003 thousand shares as of December 31 2015, respectively, and offered as common stock in whole.

Taichung Bank has capitalized retained earnings in September 2016 amounting to NTD541,280 thousand. As of December 31, 2016, Taichung Bank had paid-in capital amounting to NTD32,381,307 thousand shares in 3,238,131 thousand shares and offered as common stock in whole.

(2)Capital surplus

The 2016 and 2015 additional paid-in capitals are adjusted as follows:

	Other capital surplus of shares	Premium on issuance of shares and employee stock option	Invalid ESO	Recognized the changes in additional paid-in capital of the affiliated company and joint venture under the equity method.	Equity component of convertible financial bonds	Total
Balance as of January 1, 2015	$ 633,633	$ 18,949	$ 6,627	$ 16,813	$ 7,729	$ 683,751
Employee subscription	-	385	20	-	-	405
Balance as of December 31, 2015	$ 633,633	$ 19,334	$ 6,647	$ 16,813	$ 7,729	$ 684,156
Balance as of December 31, 2016	$ 633,633	$ 19,334	$ 6,647	$ 16,813	$ 7,729	$ 684,156

TC Bank has raised capital by issuing new shares in 2015 and retained a portion of the new shares for the subscription of its employees. Capital surplus has been recognized at – ESO at NTD405 thousand of which unclaimed ESO amounted to NTD20 thousand and recognized as invalid ESO.

Stock premium (including common stock premium and financial bond conversion premium) of the additional paid-in capital and donations can be used to offset losses; also, when there are no losses, the Company may apply it to distribute cash or for capitalization, but capitalization is limited to a certain percentage of the paid-in capital every year.

The investment under the equity method, employee stock options and stock options additional paid-in capital may not be used for any other purpose.

(3) Earnings allocation and dividend policy

According to the amendment to the Company Act in May 2015, dividend and bonus shall be attributable to the shareholders only. Employees are not entitled to the distribution. In a resolution of the regular session of General Meeting of Shareholders held on June 21 2016, the Articles of Incorporation was amended in the aspect of the policy for distribution of earnings thereby the policy of remuneration to employees has been established in the Articles of Incorporation.

According to the Articles of Incorporation after amendment, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the Bank shall pay applicable taxes and cover loss carried forward, followed by the allocation of 30% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. For information on the policy of remuneration to employees, Directors, and Shareholders before and after the amendment to the Articles of Incorporation, refer to Note 31(7)-employee benefit expense.

For the earnings distribution proposed to the Board of Directors in the shareholders' meeting for resolution in the preceding paragraph, a working capital should be reserved first according to the changes in the operating environment,

business operation, and investment, the ratio of cash and stock dividends should be proposed, of which, cash dividends should not be less than 10% of the total dividend amount.

Free-Gratis Dividends for the approval of the shareholders' meeting. Before the legal reserve amounts to the total Paid-in capital, the maximum allocation of earnings in cash shall be no more than 15% of total capital. Where the rates of Shares and dividends and risk-based assets fail to meet the standard required by the business competent authority, allocation of earnings in cash or with other property shall be restricted or prohibited by the relevant requirements provided by the business competent authority.

When allocating earnings, the Taichung Bank shall provide equivalent special reserve for the difference between loss on sale of NPL and amortized loss, and also provide special reserve from Earnings or Accumulated earnings for the previous period with respect to the amount under the "less" item of shareholders' equity for the current year and previous years. Where the amount under the "less" item of shareholders' equity is collected afterwards, earnings may be allocated from the reversal.

The Bank shall recognize and reverse special reserve in accordance with FSC Letter Chin-Kuan-Cheng-Zi No. 1010012865, Letter Chin-Kuan-Cheng-Fa-Zi No. 1010047490, and the "FAQ on the applicability of the recognition of special reserve after the adoption of IFRSs" by the Bank. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed. Taichung Commercial Bank acted in compliance with executive order Chin-Kuan-Yin-Fa-Zi No. 10510001510 of FSC thereby appropriated special reserve at 0.5% to 1% of corporate earnings in the appropriation of income from 2016 to 2018 in line with the development of financial and banking technology and protection of the rights of the personnel in banking industry of Taiwan. From 2017 onward, Taichung Commercial Bank shall appropriate an amount equivalent to the expense incurred from employee turnover or reassignment derived from the development of financial and banking technology as reversal within the scope of special reserve already appropriated.

Legal reserve shall be allocated up to the amount equivalent to the paid-in capital of the company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

With the exception of shareholders residing in the Republic of China, all other shareholders are entitled to a deductible amount in proportion to the tax payable as of the dividend day when undistributed earnings is distributable.

Taichung Commercial Bank had the earnings distribution of 2015 and 2014 resolved in the shareholders' meeting held on June 21, 2016 and June 2, 2015, respectively, as follows:

	Distribution of retained earnings		Dividend Per Share (NTD)	
	2015	2014	2015	2014
Legal reserve	$ 922,734	$ 1,073,724	$ -	$ -
Reversal of special reserve	-	(34,176)	-	-

(Continued on next page)

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	Distribution of retained earnings		Dividend Per Share (NTD)	
	2015	2014	2015	2014
Cash Dividends	$ 1,592,001	$ 712,877	$ 0.50	$ 0.25
Stock dividends	541,280	1,824,964	0.17	0.64

Taichung Commercial Bank had resolved in the board meeting the earnings distribution of 2016 on March 16, 2017 as follows:

	Distribution of retained earnings	Dividend Per Share (NTD)
Legal reserve	$ 1,014,738	$ -
Special reserve	35,148	-
Cash Dividends	1,780,972	0.55
Stock dividends	550,482	0.17

The proposal for the distribution of earnings in 2016 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 7 2017.

(4) Other equity

	Unrealized gain on available-for-sale financial assets	Exchange differences from the translation of financial statements of foreign operations	Total
January 1, 2016	$ 297,132	$ 51,153	$ 348,285
Available-for-Sale Financial Assets-net			
- Current valuation adjustment	(103,053)	-	(103,053)
Disposition of available-for-sale financial assets			
Reclassification of accumulated income as profit and loss	(157,149)	-	(157,149)
Foreign currency translation differences			
- Current exchange differences	-	(74,336)	(74,336)
Income tax related to the other comprehensive profit or loss	(113)	-	(113)
December 31, 2016	$ 36,817	($ 23,183)	$ 13,634
January 1, 2015	$ 41,337	$ 113,523	$ 154,860
Available-for-Sale Financial Assets-net			
- Current year valuation adjustment	274,833	-	274,833
Disposition of available-for-sale financial assets			
Reclassification of accumulated income as profit and loss	(15,771)	-	(15,771)
Foreign currency translation differences			
- Current year exchange differences	-	(62,370)	(62,370)
Income tax related to the other comprehensive profit or loss	(3,267)	-	(3,267)
December 31, 2015	$ 297,132	$ 51,153	$ 348,285

31. Business units in continuing operation income

Income from continuing operations department includes the following items

(1) Net interest income

	2016	2015
Interest revenue		
Discount and loan interest income	$ 9,801,641	$ 10,078,067
Due from bank and interbank offered interest income	545,818	741,511
Security investment interest income	774,609	441,854
Interest income on installment	217,458	210,608
Lease interest income	76,097	54,963
Credit card revolving interest income	39,362	39,155
Bonds and securities sold under re-purchase agreements interest income	16,019	24,304
Receivable factoring interest income	2,078	298
Other interest incomes	413	430
	11,473,495	11,591,190
Interest expenses		
Deposits Interest expenses	(3,164,646)	(3,606,993)
Bond issuance interest expense	(357,039)	(346,797)
Central Bank of China and interbank interest expense	(140,931)	(143,591)
Central Bank of China and banks deposit interest expense	(9,152)	(13,925)
RP (Debt) interest expense	(12,212)	(4,796)
Other Interest expenses	(2,041)	(324)
	(3,686,021)	(4,116,426)
	$ 7,787,474	$ 7,474,764

(2) Service Fee, Net

	2016	2015
Service Fee		
Brokerage fee revenue	$ 1,586,114	$ 1,363,573
Trust business income	556,526	538,565
Loan service fee income	273,522	243,698
Commission income for bank guarantee	99,946	76,863
Other service fee revenue	317,747	305,380
	2,833,855	2,528,079
Service fee expenses		
Commission expense	(421,528)	(364,355)
Inter-bank service fee	(31,142)	(29,550)
Other service fee expenses	(109,187)	(90,724)
	(561,857)	(484,629)
	$ 2,271,998	$ 2,043,450

The consolidated company provides custody, trust, investment management and advisory services to third parties; therefore, the consolidated company engages in the planning, management and trading decision of financial instruments. For a trust fund or investment portfolio that is commissioned for management and utilization, a separate bookkeeping is arranged and financial statements are prepared for internal management purposes, excluding the financial statements of the consolidated company.

(3) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2016	2015
The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Commercial papers	$ 94,462	$138,960
Stock	(5,720)	(51,755)
Beneficiary certificate	40,735	82,730
Derivatives	236,277	131,447
	365,754	301,382
The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss		
Commercial papers	1,110	458
Stock	13,164	(33,155)
Beneficiary certificate	8,148	4,361
Derivatives	274,344	36,047
	296,766	7,711
	$662,520	$309,093

1. The consolidated company's realized gains and losses of its financial assets and liabilities measured at fair value through profit or loss in 2016 and 2015 included disposal gain NTD 236,516 thousand and NTD 132,000 thousand, dividend income NTD 27,748 thousand and NTD 23,031 thousand, and interest income NTD 101,490 thousand and NTD 146,351 thousand, respectively.

2. Net income of the exchange rate instrument includes realized and unrealized gains and losses of forward exchange contracts, exchange rate options and currency swaps. For the foreign currency financial assets and liabilities that are not designated as a hedging relationship and are measured at fair value through profit or loss, the translation gains and losses are included in the net income of the exchange rate instrument.

(4) Realized net gain on available-for-sale financial assets

The realized gains of financial assets available for sale in 2016 and 2015 amounted to NTD157,149 thousand and NTD15,771 thousand, respectively, and dividend income amounted to NTD1,283 thousand and NTD0, respectively.

(5) Assets impairment loss (reversal gain)

	2016	2015
Other financial assets impairment loss (reversal gain)	$106,146	$ 38,527

(6) Other net income (loss) other than interest

	2016	2015
Net gain or loss from the sale of delinquent loans	$ 386	$ 2,742
Asset trade (gain) loss	177	(35)
Net gain from financial assets carried at cost	22,999	19,206
Other provision	(300)	800
Proceeds from the liquidation of the Lehman Brothers debt	-	198,006
Other net income	30,128	11,824
	$ 53,390	$232,543

(7) Employee benefits expenses

	2016	2015
Salaries and wages	$ 2,796,256	$ 2,617,447
Share-based payment	-	405
Labor insurance and national health insurance	182,009	143,285
Pension expenses	135,025	96,212
Other employee benefits expenses	247,989	168,059
	$ 3,361,279	$ 3,025,408

1. Remuneration to employees and directors in 2016 and 2015

According to the Company Act amended in May 2015, and the amendment to the Articles of Incorporation proposed by the Board of Directors in June 2016, TC Bank appropriated 0.5%~3% and no more than 1.5% of the earnings before taxation before the deduction of remuneration to the employees and the directors of the same year.

The Board approved the remuneration to employees and Directors and Supervisors in 2016 and 2015 on March 16 2017 and March 9 2016, and were specified as follows:

Estimate on ratio

	2016	**2015**
Remuneration to employees	0.60%	0.50%
Remuneration to directors	1.40%	1.50%

Amount

	2016		2015	
	Remuneration to employees	Remuneration to directors	Remuneration to employees	Remuneration to directors
Amount resolved by the Board of release	$ 24,996	$ 58,323	$ 22,061	$ 58,160
Amount recognized in financial statements of respective years	$ 24,996	$ 58,323	$ 20,000	$ 56,000

If there are still changes in the amount specified in the financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of Taichung Commercial Bank in 2017 and 2016, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

2. Employee bonus and compensation of directors in 2014:

The regular session of the General Meeting of shareholders of Taichung Commercial Bank held on June 2, 2015 resolved to appropriate remuneration to employees and Directors and Supervisors and the recognition of the amount in the consolidated financial statement specified as follows:

	2014	
	Employee bonus	Remuneration to directors
Amount resolved by the Board for release	$ 254	$ 127
Amount recognized in financial statements of respective years	$ 250	$ 125

The aforementioned difference is adjusted as income for 2015.

Visit the website of MOPS at TWSE site for information on the resolution of the General Meeting of shareholders on employee bonus and remuneration to directors.

(8) Depreciation and amortization expenses

	2016	2015
Property, plant, and equipment expenses	$196,992	$160,640
Intangible assets amortization expenses	57,200	45,183
	$254,192	$205,823

(9) Business and administrative expenses

	2016	2015
Taxation	$ 649,296	$ 664,900
Professional labor service fee	173,984	144,577
Advertising expenses	157,856	107,064
Insurance expenses	170,100	159,092
Rental expense	239,021	189,401
Entertainment expense	204,673	180,686
Donations	109,892	71,405
Postal and telephone expenses	63,619	57,794
Others	463,621	415,751
	$ 2,232,062	$ 1,990,670

32. Continuing department income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	2016	2015
Income tax expenses in the current period		
Accrued in current year	$547,584	$781,782
Additional levy on undistributed earnings	1,976	-
Prior year adjustment	2,292	6,057
Deferred tax		
Accrued in current year	77,396	(128,314)
Income tax expense recognized in the profit or loss	$629,248	$659,525

Adjustment of accounting income and income tax expense are as follows:

	2016	2015
Income before tax from continuing operations	$ 4,144,063	$ 4,136,557
Income tax expense of net income before tax at the statutory tax rate	$ 704,491	$ 703,215
Non-deductible expenses and losses for tax purposes	19,297	14,226
Non-taxable income	(74,284)	(50,147)
Additional levy on undistributed earnings	1,976	-
Income tax expense of prior years adjusted in the current year	2,292	6,057
Unrecognized deductible temporary differences	(14,017)	(9,162)
Effect of variation in taxation rates on the consolidation of the group and individual entities.	(10,507)	(4,664)
Income tax expense recognized in the profit or loss	$ 629,248	$ 659,525

The combined company is entitled to the 17% tax rate of the R.O.C. Income Tax Act applicable to business entities. The subsidiaries in China are entitled to the 25% tax rate. The tax amount arising in other jurisdictions is calculated at the rate applicable to each relevant jurisdiction.

As the earnings distribution to be resolved in the 2017 shareholders' meeting remains uncertain, the potential income tax consequence of levying an additional 10% income tax on the 2016 undistributed earnings cannot be reliably determined.

(2) Income tax recognized in the other comprehensive profit or loss

	2016	2015
Deferred tax		
Accrued in current year		
-Unrealized gain or loss on available-for-sale financial assets	$ 113	$ 3,267
-Actuarial gains and losses of the defined benefits	(31,128)	(54,985)
Income tax benefits recognized in the other comprehensive profit or loss	($ 31,015)	($ 51,718)

(3) Current income tax asset and liability

	December 31, 2016	December 31, 2015
Current income tax asset		
Tax refund receivable	$ 6,313	$ 5,895
Current Tax Liability		
Payable income tax	$ 60,890	$386,746

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2016

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Property, plant, and equipment	$ 3,097	$ -	$ -	$ 3,097
Unrealized loss from structured note indemnity	202,073	(18,045)	-	184,028
Defined benefit pension plans	153,456	(989)	31,128	183,595
Allowance for bad debt	385,331	(46,882)	-	338,449
Others	15,725	(11,480)	(113)	4,132
	$ 759,682	($ 77,396)	$ 31,015	$ 713,301
Deferred tax liabilities				
Temporary difference				
Reserve for land revaluation increment tax ("LRIT")	$ 111,021	$ -	$ -	$ 111,021

2015

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Property, plant, and equipment	$ 3,097	$ -	$ -	$ 3,097
Unrealized loss from structured note indemnity	208,662	(6,589)	-	202,073
Defined benefit pension plans	98,021	450	54,985	153,456
Allowance for bad debt	269,498	115,833	-	385,331
Others	372	18,620	(3,267)	15,725
	$ 579,650	$ 128,314	$ 51,718	$ 759,682
Deferred tax liabilities				
Temporary difference				
Reserve for land revaluation increment tax ("LRIT")	$ 111,021	$ -	$ -	$ 111,021

(5) Two-in-one tax information

	December 31, 2016	December 31, 2015
Undistributed earnings		
Unappropriated earnings before 1997	$ -	$ -
Unappropriated earnings after 1998	3,382,461	3,075,778
	$ 3,382,461	$ 3,075,778
Shareholders' deductible tax account-Balance	$ 760,469	$ 517,078

	2016 (projected)	2015
The deductible rate of applicable tax rate on the distribution of earnings.	20.56%	20.48%

According to the Income Tax Act, when the Taichung Commercial Bank allocates the earnings retained after 1998 (inclusive), domestic shareholders may have the respective shareholders deductible tax calculated in accordance with the deductible rate of earnings on the dividend distribution date. Since the actual deductible tax distributed to shareholders shall be based on the shareholders deductible tax account balance on dividend distribution date, the Company's 2016 projected deductible rate of earnings allocation may differ from the deductible rate of earnings actually distributed to the shareholders.

(6) Income tax audit

1. The Taichung Commercial Bank was audited up to the year 2014.

2. The Taichung Commercial Bank Insurance Broker Co., Ltd. was audited up to the year of 2014.
3. The Taichung Commercial Bank Lease Enterprise was audited up to the year of 2014.
4. TCB Securities was approved until 2014.

33. Earnings per share

Unit: NTD per share

	2016	2015
Basic earnings per share	$ 1.09	$ 1.12
Diluted earnings per share	$ 1.08	$ 1.12

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The adjustment of the duration in retrospect caused the change in the basic and diluted earnings per share for FY2015 as follows:

Unit: NTD per share

	Cum-dividend	Ex-dividend
Basic earnings per share	$ 1.14	$ 1.12
Diluted earnings per share	$ 1.14	$ 1.12

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net income

	2016	2015
Net profit attributable to the company	$ 3,514,815	$ 3,477,032

Quantity Unit: Thousand shares

	2016	2015
Weighted average common stock shares used to calculate basic earnings per share	3,238,131	3,098,955
Effect of dilutive potential common stock:		
Remuneration to employees	2,948	2,146
Weighted average common stock shares used to calculate diluted earnings per share	3,241,079	3,101,101

If the consolidated company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year before the Board of Directors resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

34. Important transactions with stakeholders

Name	Affiliation
Chun-Sheng Lee (Representative to Hsu Tian Investment Co., Ltd.)	The management
Kuei-Fong Wang (Representative to Hsu Tian Investment Co., Ltd.)	The management
Hsu Tian Investment Co., Ltd., I Joung Investment Co., Ltd., Pan Asia Chemical Corporation, and He Yang Management Consultant Co., Ltd.	Institutional Director of the Bank
Hsi-Rong Huang, Jin-Yi Lee, Chen-Le Liu	Independent Director of the Bank
Ming-Shan Chuang, Hsin-Ching Chang, Jer-Shyong Tsai, Kuei-Fong Wang, Ching-Hsin Chang, Wei-Liang Lin, Meng-Liang Chang, Chin-Yuan Lai, Chun-Sheng Lee, Shu-Yuan Lin, Chien-Hui Huang and Yu-Chun Chen	Representative of Institutional Director of The Company
Deh-Wei Chia and others, total 107 persons.	The management
31 persons including the Chairman's spouse	Spouses and kin at the second tier under the Civil Code of directors, Chairman of the Board and President of the Taichung Commercial Bank
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission	Corporations receiving donation amounted to more than one-thirds of the Taichung Commercial Bank's Paid-in capital
Reliance Securities Investment Trust Co., Ltd.	Affiliated company under the equity method
China Man-Made Fiber Co., Ltd.	Ultimate parent company
Chung Chien Investment Co., Ltd.	Substantial related party
Pan Asia Investment Co., Ltd.	Substantial related party
Deh Hsing Investment Co., Ltd.	Substantial related party
IOLITE COMPANY LIMITED	Substantial related party
Hammock (Hong Kong) Company Limited	Substantial related party
Hebei Hanoshi Contact Lens Co., Ltd.	Substantial related party
Chou Chin Industrial Co., Ltd.	Substantial related party
Chou Chang Co., Ltd.	Substantial related party
Pan Hsu Investment Co., Ltd.	Substantial related party
Pan Feng Enterprise Co., Ltd.	Substantial related party
Ge Ling Co., Ltd.	Substantial related party
Nan Chung Petrochemical Corp.	Substantial related party
Je Mi Fang Corporation	Substantial related party
Rai Chia Investment Co., Ltd.	Substantial related party
Hsiang Feng Development Co., Ltd.	Substantial related party
Reliance Securities Co., Ltd.	Substantial related party
Sheng Jen Knitted Textiles Co., Ltd.	Substantial related party
Tai Fa Investment Co., Ltd.	Substantial related party
Tai Yi Investment Co., Ltd.	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Tou-Min Industrial Co., Ltd.	Substantial related party
Jin Bang Ge Industrial Company Limited.	Substantial related party

Summarization of important transactions between the consolidated company and stakeholders:

(1) Loans

2016

Unit: NTD thousand

Type	Number of accounts or name of stakeholder	Maximum balance – current period	Balance, ending	Performance		Interest revenue	Collateral Contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	No-performing loans			
Customer loans to Employees	9 accounts	$ 3,579	$ 2,514	$ 2,514	$ -	$ 49	Credit loans	None
Residential mortgage loans	21 accounts	60,094	52,740	52,740	-	783	Real estate	〃
Other loans	Ni OO	3,500	3,500	3,500	-	55	〃	〃
	Ni OO	1,000	1,000	1,000	-	-	〃	〃
	You OO	4,300	4,300	4,300	-	67	〃	〃
	Chu OO	2,300	2,300	2,300	-	9	〃	〃
	Meng OO	9,643	9,209	9,209	-	166	〃	〃
	Lee OO	3,000	2,947	2,947	-	20	〃	〃
	Liu OO	2,431	2,305	2,305	-	37	〃	〃
	Yang OO	2,181	1,743	1,743	-	31	〃	〃
	Yang OO	93	-	-	-	-	〃	〃
	Chen OO	5,100	5,100	5,100	-	73	〃	〃
	Chang OO	2,000	1,773	1,773	-	24	〃	〃
	Lo OO	8,000	-	-	-	30	〃	〃
	Liang OO	3,184	3,070	3,070	-	49	〃	〃
	Wu OO	1,906	-	-	-	19	〃	〃
	Zhuang OO	2,062	1,917	1,917	-	27	〃	〃
	Tsai OO	4,000	3,831	3,831	-	84	〃	〃
	Tseng OO	500	500	500	-	8	〃	〃
	Chiu OO	4,395	4,114	4,114	-	66	〃	〃
	Chung OO	16,816	15,211	15,211	-	142	〃	〃
	Lin OO	2,100	2,100	2,100	-	33	〃	〃
	Lee OO	500	500	500	-	2	〃	〃

2015

Unit: NTD thousand

Type	Number of accounts or name of stakeholder	Maximum balance – current period	Balance, ending	Performance		Interest revenue	Collateral Contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	No-performing loans			
Customer loans to Employees	16 accounts	$ 3,909	$ 2,111	$ 2,111	$ -	$ 48	Credit loans	None
Residential mortgage loans	26 accounts	54,802	46,262	46,262	-	810	Real estate	〃
Other loans	Ni OO	5,695	3,471	3,471	-	46	〃	〃
	Chen OO	5,500	4,500	4,500	-	64	〃	〃
	Liu OO	2,553	2,431	2,431	-	45	Real estate	None
	Yang OO	2,609	2,181	2,181	-	42	〃	〃
	Yang OO	1,719	93	93	-	17	〃	〃
	Chung OO	10,000	8,016	8,016	-	158	〃	〃
	Lee OO	1,000	-	-	-	1	〃	〃
	Ni OO	2,000	-	-	-	14	〃	〃
	You OO	3,000	-	-	-	-	〃	〃
	Liang OO	4,595	2,984	2,984	-	52	〃	〃
	Wu OO	2,670	1,906	1,906	-	44	〃	〃
	Zhuang OO	2,203	2,062	2,062	-	33	〃	〃
	Chiu OO	4,668	4,395	4,395	-	80	〃	〃
	Tsai OO	5,000	4,000	4,000	-	112	〃	〃
	Lin OO	2,100	2,100	2,100	-	7	〃	〃
	Lee OO	4,500	2,000	2,000	-	24	〃	〃
	Tseng OO	500	500	500	-	1	〃	〃
	Chang OO	11,609	11,143	11,143	-	281	〃	〃
	Lin OO	18,814	-	-	-	34	〃	〃
	Meng OO	34,881	9,643	9,643	-	649	〃	〃

According to Articles 32 and 33 of the Banking Act, no non-secured credit loans shall be granted to any party interested with the Bank's staff, unless they are consumer loans and loans extended to the Government Apparatus; secured credit loans shall be granted under sufficient collateral and the terms of such credit extension shall not be more favorable than those offered to other customers in the same category.

(2) Deposits

	2016		
	Balance, ending	Interest rate collars %	Interest expenses
Reliance Securities Investment Trust Co., Ltd.	$ 164,388	0.01~3.20	$ 1,348
Taichung Commercial Bank Workers' Welfare Commission	137,293	0.01~5.09	7,212
China Man-Made Fiber Co., Ltd.	17,075	0.01~0.08	18
Reliance Securities Co., Ltd.	18,902	0.08~0.80	125
Taichung Commercial Bank Cultural and Educational Foundation	8,194	0.01~1.09	92
Formosa Imperial Wineseller Corp.	14	0.08	1
Ge Ling Co., Ltd.	3,071	0.01~0.08	1
Pan Asia Chemical Corporation	12,315	0.01~0.08	11
Pan Feng Enterprise Co., Ltd.	1,124	0.08	-
Chou Chin Industrial Co., Ltd.	1,190	0.01~0.08	1
Chou Chang Co., Ltd.	2,170	0.01	-
Je Mi Fang Corporation	7,880	0.08	7
Others	230,776	0.01~5.09	4,113
	$ 604,392		$ 12,929

	2015		
	Balance, ending	Interest rate collars %	Interest expenses
Reliance Securities Investment Trust Co., Ltd.	$ 174,583	0.00~3.20	$ 2,558
Taichung Commercial Bank Workers' Welfare Commission	135,733	0.20~5.31	7,460
China Man-Made Fiber Co., Ltd.	39,237	0.12	526
Reliance Securities Co., Ltd.	13,594	0.00~1.09	148
Taichung Commercial Bank Cultural and Educational Foundation	8,192	0.02~1.37	109
Formosa Imperial Wineseller Corp.	245	0.12	-
Greencol Taiwan Corporation	3,354	0.12	4
Ge Ling Co., Ltd.	2,677	0.12	2
Pan Asia Chemical Corporation	26,019	0.02~0.12	14
Chou Chin Industrial Co., Ltd.	1,418	0.02~0.12	1

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	2015		
	Balance, ending	Interest rate collars %	Interest expenses
Chou Chang Co., Ltd.	$ 1,660	0.02	$ 1
Je Mi Fang Corporation	5,009	0.12	5
Others	217,850	0.00~5.31	3,875
	$ 629,571		$ 14,703

With the exception of the interest rate for bank clerks' deposits on December 31, 2016 and 2015 were 5.09% and 5.38% respectively, the other interest rates are not materially different from those offered to general customers.

(3) Service Fee

	2016	2015
Reliance Securities Investment Trust Co., Ltd.	$ 1,877	$ 4,407

Said amount refers to the revenue from promotion, sale and channels. The trading price between the consolidated company and stakeholders is similar to that between the Bank and non-stakeholders

(4) Other business expenses Amount

	2016	2015
Ge Ling Co., Ltd.	$ 418	$ 712
Je Mi Fang Corporation	2,864	6,301
Pan Feng Enterprise Co., Ltd.	306	-
	$ 3,588	$ 7,013

The aforementioned amount is recognized as other business expenses. The transaction prices between the consolidated company and its related parties are the same as with unrelated parties.

(5) Rewards to management

The 2016 and 2015 total remuneration to directors and the other management are as follows:

	2016	2015
Short-term employee benefits	$232,552	$218,017
Retirement benefits	571	700
Other long-term employee benefits	13	20
	$233,136	$218,737

The performance evaluation and salary compensation of directors and the management are conducted by referring to the general payment level of the industry, personal performance, business operating performance and reasonableness of related future risks. As for the short-term performance bonus percentage of the directors and management and the timing for partial variable salary compensation payment, the features of the industry and the business nature of the Company should be included for consideration.

35. Pledged assets

The pledged assets are stated as follows:

	December 31, 2016	December 31, 2015
Due from bank- time deposits	$ 210,000	$ 210,000
Restricted assets – bank deposits	284,118	404,280
Notes receivable	3,422,081	1,488,898
Held-to-maturity financial assets-government bond	1,093,500	893,200
Held-to-maturity financial assets-overseas bond	-	164,150
	$ 5,009,699	$ 3,160,528

Overseas bonds and restricted assets – bank deposits are pledged as collaterals for financing. Government bonds are pledges to the court for provisional seizure, security for the overdraft account for clearing, and as bond for securities dealers and trust. The detail is shown below:

	December 31, 2016	December 31, 2015
Security bond for provisional seizure at court	$ 543,500	$ 343,200
Security for the overdraft limit of the clearing account	500,000	500,000
Reserve for trust funds compensation	50,000	50,000
	$ 1,093,500	$ 893,200

36. Significant undertaking or contingent liabilities

Except for the commitments of underwriting financial instruments stated in Note 8, 9, and 23, the consolidated company had the commitments and contingent liabilities as of December 31, 2016 and 2015, respectively, as follows:

(1) Undertaking:

	December 31, 2016	December 31, 2015
Undisbursed loan commitments (exclusive of credit cards)	$ 161,123,047	$ 136,921,732
Credit card committee	16,599,905	15,261,355
Guarantee payments	14,642,844	12,264,386
Trust liabilities	57,991,127	55,545,125
Balance of application for L/C	4,433,348	2,688,927
Lease contract commitments	1,325,875	808,867

(2) The Taichung Bank engaged in investing in the structured notes issued and secured by Lehman Brothers Holdings Inc. through the special monetary trustee accounts upon investors' request. However, Lehman Brothers Holdings Inc. petitioned for bankruptcy with U.S. courts on September 15, 2008. The quotation and redemption of the structured notes issued and secured by it were suspended. Afterwards, it petitioned for an extension and submitted a reorganization plan with a U.S. courts for approval in December 2008, and further petitioned for an extension and submitted two motions in the duration of debt clearance. The U.S. court approved its petition later.

The Taichung Bank defined the "Regulations for Settlement of Dispute over Lehman Brothers Structured Notes" and policy for settlement according to the resolution made by the temporary directors' meeting on May 6, 2009, and indemnified investors at the ratio assessed by the "Banking Dispute Review Board" of the Bankers Association of the Republic of China. After assessment, the Bank recognized loss amounting to NTD224,396 thousand from FY2009 to FY2015. As of December 31, 2016, the Bank has made compensation amounted to NTD220,004 thousand with unsettled portion amounted to NTD4,392 thousand, which was booked as payables.

(3) The balance sheet and trust property catalogue of the trust account is disclosed pursuant to Article 17 of the "Enforcement Rules of Trust Enterprise Act" as follows:

Balance Sheet of Trust Accounts
December 31, 2016

Trust assets	Amount	Trust liabilities	Amount
Bank deposits	$ 1,689,323	Payable securities in custody	$ 4,083,972
Short-term investment	48,852,284	Trust capital	
Structured product investment	1,727,207	Money trust	52,268,814
Real estate		Real estate trust	1,638,341
Land	1,542,159	Net income	1,543,009
Buildings and structures	96,182	Deferred carry-over	(1,543,009)
Securities in custody	4,083,972		
Total trust assets	$ 57,991,127	Total trust liabilities	$ 57,991,127

Property Catalogue of Trust Accounts
December 31, 2016

Investment	Amount
Bank deposits	$ 1,689,323
Short-term investment	48,852,284
Structured product investment	1,727,207
Real estate	
Land	1,542,159
Buildings and structures	96,182
Securities in custody	4,083,972
	$ 57,991,127

Income Statement of Trust Accounts
2016

	Amount
Amount	
Interest revenue	$ 2,082,165
Dividend income	18,076
Trust expenses	
Administration expenses	(555,006)
Taxation	(2,226)
Income before taxation	1,543,009
Income tax expenses	-
Income after taxation	$ 1,543,009

Balance Sheet of Trust Accounts
December 31, 2015

Trust assets	Amount	Trust liabilities	Amount
Bank deposits	$ 1,211,864	Payable securities in custody	$ 5,004,704
Short-term investment	46,310,072	Trust capital	
Structured product investment	823,095	Money trust	48,345,031
Real estate		Real estate trust	2,195,390
Land	2,112,320	Net income	1,473,357
Buildings and structures	83,070	Deferred carry-over	(1,473,357)
Securities in custody	5,004,704		
Total trust assets	$ 55,545,125	Total trust liabilities	$ 55,545,125

Property Catalogue of Trust Accounts
December 31, 2015

Investment	Amount
Bank deposits	$ 1,211,864
Short-term investment	46,310,072
Structured product investment	823,095
Real estate	
Land	2,112,320
Buildings and structures	83,070
Securities in custody	5,004,704
	$ 55,545,125

Income Statement of Trust Accounts
2015

	Amount
Amount	
Interest revenue	$ 2,010,406
Dividend income	1,704
Trust expenses	
Administration expenses	(538,565)
Taxation	(188)
Income before taxation	1,473,357
Income tax expenses	-
Income after taxation	$ 1,473,357

(4) Leasing contracts and capital expenditure commitments maturity analysis

The consolidated company's leasing contract commitments include operating leases and financing leases:

The operating lease commitment meant for the minimum lease payment of the consolidated company as a lessee or lessor under the irrevocable operating lease.

The financing lease commitment meant for the future total lease payment and its present value of the consolidated company as a lessee under the financing lease conditions or the total lease investment amount or the present value of the minimum lease receivable of the lessor under the financing lease condition.

Capital expenditure commitment refers to the contract signed for the capital expenditures paid to receive architecture and equipment.

The maturity of the commitments of the lease agreements and capital expenditure of the companies in the consolidated financial statements are analyzed below:

December 31, 2016

	Less than 1 year	1 ~5 years	More than 5 year	Total
Lease contract commitments				
Operating lease expense (lessor)	$ 216,940	$ 228,645	$ -	$ 445,585
Operating lease income (lessor)	1,242	2,376	-	3,618
Gross financial lease income (lessor)	701,273	247,420	-	948,693
Present value of financial lease income (lessor)	648,854	235,984	-	884,838
Capital expenditure commitments	184,481	100,965	-	285,446
Total	$ 1,752,790	$ 815,390	$ -	$ 2,568,180

December 31, 2015

	Less than 1 year	1 ~5 years	More than 5 year	Total
Lease contract commitments				
Operating lease expense (lessor)	$ 193,012	$ 269,914	$ -	$ 462,926
Operating lease income (lessor)	1,242	3,240	-	4,482
Gross financial lease income (lessor)	549,355	225,695	-	775,050
Present value of financial lease income (lessor)	499,909	216,725	-	716,634
Capital expenditure commitments	42,341	-	-	42,341
Total	$ 1,285,859	$ 715,574	$ -	$ 2,001,433

37. Disclosure of information about financial instruments

(1) Information on fair value – financial instruments not in fair value.

The fair value of the financial instruments not accounted for in fair value of the business combination is not disclosed, as the instruments, with the exception as stated in the table below, which book value approximated the fair value at reasonable range, including cash and cash equivalents, call due from Central Bank and call loans to banks, investment in R/P and bonds, receivables, discount and loans, restricted assets, other financial assets, due to Central Bank and other banks, call loans from Central Bank and other banks, R/P and bond liabilities, payables, deposits and remittance, and other financial liabilities.

1. Financial assets and financial instruments which book value and fair value significantly different.

	December 31, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets				
Held-to-maturity investments	$14,276,270	$13,566,266	$ 5,559,399	$ 5,497,890
Financial liabilities				
Financial liabilities on the basis of cost after amortization:				
-Financial bonds payable	13,000,000	13,182,957	15,900,000	15,924,104

2. Fair value bracket

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	$13,566,266	$ -	$ -	$13,566,266
Financial liabilities				
Financial liabilities on the basis of cost after amortization:				
-Financial bonds payable	13,182,957	-	-	13,182,957

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	$ 5,497,890	$ -	$ -	$ 5,497,890
Financial liabilities				
Financial liabilities on the basis of cost after amortization:				
-Financial bonds payable	15,924,104	-	-	15,924,104

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair value bracket

Financial instruments at fair value through profit or loss	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss				
Stock investment	$ 696,980	$ 696,980	$ -	$ -
Bond investment	67,493	67,493	-	-
Others	20,446,215	20,446,215	-	-
Available-for-Sale Financial Assets				
Stock investment	242,163	242,163	-	-
Bond investment	37,213,057	37,213,057	-	-

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Financial instruments at fair value through profit or loss	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Derivatives				
Assets				
Financial assets at fair value through profit and loss	$ 1,172,446	$ -	$ 1,172,446	$ -
Liabilities				
Financial liabilities at fair value through profit and loss	(162,792)	-	(162,792)	
Total	$ 59,675,562	$ 58,665,908	$ 1,009,654	$

Financial instruments at fair value through profit or loss	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss				
Stock investment	$ 995,245	$ 995,245	$ -	$ -
Bond investment	48,603	48,603	-	-
Others	30,004,334	30,004,334	-	-
Available-for-Sale Financial Assets				
Stock investment	222,687	222,687	-	-
Bond investment	23,547,375	23,547,375	-	-
Derivatives				
Assets				
Financial assets at fair value through profit and loss	645,543	-	645,543	-
Liabilities				
Financial liabilities at fair value through profit and loss	(179,557)	-	(179,557)	-
Total	$ 55,284,230	$ 54,818,244	$ 465,986	$ -

2. Techniques for fair value assessment

The fair value of the financial assets and financial liabilities associated with the standard terms and conditions and traded in an active market is determined by referring to market prices, including domestic and foreign corporate bonds, government bonds, stocks, commercial papers, beneficiary certificates, financial bond payables, convertible financial bonds ... etc. When market prices are not available, it is assessed using the valuation method. The estimates and assumptions used in the evaluation methods by the consolidated company are consistent with the estimates and assumptions that are used by market participants to price financial instruments.

When derivative instruments, such as, forward exchange contracts, currency swap contracts and foreign exchange options transactions are with a quote in an active market, the market price is the fair value. If the market price is not available for reference, the fair value of a non-option derivative is calculated using the applicable yield curve in the derivatives duration with cash flow discount analysis; also, the fair value of the option derivative is calculated

using an option pricing model. The estimates and assumptions used in the evaluation methods by the consolidated company are consistent with the estimates and assumptions that are used by market participants to price financial instruments.

38. Financial risk management objectives and strategy

Overview

The consolidated company's financial risk management objective is to achieve business objectives, the overall risk tolerance and legal restrictions in order to reach the balance of risks and returns. The main operating risks faced by the consolidated company include the credit risk on and off the financial statements, market risks (including interest rates, foreign exchange rates, equity securities and instrument price risks) and liquidity risks.

The consolidated company have the related risk management policies defined and approved by the Board in order to effectively identify, measure, monitor, and control credit risk, market risk and liquidity risk.

Risk management organizational structure

The Board of Directors is the highest decision-making unit of the consolidated company and assumes the ultimate responsibility for risk management. The consolidated company has established a Risk Management Commission and Risk Management Dept. responsible for granting risk authority and the relevant authorities to the relevant departments to ensure the successful operation of risk management. The Committee's functions are specified as follows:

(1) Review of risk management projects.

(2) The review and discussion on risk limit

(3) Review of motions for institutionalization of risk management.

(4) Periodical report to the Board.

The commissioners of the Risk Management Committee shall set the various risk management indicators by nature of business and functions of departments and report them to the Risk Management Committee for high-ranking supervisors' reference in decision making.

1. Market Risk

(1) Source and definition of market risk

Market risk refers to the unfavorable changes in market price causing possible losses on and off the Bank's balance sheet. The so-called market price refers to interest rates, exchange rates, equity security prices and instrument prices.

(2) Market risk management policy

The consolidated company's market risk management objective is to develop a sound and effective market risk management mechanism that is compatible with the Company's business scale, nature and complexity in order to ensure that the Company's risks can be properly managed and effectively identify, measure, monitor, control market risks; also, establish a balance between the tolerable risk level and the expected rate of return.

(3) Market risk management process

A. Identification and Measurement

Before the promotion and operation of new products, business activities, processes and systems, the relevant market risk should be assessed through appropriate procedures and determine whether the risk exposure is within the range of risk tolerance included for consideration. The consolidated company's responsible business units shall use business analysis or product analysis to verify the source of market risk and define market risk factors for each financial instrument as appropriate specifications.

Market risk measurement can be processed with a variety of effective measurement methods in order to properly measure risk, including but not limited to the following methods: statistical basis measurement method, sensitivity analysis, and scenario analysis. The Risk Management Department should measure the risk position daily and regularly; also, conduct stress tests regularly to measure the possible extraordinary loss amount of current positions under the simulated extreme situations or historically extreme situations.

B. Monitoring and reporting

The Risk Management Department should regularly report and make suggestions to the Risk Management Committee and the Board of Directors on the Bank's overall market risk management, including the Bank's market risk positions, risk level, profit and loss, using excess of limit and market risk management related compliance. The Business Department has defined the relevant rules governing excess of limit, stop-loss mechanism and operating procedure for excess of limit in order to effectively control the market risk. The excess of limit or exception occurring shall be reported immediately in order to exercise responsive measures.

(4) Interest rate risk

A. Definition of interest rate risk

Interest rate risk refers to the changes in interest rates that cause changes in the fair value of the consolidated company's interest rate or losses. The main sources of risk include deposit and loan and interest-rate related marketable securities.

B. Measurement methods and management procedures

The consolidated company adopts a gap management mechanism for interest rate risk with the target range set for monitoring and with the monitoring results periodically presented to the Asset and Liability Management Committee, Risk Management Committee and the Board of Directors; also, makes timely adjustments in accordance with the consolidated company's overall operating conditions. In addition, the consolidated company assumes the degree of impact when applying DV01 to measure interest rate risk and the interest rate curve shifted 100BP in parallel on earnings and equity in order to control interest rate risks.

(5) Exchange rate risk

A. Definition of exchange rate risk

Exchange rate risk refers to the gains and losses resulting from the conversion of two different currencies at different times. The consolidated company's exchange rate risk mainly arises from the spot and forward foreign exchange business. Since the consolidated company's engages in foreign exchange trading mostly to meet the need for customer's position daily; therefore, the exchange rate risk is relatively low.

B. Measurement methods and management procedures

The consolidated company manages its exchange risk by limit control whereby the limits of respective currencies during daytime trade and nighttime trade were set with the upper limit of the maximum exposure in foreign exchange authorized to personnel of different ranks for control. The upper limit for particular counterparty has also been set. The result of the monitoring and control was reported to the Risk Management Committee and the Board for discussion.

In addition, the Company assumes the degree of impact when the USD/NTD, CNY/NTD, and JPY/NTD exchange rates are relatively valued/devalued by 3% on earnings and equity in order to control the exchange rate risks.

(6) Equity securities price risk

A. Definition of equity securities price risk

The market risk of the consolidated company's equity securities includes individual risks arising from changes in equity securities market prices and general market risks arising from changes in the overall market prices. The main sources of risk includes listed/OTC stocks and beneficiary certificates.

B. Measurement methods and management procedures

The consolidated company have the equity security price risk controlled with the specific limitation mechanism to ensure that the transactions are carried out at all levels within the authorized limits, set the stop-loss control mechanisms and report the monitoring results regularly to the Risk Management Committee and the Board of Directors for discussion.

In addition, the consolidated company assumes the degree of impact when equity securities prices go up/down by 15% on earnings and equity in order to control the equity securities price risks.

(7) Market risk sensitivity analysis

Interest rate risk

Assuming that the other variables remain constant, if the yield curve goes up / down by 100 points, the consolidated company's net income before tax as of December 31, 2016 and 2015 increased / decreased by NTD 821,458 thousand and NTD 797,521 thousand; the equity decreased / increased by NTD 1,563,017 thousand and NTD 464,619 thousand, respectively.

Exchange rate risk

Assuming that the other variables remain constant, if the USD/NTD, CNY/NTD, and JPY/NTD exchange rate was relatively valued/devalued by 3%, the consolidated company's net income before tax as of December 31, 2016 and 2015 decreased/increased by NTD 189,609 thousand and NTD 126,175 thousand; the equity increased/decreased by NTD 35,139 thousand and NTD 47,949 thousand, respectively.

Equity securities price risk

Assuming that the other variables remain constant, if the equity securities price up / down by 15%, the consolidated company's net income before tax as of December 31, 2016 and 2015 increased/decreased by NTD 196,697 thousand and NTD 228,880 thousand; the equity decreased / increased by NTD 36,324 thousand and NTD 33,403 thousand, respectively.

Sensitivity analysis is compiled as follows:

December 31, 2016			
The main risk	Magnitude changes	Affected amount	
		Equity	Profit and loss
Interest rate risk	Interest rate curve rises 100BPS	($ 1,563,017)	$ 821,458
	Interest rate curve drops 100BPS	1,563,017	(821,458)
Foreign Exchange risk	USD/NTD, CNY/NTD, and JPY/NTD valued by 3%, respectively.	35,139	(189,609)
	USD/NTD, CNY/NTD, and JPY/NTD decreased by 3%, respectively.	(35,139)	189,609
Equity securities price risk	Equity securities price increased by 15%.	36,324	196,697
	Equity securities price decreased by 15%.	(36,324)	(196,697)

December 31, 2015			
The main risk	Magnitude changes	Affected amount	
		Equity	Profit and loss
Interest rate risk	Interest rate curve rises 100BPS	($ 464,619)	$ 797,521
	Interest rate curve drops 100BPS	464,619	(797,521)
Foreign Exchange risk	USD/NTD, CNY/NTD, and JPY/NTD valued by 3%, respectively.	47,949	126,175
	USD/NTD, CNY/NTD, and JPY/NTD decreased by 3%, respectively.	(47,949)	(126,175)
Equity securities price risk	Equity securities price increased by 15%.	33,403	228,880
	Equity securities price decreased by 15%.	(33,403)	(228,880)

2. Credit Risk

(1) Source and definition of credit risk

Credit risk refers to the financial loss inflicted on the business combination due to the nonperformance of contractual obligations by the customers or the counterparties. The sources of credit risk covered on and off balance sheet items On the sheet risk, exposure to the business combination mainly comes from discount, loans, credit cards, call loans to banks, acceptance, debt instruments, and derivatives. Off the sheet

items are financial guarantee, L/C and undertaking of loans that also exposed the business combination to credit risk.

(2) Credit risk management policies:

The consolidated company will evaluate credit carefully to grant loans and guarantees. The loans secured by collateral accounted for about 79% of the total loans on December 31, 2016. The proportion of financing guarantee and collateral held by commercial L/C was approximately 23%, because the collateral required by loans, loaning commitments or guarantees usually referred to cash, inventory, marketable securities or other property. In the event of the trading counterpart's or the other party's default, the consolidated company was entitled to perform compulsory execution against the collateral or other guarantees to effectively reduce the credit risk, provided that the fair value of collateral would not be taken into consideration when the maximum credit exposure was disclosed.

(3) Credit risk hedge or mitigation policy

A. Collateral

Among the policies and procedures taken by the business combination addressing to loan operation for the reduction of credit risk, the request for collaterals from the borrowers is most common mean. The business combination has established the procedures for the scope of collaterals, the appraisal of the collaterals, the management and disposition of the collaterals for the protection of right of debts. The preservation of the right of debts and collaterals clause is explicitly stated in the loan agreement thereby the credit limit and term of loan could be condensed, or the loans shall be deemed immediately due in the event of credit risk. This will help to reduce credit risk.

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

For avoiding the over-concentration of risk, the business combination has set the credit limit of transactions with particular counterparty and particular group in its policy and procedure for lending. In the policies and procedures for investment and equity investment risk control, limit has also been set for particular party (enterprise) or particular affiliate (group) enterprises in investment. For the control of the concentration of risk of all assets, the business combination has set the credit limit by industry, group enterprise, country, pledge of stocks as collaterals to monitor the concentration of risk of the assets. In addition, monitoring and control of particular counterparty, group enterprise, affiliate, industry, nationality, and the country of final risk through system integration for the control of concentration of relevant risks.

C. The reinforcement of other credit

The set-off clause has been explicitly stated in the loan agreements whereby all deposits of the borrowers at the business combination shall be set off for covering the liabilities in the event of credit problem to reduce credit risk.

(4) Maximum exposure of credit risk for the business combination

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The amount of maximum credit risk exposure related to the items off the consolidated balance sheet (without the consideration of collaterals or other reinforced credit instruments and the maximum risk amount is irrevocable) is shown below:

	December 31, 2016	December 31, 2015
Irrevocable undertaking of loan	$ 13,285,333	$ 9,805,367
Guarantee payments	14,642,844	12,264,386
Customer's outstanding letters of credit amount	4,433,348	2,688,927

The management of the business combination holds that the credit risk exposure of off balance sheet items could be controlled and minimized in continuation under evaluation because the business combination has adopted a strict evaluation process with routine evaluation after approval.

(5) Credit risk concentration of the business combination

Where financial instrument transactions are apparently concentrated on one person, or most of the multiple trading counterparts of financial instruments are engaged in similar business activities and possess similar economic characteristics and thereby the effects of economic or other conditions to their ability to perform the contracts are similar, the concentration of credit risk arises accordingly. The characteristics of credit risk concentration include the nature of business activities conducted by debtors. The consolidated company did not concentrate any transactions on one single customer or trading counterpart, other than similar counterparts, industrial type, and regions. The amount of contract based on concentrated credit risk:

Counterpart	December 31, 2016	December 31, 2015
Private enterprise	$ 250,957,240	$ 228,645,380
Natural person	198,706,071	184,280,831
Others	3,396,427	1,386,395
	$ 453,059,738	$ 414,312,606

Industrial type	December 31, 2016	December 31, 2015
Private party	$ 198,706,071	$ 184,280,831
Manufacturer	88,363,896	76,805,489
Commerce	66,441,735	59,709,174
Real estate	47,329,541	47,832,020
Construction industry	15,628,182	12,790,869
Commercial and industrial service business	12,748,347	10,501,161
Financial and insurance business	9,812,287	8,520,496
Warehousing and information	8,260,154	8,982,333
Others	5,769,525	4,890,233
	$ 453,059,738	$ 414,312,606

Region	December 31, 2016	December 31, 2015
Domestic	$ 424,119,033	$ 392,421,536
Territory of Asia	13,674,776	12,774,199
Territory of America	9,661,667	5,727,479
Others	5,604,262	3,389,392
	$ 453,059,738	$ 414,312,606

By collateral	December 31, 2016	December 31, 2015
Non-secured	$ 84,974,749	$ 74,149,748
Secured		
Secured by property	331,147,998	303,692,227
Secured by Letter of Guarantee	17,463,381	18,269,243
Secured by Chattel	4,854,731	4,242,879
Secured by bonds	5,394,370	5,658,456
Notes receivable	2,563,820	2,323,583
Secured by stocks	2,215,363	1,844,566
Others	4,445,326	4,131,904
	$ 453,059,738	$ 414,312,606

The consolidated company concludes that certain financial assets held by the consolidated company, such as cash and cash equivalents, due from the Central Bank and other banks, financial assets measured at fair value through profit or loss, bonds and securities sold under repurchase agreements, refundable deposits, operating bond, and settlement and clearing funds, because the counterparties are with good credit rating, are with low credit risks. In addition to the above, the credit quality analysis of financial assets is as follows:

A. Discounts and loans and receivables credit quality analysis

December 31, 2016	Not-overdue impaired-free position amount					Overdue unimpaired position amount (B)	Impaired position amount (C)	Total (A)+(B)+(C)	Appropriated loss amount (D)		Net (A)+(B)+(C)-(D)
	Level 1	Level 2	Level 3	Level 4	Subtotal (A)				With individual objective evidence of impairment	Without individual objective evidence of impairment	
Items on the statement											
Receivable											
Credit card	$ 182,412	$ 164,457	$ 159,076	$ 190,927	$ 696,872	$ 49,877	$ 33,088	$ 779,837	$ 18,390	$ 5,684	$ 755,763
Others	97,360,630	474,987	114,016	6,048,633	103,998,266	115,954	414,162	104,528,382	109,878	60,303	104,358,201
Discounts and loans	193,004,125	134,500,015	58,225,031	16,485,101	402,214,272	17,345,006	11,778,625	431,337,903	1,925,415	1,752,682	427,659,806

December 31, 2015	Not-overdue impaired-free position amount					Overdue unimpaired position amount (B)	Impaired position amount (C)	Total (A)+(B)+(C)	Appropriated loss amount (D)		Net (A)+(B)+(C)-(D)
	Level 1	Level 2	Level 3	Level 4	Subtotal (A)				With individual objective evidence of impairment	Without individual objective evidence of impairment	
Items on the statement											
Receivable											
Credit card	$ 139,742	$ 130,101	$ 124,471	$ 239,204	$ 633,518	$ 39,985	$ 25,151	$ 698,654	$ 15,102	$ 4,616	$ 678,936
Others	100,368,583	245,617	54,457	3,550,889	104,219,546	290,529	807,506	105,317,581	139,780	39,422	105,138,379
Discounts and loans	184,832,935	132,690,546	45,523,762	18,916,736	381,963,979	5,246,041	10,054,590	397,264,610	1,874,655	1,657,124	393,732,831

B. The credit quality analysis on the consolidated company's not-overdue impairment-free discounts and loans depends on the credit quality of customers.

December 31, 2016	Not-overdue impaired-free position amount				
	Level 1	Level 2	Level 3	Level 4	Total
Consumer banking					
Residential mortgage loans	$ 17,351,751	$ 18,131,709	$ 11,711,859	$ 4,054,515	$ 51,249,834
Cash card	-	-	-	139	139
Small credit loans	85,721	184,994	234,028	144,781	649,524
Others (secured)	72,555,431	35,632,281	13,386,429	4,205,510	125,779,651
Others (non-secured)	4,197,212	2,757,214	741,866	323,247	8,019,539
	94,190,115	56,706,198	26,074,182	8,728,192	185,698,687
Corporate Finance					
Secured	65,422,325	47,481,567	20,682,495	4,342,921	137,929,308
Non-secured	33,391,685	30,312,250	11,468,354	3,413,988	78,586,277
	98,814,010	77,793,817	32,150,849	7,756,909	216,515,585
Total	$ 193,004,125	$ 134,500,015	$ 58,225,031	$ 16,485,101	$ 402,214,272

December 31, 2015	Not-overdue impaired-free position amount				
	Level 1	Level 2	Level 3	Level 4	Total
Consumer banking					
Residential mortgage loans	$ 16,107,562	$ 18,002,078	$ 12,307,890	$ 4,734,185	$ 51,151,715
Cash card	-	-	24	319	343
Small credit loans	66,579	139,565	142,049	92,292	440,485
Others (secured)	68,437,259	35,005,170	12,222,317	3,600,924	119,265,670
Others (non-secured)	3,284,636	1,893,181	484,524	204,945	5,867,286
	87,896,036	55,039,994	25,156,804	8,632,665	176,725,499
Corporate Finance					
Secured	65,486,670	51,224,967	13,467,292	3,346,111	133,525,040
Non-secured	31,450,229	26,425,585	6,899,666	6,937,960	71,713,440
	96,936,899	77,650,552	20,366,958	10,284,071	205,238,480
Total	$ 184,832,935	$ 132,690,546	$ 45,523,762	$ 18,916,736	$ 381,963,979

C. Marketable securities investment credit quality analysis

December 31, 2016	Not-overdue impaired-free position amount				Overdue unimpaired position amount (B)	Impaired position amount (C)	Total (A)+(B)+(C)	Appropriated loss amount (D)	Net (A)+(B)+(C)-(D)
	Level 1	Level 2	Level 3	Subtotal (A)					
Available-for-Sale Financial Assets									
Bond investment	$37,213,057	$ -	$ -	$37,213,057	$ -	$ 68,200	$37,281,257	$ 68,200	$37,213,057
Equity investment	227,603	-	14,560	242,163	-	-	242,163	-	242,163
Others	-	-	-	-	-	15,619	15,619	15,619	-
Held-to-maturity financial assets									
Bond investment	13,452,869	323,401	-	13,776,270	-	-	13,776,270	-	13,776,270
Others	500,000	-	-	500,000	-	-	500,000	-	500,000
Other financial assets									
Equity investment	-	-	145,684	145,684	-	-	145,684	-	145,684
Others	-	-	-	-	-	2,160,014	2,160,014	1,137,179	1,022,835

December 31, 2015	Not-overdue impaired-free position amount				Overdue unimpaired position amount (B)	Impaired position amount (C)	Total (A)+(B)+(C)	Appropriated loss amount (D)	Net (A)+(B)+(C)-(D)
	Level 1	Level 2	Level 3	Subtotal (A)					
Available-for-Sale Financial Assets									
Bond investment	$23,251,869	$ 295,506	$ -	$23,547,375	$ -	$ 69,415	$23,616,790	$ 69,415	$23,547,375
Equity investment	222,687	-	-	222,687	-	-	222,687	-	222,687
Others	-	-	-	-	-	15,898	15,898	15,898	-
Held-to-maturity financial assets									
Bond investment	5,209,750	349,649	-	5,559,399	-	-	5,559,399	-	5,559,399
Other financial assets									
Equity investment	-	-	145,684	145,684	-	-	145,684	-	145,684
Others	-	-	-	-	-	2,198,520	2,198,520	1,267,126	931,394

D. Overdue impairment-free financial assets but aging analysis

Borrower's processing delays and other administrative reasons may cause financial assets to become overdue but not impaired. According to the consolidated company's internal risk management rules, financial assets that are overdue for less than 90 days are usually not considered impaired, unless it is evidenced.

The aging analysis on the consolidated company's overdue impairment-free financial assets:

	December 31, 2016		
Item	Less than one month overdue	1~3 months overdue	Total
Receivable			
Credit card	$ 36,485	$ 13,392	$ 49,877
Others	34,062	81,892	115,954
	$ 70,547	$ 95,284	$ 165,831
Discounts and loans			
Consumer banking			
Residential mortgage loans	$ 2,021,058	$ 54,233	$ 2,075,291
Cash card	20	-	20
Small credit loans	29,297	-	29,297
Others (secured)	5,952,776	90,657	6,043,433
Others (non-secured)	428,645	6,480	435,125
	8,431,796	151,370	8,583,166
Corporate Finance			
Secured	6,893,741	167,445	7,061,186
Non-secured	1,700,291	363	1,700,654
	8,594,032	167,808	8,761,840
	$ 17,025,828	$ 319,178	$ 17,345,006

	December 31, 2015		
Item	Less than one month overdue	1~3 months overdue	Total
Receivable			
Credit card	$ 27,914	$ 12,071	$ 39,985
Others	38,575	251,954	290,529
	$ 66,489	$ 264,025	$ 330,514
Discounts and loans			
Consumer banking			
Residential mortgage loans	$ 743,209	$ 2,498	$ 745,707
Cash card	-	28	28
Small credit loans	5,712	177	5,889
Others (secured)	2,265,375	12,540	2,277,915
Others (non-secured)	135,083	-	135,083
	3,149,379	15,243	3,164,622
Corporate Finance			
Secured	1,493,424	17,182	1,510,606
Non-secured	570,813	-	570,813
	2,064,237	17,182	2,081,419
	$ 5,213,616	$ 32,425	$ 5,246,041

3. Liquidity Risk

The Taichung Commercial Bank's Liquidity Ratios on December 31, 2016 and 2015 were both 23% and 25%. The Bank's capital and working funds are sufficient to perform all contractual obligations. Therefore, there is no liquidity risk arising from the failure to raise funds to perform contractual obligations. It is very unlikely that the financial derivatives held by the Bank could not be sold at a reasonable price on the market. Therefore, there is low liquidity risk for realization. The Taichung Bank's basic management policy is to coordinate the maturity date of assets and liabilities and interest rates and to control gaps.

The Taichung Commercial Bank's basic operating management policy is to match up assets and liabilities maturity and interest rate and control the unmatched gap. Due to the uncertainty and classification of trade conditions, the maturity date of assets and liabilities and interest rate are usually not fully matched up; this gap may cause a potential gain or loss.

Non-derivative financial liabilities maturity analysis

The analysis on the cash outflow of the consolidated company's non-derivative liabilities is based on the remaining period from the consolidated balance sheet date to the contract maturity date as follows: The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

December 31, 2016	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Due to Central Bank and other banks	$ 10,011,556	$ 1,068,587	$ 730	$ 536,855	$ -	$ 11,617,728
Funds borrowed from Central Bank and other banks	1,008,390	1,141,765	682,822	1,193,245	173,636	4,199,858
Bills and bonds sold under repurchase agreements	2,666,908	1,560,655	-	-	-	4,227,563
Payables	8,545,540	454,664	277,530	313,006	214,967	9,805,707
Customer deposits and remittances	41,444,932	93,201,069	52,625,421	138,673,458	213,864,128	539,809,008
Financial bonds payable	600,000	-	900,000	-	11,500,000	13,000,000
Other matured capital outflow items	717,875	145,382	18,679	57,619	238,712	1,178,267

December 31, 2015	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Due to Central Bank and other banks	$ 3,100,583	$ 103,425	$ 730	$ 659,366	$ -	$ 3,864,104
Funds borrowed from Central Bank and other banks	328,372	844,895	655,561	1,131,959	171,667	3,132,454
Bills and bonds sold under repurchase agreements	-	273,484	-	-	-	273,484
Payables	3,637,678	848,554	226,094	171,316	297,584	5,181,226
Customer deposits and remittances	48,246,039	74,235,767	74,502,098	125,718,057	182,162,018	504,863,979
Financial bonds payable	-	200,000	1,800,000	2,400,000	11,500,000	15,900,000
Other matured capital outflow items	135,066	101,987	217,097	12,870	70,265	537,285

Derivative financial liabilities maturity analysis

(1) Derivative instruments cleared and settled at net value

The consolidated company's derivatives that are settled and cleared at net value include:

Foreign exchange derivatives: Exchange rate options

It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated

balance sheet. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at net amount maturity analysis:

December 31, 2016	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Financial liabilities measured at fair value through profit or loss case						
Foreign exchange derivatives	$ 8,133	$ 7,735	$ 5,737	$ 13,260	$ -	$ 34,865
Total	$ 8,133	$ 7,735	$ 5,737	$ 13,260	$ -	$ 34,865

December 31, 2015	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Financial liabilities measured at fair value through profit or loss case						
Foreign exchange derivatives	$ 14,145	$ 41,900	$ 37,356	$ 36,991	$ 773	$ 131,165
Total	$ 14,145	$ 41,900	$ 37,356	$ 36,991	$ 773	$ 131,165

(2) Derivatives cleared and settled at total value

The consolidated company's derivatives that are settled at total value include:

Foreign exchange derivatives: Forward foreign exchange and foreign exchange swaps

Illustrate the consolidated company's derivatives that are settled at total value in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at total value maturity analysis:

December 31, 2016	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Financial liabilities measured at fair value through profit or loss case						
- Foreign exchange derivatives						
- Cash outflow	$ 3,280,939	$ 5,905,733	$ 959,796	$ 2,460,749	$ -	$ 12,607,217
- Cash inflow	3,235,265	5,865,917	947,716	2,426,526	-	12,475,424
Subtotal of cash outflow	3,280,939	5,905,733	959,796	2,460,749	-	12,607,217
Subtotal of cash inflow	3,235,265	5,865,917	947,716	2,426,526	-	12,475,424
Net cash flow	($ 45,674)	($ 39,816)	($ 12,080)	($ 34,223)	$ -	($ 131,793)

December 31, 2015	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Financial liabilities measured at fair value through profit or loss case						
- Foreign exchange derivatives						
- Cash outflow	$ 9,830,127	$ 3,047,626	$ 1,784,651	$ 3,076,106	$ -	$ 17,738,510
- Cash inflow	9,786,171	3,030,050	1,759,287	2,999,403	-	17,574,911
Subtotal of cash outflow	9,830,127	3,047,626	1,784,651	3,076,106	-	17,738,510
Subtotal of cash inflow	9,786,171	3,030,050	1,759,287	2,999,403	-	17,574,911
Net cash flow	($ 43,956)	($ 17,576)	($ 25,364)	($ 76,703)	$ -	($ 163,599)

4. The maturity analysis of items not on the statement:

The analysis on the maturity date of the items not on the consolidated company's balance sheet in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. For financial

guarantee contracts issued, the earliest time period that maximum amounts of the guarantee may be requested for guarantee performance. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

December 31, 2016	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Undisbursed loan commitments	$ 10,415,170	$ 20,068,596	$ 34,593,203	$ 83,826,964	$ 28,819,019	$ 177,722,952
Customer's outstanding letters of credit amount	1,090,421	2,745,827	535,366	61,734	-	4,433,348
Guarantee payments	4,340,060	3,851,130	2,609,745	1,501,653	2,340,256	14,642,844
Lease contract commitments	1,325,875	-	-	-	-	1,325,875
Total	$ 17,171,526	$ 26,665,553	$ 37,738,314	$ 85,390,351	$ 31,159,275	$ 198,125,019

December 31, 2015	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Undisbursed loan commitments	$ 7,401,187	$ 12,545,261	$ 25,246,201	$ 84,111,681	$ 22,878,757	$ 152,183,087
Customer's outstanding letters of credit amount	754,760	1,569,705	234,842	129,620	-	2,688,927
Guarantee payments	3,196,248	3,905,989	953,210	2,218,011	1,990,928	12,264,386
Lease contract commitments	808,867	-	-	-	-	808,867
Total	$ 12,161,062	$ 18,020,955	$ 26,434,253	$ 86,459,312	$ 24,869,685	$ 167,945,267

5. Cash flow risk estimated under interest rate changes

The future cash flow of assets or liabilities estimated based on floating interest rates held or borne by the Taichung Bank might fluctuate and even generate risk due to market interest rate changes. However, upon evaluation, the Taichung Bank, in practice, tends to control the net liquidity gap to reduce cash flow risk resulting from interest rate changes.

39. Information on transfer of financial assets

Transferred financial assets not being removed in all

In the routine transaction of the business combination, financial assets did not qualified under all the conditions have been transferred. Most are debt securities with R/P agreement or equity securities lent under the securities lending agreement. The cash flows from the contract of the aforementioned transactions received by the business combination have been transferred to a third party and reflected related liabilities of the business combination in the responsibility of repurchasing the financial assets already transferred at fixed price in the future. For this type of transactions, the business combination cannot use, sell or pledge the financial assets already transferred within the effective period of the trade, but the business combination shall still assume interest risk and credit risk and is not being removed in whole. The table below shows the financial assets not qualified under all conditions and related financial liabilities:

December 31, 2016					
Category of financial assets	Book value of transferred financial assets	Book value of related financial assets	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Available-for-Sale Financial Assets					
R/P agreement	$ 2,988,944	$ 2,741,139	$ 2,988,944	$ 2,741,139	$ 247,805
Held-to-maturity financial assets					
R/P agreement	1,571,083	1,481,119	1,544,144	1,481,119	63,025

December 31, 2015					
Category of financial assets	Book value of transferred financial assets	Book value of related financial assets	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Available-for-Sale Financial Assets R/P agreement	$ -	$ -	$ -	$ -	$ -
Held-to-maturity financial assets R/P agreement	271,968	273,312	274,617	273,312	1,305

40. Information to be disclosed pursuant to Article 16 of the "Rules Governing the Preparation of Financial Statements of Public Issued Banks"

(1) Asset quality

Type \ Item			December 31, 2016					December 31, 2015				
			NPL amount (Note 1)	Total amount	NPL rate (Note 2)	Allowance for bad debt	Allowance for bad debt coverage rate (Note 3)	NPL amount (Note 1)	Total amount	NPL rate (Note 2)	Allowance for bad debt	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured		697,413	150,811,221	0.46%	1,617,867	231.98%	626,786	139,963,388	0.45%	1,893,384	302.08%
	Non-secured		1,150,346	82,598,346	1.39%	2,242,861	194.97%	227,286	73,717,515	0.31%	2,129,019	936.71%
Personal banking	Residential mortgage loans (Note 4)		261,078	54,674,417	0.48%	876,965	335.90%	142,360	53,181,815	0.27%	869,765	610.96%
	Cash card		50	4,384	1.14%	2,865	5,730.00%	13	6,819	0.19%	4,389	33,761.54%
	Small credit loans (Note 5)		2,964	707,569	0.42%	34,209	1,154.15%	2,452	479,880	0.51%	33,093	1,349.63%
	Others (Note 6)	Secured	356,541	132,402,238	0.27%	1,326,607	372.08%	313,920	122,180,811	0.26%	1,230,087	391.85%
		Non-secured	32,848	8,874,072	0.37%	125,313	381.49%	5,066	6,965,971	0.07%	105,579	2,084.07%
Total amount			2,501,240	430,072,247	0.58%	6,226,687	248.94%	1,317,883	396,496,199	0.33%	6,265,316	475.41%

Type \ Item	December 31, 2016					December 31, 2015				
	NPL amount	Balance of receivable accounts	NPL rate	Allowance for bad debt	Allowance for bad debt coverage rate	NPL amount	Balance of receivable accounts	NPL rate	Allowance for bad debt	Allowance for bad debt coverage rate
Credit card	12,341	777,735	1.59%	25,045	202.94%	10,024	697,124	1.44%	30,834	307.60%
Factoring without recourse (Note 7)	-	-	-	-	-	-	-	-	-	-

	December 31, 2016		December 31, 2015	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Amount exempted from report upon debt negotiation and performance (Note 8)	9,907	2,306	16,852	3,067
Performance of debt clearance program and rehabilitation program (Note 9)	10,641	15,398	13,572	13,092
Total	20,548	17,704	30,424	16,159

Note 1: The NPL amount is recognized according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Non-accrual Loans". The credit card NPL is recognized based on that provided under the Letter Jin-Guan-Yin (4) Zi No. 0944000378 dated July 6 2005.

Note 2: NPL rate=NPL/Total amount; Credit card NPL rate=NPL/balance of receivable accounts.

Note 3: Allowance for bad debt coverage rate=allowance for bad debt provided for loans/NPL amount; allowance for bad debt coverage rate for receivable accounts of credit cards=allowance for bad debt provided for receivable accounts of credit cards/NPL amount.

Note 4: Borrowers apply for residential mortgage loans for the purpose of purchasing or building residences or decorating houses. The loans shall be secured by the residence purchased (owned) by the borrower himself/herself, or his/her spouse or minor children in full, and the mortgage shall be pledged to the financial institution.

Note 5: Small credit loans mean those provided in the Letter under Jin-Guan-Yin (4) Zi No. 09440010950 dated December 19, 2005 and those other than small loans by credit cards/cash cards.

Note 6: “Others” for Personal banking refer to the secured or non-secured consumer loans other than “residential mortgage loans”, “cash card loans” and “small credit loans”, exclusive of credit cards loans.

Note 7: According to the Letter under Jin-Guan-Yin (5) Zi No. 094000494 dated July 19, 2005, factoring without recourse shall be recognized as NPL within three months after the factoring Consignee or insurance company confirms that no compensation should be granted.

Note 8: Total NPL exempted from report upon debt negotiation and performance and the balance of total non-performing receivable accounts exempted from report upon debt negotiation and performance were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09510001270 dated April 25, 2006.

Note 9: The balance of total NPL exempted from report upon performance of debt clearance program and rehabilitation program and balance of total non-performing receivable accounts exempted from report upon performance of debt clearance program and rehabilitation program were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09700318940 dated September 15, 2008.

(2) Status of credit risk concentration

December 31, 2016

Unit: NTD thousand

Rank (Note 1)	Business type of company or group (Note 2)	Total balance of loan (Note 3)	Percentage of net value as of December 31, 2016
1	Group A 016700 Real estate development industry	$ 3,734,726	9.02%
2	Group B 015510 Short-term accommodation service	3,636,292	8.79%
3	Group C 010892 Noodle products manufacturing	2,836,553	6.85%
4	Group D 012411 Iron and steel Manufacturing	2,429,150	5.87%
5	Group E 016700 Real estate development industry	2,072,000	5.01%
6	Group F 015590 Other accommodation service	1,866,550	4.51%
7	Group G 016700 Real estate development industry	1,788,137	4.32%
8	Group H 017020 Management Consultant	1,560,693	3.77%
9	Group I 012611 IC manufacturing	1,545,750	3.74%
10	Group J 016700 Real estate development industry	1,527,941	3.69%

December 31, 2015

Unit: NTD thousand

Rank (Note 1)	Business type of company or group (Note 2)	Total balance of loan (Note 3)	Percentage of net value as of December 31, 2015
1	Group A 016700 Real estate development industry	$ 4,156,420	10.41%
2	Group B 015510 Short-term accommodation service	4,031,756	10.09%
3	Group G 014100 Construction Engineering	3,661,992	9.17%
4	Group D 012411 Iron and steel Manufacturing	2,270,539	5.68%

(Continued on next page)

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Rank (Note 1)	Business type of company or group (Note 2)	Total balance of loan (Note 3)	Percentage of net value as of December 31, 2015
5	Group K 016811 Real estate lease and sale	$ 2,243,096	5.62%
6	Group F 015590 Other accommodation service	2,173,379	5.44%
7	Group L 012630 Manufacturer of PCB	1,884,084	4.72%
8	Group M 010892 Noodle products manufacturing	1,755,520	4.39%
9	Group N 015101 Civil air transportation	1,272,707	3.19%
10	Group O 016700 Real estate development industry	1,208,550	3.03%

Note 1: The top ten enterprises other than public or state enterprises were identified according to rank of the total balance of loans to these enterprises. If the account refers to a group, the loan to the group should be identified and summed up, and disclosed in the form of "code" and "business type". In the case of group, the business type of the group with the maximum exposure should be disclosed. The business type shall be specified in "detailed item" according to the business classification defined by Directorate General of Budget, Accounting and Statistics (e.g. Company (Group) A, real estate development).

Note 2: The enterprises mean those defined in Article 6 of "Supplementary Rules of TSEC's Criteria for Reviewing Listing of Marketable Securities".

Note 3: The balance of total credit extension means the total balance of the various loans (including import negotiation, export negotiation, discount, overdraft, short-term loans, short-term secured loans, receivable securities financing, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, Delinquent loans), inward remittances, factoring without recourse, Acceptances receivable and guarantee payments.

(3)Interest rate sensitivity information

Interest rate sensitivity assets and liabilities analysis data (NTD)

December 31, 2016

Unit: NTD thousand, %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	438,478,445	7,946,375	11,469,176	68,578,409	526,472,405
Interest rate sensitivity liabilities	140,209,959	264,706,299	93,980,865	14,456,126	513,353,249
Interest rate sensitivity gap	298,268,486	(256,759,924)	(82,511,689)	54,122,283	13,119,156
Equity					41,382,035
Interest rate sensitivity assets and liabilities rate					102.56%
Interest rate sensitivity gap and net worth rate					31.70%

December 31, 2015

Unit: NTD thousand, %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	416,736,889	11,232,324	14,034,774	58,107,023	500,111,010
Interest rate sensitivity liabilities	125,109,443	274,992,785	61,284,459	14,374,476	475,761,163
Interest rate sensitivity gap	291,627,446	(263,760,461)	(47,249,685)	43,732,547	24,349,847
Equity					39,945,989
Interest rate sensitivity assets and liabilities rate					105.12%
Interest rate sensitivity gap and net worth rate					60.96%

Note: 1. The table specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.

2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.

4. Interest rate sensitivity assets and liabilities rate=Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e. interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)

Interest rate sensitivity assets and liabilities analysis data (USD)

December 31, 2016

Unit: USD thousand; %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	815,788	274,524	13,133	240,266	1,343,711
Interest rate sensitivity liabilities	508,055	620,660	131,459	-	1,260,174
Interest rate sensitivity gap	307,733	(346,136)	(118,326)	240,266	83,537
Equity					1,282,965
Interest rate sensitivity assets and liabilities rate					106.63%
Interest rate sensitivity gap and net worth rate					6.51%

December 31, 2015

Unit: USD thousand; %

Item	1 to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	688,281	181,255	52,697	70,473	992,706
Interest rate sensitivity liabilities	391,710	564,814	184,714	-	1,141,238
Interest rate sensitivity gap	296,571	(383,559)	(132,017)	70,473	(148,532)
Equity					1,216,753
Interest rate sensitivity assets and liabilities rate					86.99%
Interest rate sensitivity gap and net worth rate					(12.21%)

Note: 1. The table specifies the total amount in USD of Taichung Bank Head Office and local branches, International Banking Branch and offshore branches, exclusive of contingent assets or liabilities.

2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.

4. Interest rate sensitivity assets and liabilities rate=Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e. interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

(4)Profitability

Unit: %

Item		December 31, 2016	December 31, 2015
ROA	Before taxation	0.68	0.74
	After taxation	0.59	0.63
ROE	Before taxation	10.04	10.75
	After taxation	8.64	9.19
Net profit rate		35.95	37.34

Note: 1. ROA = Income before (after) taxation/Average total assets

2. ROE=Income before (after) taxation / Average net worth

3. Profit (loss) rate = Income after taxation/income-net

4. Income before (after) taxation means the income accumulated from January of the current year until the current quarter

(5) Analysis on maturity of assets and liabilities

Table of analysis of maturity structure of NTD

December 31, 2016

Unit: NTD thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	574,884,638	87,511,207	38,435,363	37,726,350	54,496,680	97,626,131	259,088,907
Main capital outflow upon maturity	690,321,694	26,600,978	35,458,685	105,372,093	85,306,244	176,228,588	261,355,106
Gap	(115,437,056)	60,910,229	2,976,678	(67,645,743)	(30,809,564)	(78,602,457)	(2,266,199)

December 31, 2015

Unit: NTD thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	535,276,705	64,149,749	58,458,001	27,802,015	44,734,581	78,436,917	261,695,442
Main capital outflow upon maturity	629,660,162	21,831,728	40,080,010	89,879,167	108,256,327	139,228,615	230,384,315
Gap	(94,383,457)	42,318,021	18,377,991	(62,077,152)	(63,521,746)	(60,791,698)	31,311,127

Note: The table only specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.

Analysis of maturity structure of USD

December 31, 2016

Unit: USD thousand

	Total	Remaining balance to maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	1,723,366	288,434	306,077	279,023	154,290	695,542
Main capital outflow upon maturity	2,634,995	544,485	762,815	378,728	813,685	135,282
Gap	(911,629)	(256,051)	(456,738)	(99,705)	(659,395)	560,260

December 31, 2015

Unit: USD thousand

	Total	Remaining balance to maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	1,357,476	324,486	233,739	210,528	141,670	447,053
Main capital outflow upon maturity	1,902,456	362,388	465,788	322,449	637,840	113,991
Gap	(544,980)	(37,902)	(232,049)	(111,921)	(496,170)	333,062

Note: 1. The table specifies the total amount in USD of Taichung Bank Head Office, local branches and International Banking Branch. Unless otherwise provided, it shall be stated at the Book Value, and it is not necessary to include any accounts that are not stated in the table (e.g. negotiable certificates of deposit, bonds or stocks scheduled to be issued).

2. Where offshore assets account for more than 10% of the Bank's total assets, it is necessary to provide supplementary disclosure.

41. Capital management

(1) The consolidated company's eligible preparatory capital should be sufficient to meet the legal capital requirements, and achieve the minimum statutory capital adequacy ratio that is the basic objective of the Company's capital management. The appropriation and calculation of the relevant eligible proprietary capital and statutory capital shall be handled in accordance with the requirements of the concerned authorities.

The consolidated company's capital management structure is properly planned depending on the capital market conditions, capital instrument features, capital implementation efficiency and operating performance in order to maintain a ratio of preparatory capital to risk assets above the target level.

(2) The consolidated company has the information of capital adequacy disclosed periodically in accordance with the relevant specifications of the competent authorities and the Company's internal operating procedures; also, has reported it to the competent authorities quarterly

Proprietary capital is classified as Category I capital and Category II capital in accordance with the "Regulations Governing Bank's Capital Adequacy and Capital Classification."

1. Category I capital: It includes the other Category I capital, including common stock equity and non-common stock equity.

   (1) The scope of common stock equity includes common stock and stock premium, advanced capital, additional paid-in capital, legal reserves, special reserves, the cumulative gain or loss, non-controlling equity and other equity items.

   (2) The other Category I capital other than common stock equity includes perpetual non-cumulative preferred stock and its stock premium, non-cumulative subordinated bonds without maturity date, perpetual non-cumulative preferred stocks issued by the Bank's subsidiary that are not directly or indirectly held by the Bank and its stock premium, and non-cumulative subordinated bonds without maturity date.

2. Category II Capital:

   The project scope includes perpetual cumulative preferred shares and its stock premium, cumulative subordinated bonds without maturity date, convertible subordinated bond, long-term subordinated bond, non-perpetual preferred stock and its stock premium, the retained earnings increased arising from the property measured at fair value or reappraisal price as cost for the first-time adoption of the IFRS, subsequent measurements of the real properties for investment purpose of the appreciations and 45% of subsequent measurements of the real properties for investment purpose and the available-for-sale financial assets unrealized gain, the operating reserve and allowance for bad debts, as well as the perpetual cumulative preferred stock issued by the Bank's subsidiary that are not directly or indirectly held by the Bank and its stock premium, cumulative subordinated debts without a maturity date, convertible subordinated bonds, long-term subordinated bonds, and non-perpetual preferred stocks and its stock premium.

(3) Capital Adequacy

Unit: NTD thousand; %

Analytical items \ Year			December 31, 2016	December 31, 2015
Total Self-owned Capital	Common stock equity capital		40,657,462	39,168,173
	Other Tier I Capital		2,938,095	1,418,736
	Tier II Capital		7,541,979	8,910,027
	Total Self-owned Capital		51,137,536	49,496,936
Total risk-weighted assets	Credit Risk	Standardized Approach	440,149,629	392,678,002
		Internal Ratings-Based Approach	-	-
		Asset Securitization	-	-
	Operation Risk	Basic Indicator Approach	17,584,625	15,742,475
		Standard method/ optional standard method	-	-
		Advanced Measurement Approach	-	-
	Market Risk	Standardized Approach	8,772,225	6,018,175
		Internal Models Approach	-	-
	Total risk-weighted assets		466,506,479	414,438,652
Capital adequacy ratio			10.96%	11.94%
Common stock equity as a percentage of risk assets			8.72%	9.45%
Proportion of Category I capital to risk assets			9.35%	9.79%
Leverage ratio			6.50%	6.66%

Note 1: The self-owned capital, risk assets, and total exposure in this table should be calculated according to the regulations in "Regulation on Bank Capital Adequacy and Capital Categories" and "Clarification on Bank Equity Capital and Risk Capital Calculation Methods and Forms."

Note 2: The annual financial statement shall specify the Capital adequacy ratios for the current period and the previous period. The semiannual financial statement shall also disclose the Capital adequacy ratio at the end of the previous year, in addition to those for the current period and previous period.

Note 3: Equations for financial analysis:

1. Total self-owned capital = Common stock equity + Other Category I Capital + Category II Capital
2. Total amount of risk-weighed-assets = Credit risk-weighed assets + Capital charge of (operational risk + market risk) x 12.5.
3. Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighed assets.

4. Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets.

5. Proportion of Category I capital to risk assets = (Common stock equity + Category I Capital) / Total risk-weighted asset

6. Leverage ratio = Net Category I capital / Total exposure.

Note 4: This table may not be disclosed in the financial statements for Q1 and Q3.

42. Information on exchange rates of financial assets and liabilities denominated in foreign currencies

The information regarding assets and liabilities dominated by foreign currency in the consolidated company which might arouse material effect:

December 31, 2016	USD	RMB	JPY	AUD	EUR	Other foreign currencies	Total
Foreign currency financial assets							
Cash and cash equivalents	$ 1,662,211	$ 795,423	$ 750,174	$ 127,719	$ 426,261	$ 367,017	$ 4,128,805
Due from Central Bank and lend to Banks	48,383	417,669	-	-	-	-	466,052
Financial assets at fair value through profit and loss	294,586	-	-	-	-	1,307	295,893
Available-for-Sale Financial Assets	117,793	-	-	-	-	-	117,793
Discounts and loans	32,706,060	936,433	401,353	174,600	594,599	995,763	35,808,808
Accounts receivable	2,040,859	1,149,604	243,466	62,962	168,712	16,470	3,682,073
Held-to-maturity financial assets	8,686,042	3,765,878	-	791,613	-	-	13,243,533
Other financial assets	1,022,835	-	-	-	-	-	1,022,835
Other assets	274,080	-	-	-	-	-	274,080
Foreign currency financial liabilities							
Due to Central Bank of China and banks	2,419,125	-	-	-	-	-	2,419,125
Funds borrowed from Central Bank and other banks	428,121	819,010	-	-	-	-	1,247,131
Customer deposits and remittances	37,100,189	2,681,235	602,997	1,800,856	599,553	1,229,861	44,014,691
Financial liabilities at fair value through profit and loss	69,767	-	-	-	-	1,308	71,075
Payables	1,143,919	23,654	508,679	2,147	362,722	64,504	2,105,625
Bills and bonds sold under repurchase agreements	1,162,120	-	-	-	-	-	1,162,120
Liability reserve	7,231	-	-	-	-	-	7,231
Other liabilities	108,412	24,855	468	-	4,372	73,664	211,771
Taiwan Dollar exchange rates	32.26	4.62	0.28	23.28	33.90		

December 31, 2015	USD	RMB	JPY	AUD	EUR	Other foreign currencies	Total
Foreign currency financial assets							
Cash and cash equivalents	$ 2,549,301	$ 1,231,867	$ 362,705	$ 39,538	$ 586,133	$ 249,917	$ 5,019,461
Due from Central Bank and lend to Banks	49,245	1,972,206	-	527,780	-	254,749	2,803,980
Financial assets at fair value through profit and loss	124,883	-	-	-	-	-	124,883
Available-for-Sale Financial Assets	413,227	-	-	-	-	-	413,227
Discounts and loans	26,916,368	290,718	377,625	179,925	462,938	675,076	28,902,650
Accounts receivable	724,264	792,231	170,938	9,668	15,155	17,101	1,729,357
Held-to-maturity financial assets	2,435,624	2,458,066	-	-	-	-	4,893,690
Other financial assets	931,395	-	-	-	-	-	931,395
Other assets	94,550	-	-	-	-	-	94,550
Foreign currency financial liabilities							
Funds borrowed from Central Bank and other banks	175,752	842,791	-	-	-	-	1,018,543
Customer deposits and remittances	37,502,103	3,263,712	388,015	1,445,927	580,274	937,813	44,117,844
Financial liabilities at fair value through profit and loss	120,232	-	-	-	-	-	120,232
Payables	586,626	24,516	150,191	2,401	8,618	17,869	790,221
Liability reserve	7,360	-	-	-	-	-	7,360
Other liabilities	44,194	54,630	322	-	23,379	-	122,525
Taiwan Dollar exchange rates	32.83	5.00	0.27	23.99	35.87		

43. Financial information for operating segments

Financial information for operating segments is provided for main decision makers to allocate resources and evaluate the performance of each segment. Such information focuses on each delivered or offered product or service. According to the International Financial Reporting Standards No. 8, "Operating Segments," the consolidated company's reportable segments are as follows:

Marketing 1

Marketing 2

Marketing 3

Marketing 4

Marketing 5

OBU

Head Office and other

(1) Revenues and operating results of segments

Revenues and operating results of the consolidated company's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

	Marketing 1	Marketing 2	Marketing 3	Marketing 4	Marketing 5	OBU	Head Office and subsidiaries	Adjustment and Write off	Total
2016									
Interest revenue	$ 2,907,571	$ 1,239,706	$ 2,109,721	$ 2,140,156	$ 2,132,100	$ 1,093,579	$ 1,973,471	($ 2,122,809)	$11,473,495
Interest expenses	(1,148,826)	(402,496)	(697,921)	(671,333)	(778,413)	(463,030)	(1,646,811)	2,122,809	(3,686,021)
Net interest income	1,758,745	837,210	1,411,800	1,468,823	1,353,687	630,549	326,660	-	7,787,474
Net income (loss) other than interest income									
Service Fee, Net	274,431	191,632	335,486	343,896	331,868	62,567	732,118	-	2,271,998
The net gain or loss of financial instruments	84,652	29,382	458	16,343	12,436	114,504	686,782	-	944,557
Other net profit (loss)	8,307	8,245	11,705	13,504	14,111	(26,914)	(163,464)	(76,887)	(211,393)
Bad debt expenses	(220,567)	(343,765)	(3,431)	(544,606)	(154,839)	(391,207)	857,375	-	(801,040)
Operating expenses	(651,432)	(373,902)	(592,267)	(684,788)	(649,560)	(29,107)	(2,943,364)	76,887	(5,847,533)
Income (loss) before taxation	$ 1,254,136	$ 348,802	$ 1,163,751	$ 613,172	$ 907,703	$ 360,392	($ 503,893)	$ -	$ 4,144,063
2015									
Interest revenue	$ 2,824,465	$ 1,279,726	$ 2,258,728	$ 2,247,734	$ 2,247,361	$ 818,310	$ 1,721,392	($ 1,806,526)	$11,591,190
Interest expenses	(1,027,965)	(425,670)	(749,989)	(703,333)	(855,915)	(325,117)	(1,834,963)	1,806,526	(4,116,426)
Net interest income	1,796,500	854,056	1,508,739	1,544,401	1,391,446	493,193	(113,571)	-	7,474,764
Net income (loss) other than interest income									
Service Fee, Net	201,396	166,517	344,140	354,849	318,835	39,486	618,227	-	2,043,450
The net gain or loss of financial instruments	8,945	6,080	224	1,667	1,330	(1,146)	361,825	-	378,925
Other net profit (loss)	7,133	6,184	10,306	7,917	14,482	(10,715)	249,072	(78,777)	205,602
Bad debt expenses	(189,566)	(201,265)	(300,412)	(221,205)	(169,533)	(172,299)	509,997	-	(744,283)
Operating expenses	(601,763)	(343,475)	(572,312)	(646,577)	(617,594)	(24,089)	(2,494,868)	78,777	(5,221,901)
Income (loss) before taxation	$ 1,222,645	$ 488,097	$ 990,685	$ 1,041,052	$ 938,966	$ 324,430	($ 869,318)	$ -	$ 4,136,557

The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Segment assets

Segment assets	December 31, 2016	December 31, 2015
Marketing 1	$ 122,877,231	$ 119,184,652
Marketing 2	53,417,110	44,266,877
Marketing 3	83,711,190	78,886,606
Marketing 4	86,561,952	79,588,836
Marketing 5	69,868,306	64,475,380
O B U	42,545,851	26,121,996
Head Office and other	168,121,061	163,106,368
Total segment assets	$ 627,102,701	$ 575,630,715

(3) Main revenues from products and service

The consolidated company's main business is interest revenue. There is no information by products and by service.

(4) Information by areas

The consolidated company's net income is as follows:

Region	2016	2015
Taiwan	$ 10,746,669	$ 10,045,495
Asia	34,389	50,687
America	11,578	6,559
	$ 10,792,636	$ 10,102,741

(5) Information on key customers

Interest revenue from a single customer of the consolidated company does not exceed 10% of total interest revenues. Therefore, there is no information on key customers.

44. Notes of disclosure

(1) Information about important transactions:

Information to be disclosed pursuant to Article 18 of the "Rules Governing the Preparation of Financial Statements of Public Issued Banks":

No.	Item	Remark
1	Cumulative amount of the stock of the same investee purchased or sold reaching NTD 300 million or more than 10% of the Paid-in shares capital.	None
2	Acquisition amount of real estate reaching NTD 300 million or more than 10% of the Paid-in shares capital.	None
3	Amount on disposal of real estate reaching NTD 300 million or more than 10% of the Paid-in shares capital.	None
4	Discount of service charges in transaction with related party reaching more than NTD 5 million.	None
5	Accounts receivable-related party reaching NTD300 million or more than 10% of the Paid-in shares capital.	None
6	Information regarding sale of NPL.	None
7	Securitization of financial assets or real estate.	None
8	Other important transactions sufficient to affect the policy to use financial statements.	None

(2) Information regarding investees:

No.	Item	Remark
1	Information regarding investees and total shareholdings.	Attached table 1
2	Loans to others.	Attached table 2
3	Endorsements/guarantees to others.	Attached table 3
4	Marketable securities – end.	Attached table 4
5	Cumulative amount of the same marketable securities purchased or sold reaching NTD 300 million or more than 10% of the Paid-in shares capital.	None
6	Acquisition amount of real estate reaching NTD 300 million or more than 10% of the Paid-in shares capital.	None
7	Amount on disposal of real estate reaching NTD 300 million or more than 10% of the Paid-in shares capital.	None
8	Discount of service charges in transaction with related party reaching more than NTD 5 million.	None
9	Accounts receivable-related party reaching NTD300 million or more than 10% of the Paid-in shares capital.	None
10	Information regarding sale of NPL.	Attached table 5
11	Securitization of financial assets or real estate.	None
12	Engaged in derivative transactions	None
13	Other important transactions sufficient to affect the policy to use financial statements.	None

Note: No disclosure of such information is required, if the investee is a financial business, insurance business, and securities business.

(3) Information regarding investment in the territory of mainland china: Attached table 6.

(4) Inter-company relationships and significant intercompany transactions between the parent company and subsidiaries: Attached table 7.

Attached table 1. Information regarding investees:

Unit: NTD thousand; thousand shares; %

Investor	Investee's name (Note 1)	Location	Principal business	Proportion of shareholding % - end	Book value of investment	Investment profit (loss) recognized in the current period	Consolidated shareholding of the Bank and affiliated enterprises (note 1)				Remarks
							Quantity - current	Scheduled quantity (Note 2)	Total		
									Quantity	Ratio of Shareholding	
Taichung Commercial Bank Co., Ltd.	Taichung Commercial Bank Insurance Broker Co., Ltd.	Taichung City	Taichung Commercial Bank Co., Ltd.	100.00	$ 1,178,999	$ 324,013	76,500	-	76,500	100.00	
Taichung Commercial Bank Co., Ltd.	Reliance Securities Investment Trust Co., Ltd.	Taipei City	Reliance Securities Investment Trust Co., Ltd.	38.46	130,935	(5,540)	18,643	-	18,643	59.75	
Taichung Commercial Bank Co., Ltd.	Taichung Commercial Bank Consolidated Securities Co., Ltd.	Taichung City	Securities industry	100.00	1,416,667	(21,232)	150,000	-	150,000	100.00	
Taichung Commercial Bank Co., Ltd.	Taichung Commercial Bank Lease Enterprise	Taipei City	Financing Leasing	100.00	1,771,553	(63,536)	185,000	-	185,000	100.00	
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I.)	BVI Suzhou	Financing, leasing and investments.	100.00	790,928	(75,379)	30,000	-	30,000	100.00	
TCCBL Co., Ltd. (B.V.I.)	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Suzhou	Financing Leasing and investments	100.00	742,286	(85,089)	-	-	-	100.00	

Note 1: Any current shares or scheduled shares held by the Bank, directors, President, Executive Vice President, and investees that are defined as affiliated enterprises under Company Law shall be included.

Note 2: (1) Scheduled shares mean swapped shares under the assumption that the equity securities purchased or derivative product contract as concluded (not yet converted into equity) are converted according to the agreed trading conditions and the bank's intent to link with the equity of investee for the purpose of the reinvestment referred to in Article 74 of the Banking Act.

(2) Said "equity securities" mean the marketable securities, convertible corporate bonds, and stock warrants provided in Paragraph 1 of Article 11 of the Enforcement Rules of Securities and Exchange Act.

(3) The "Derivatives Contract" referred to above meant for those that meet the definitions of derivatives in IAS No. 39, such as, stock options.

Note 3: This table may not be disclosed in the financial statements for Q1 and January 1 to September 30.

Attached table 2. Loans to others:

Unit: in NTD thousand unless otherwise specified

No. (Note 1)	The lender of fund	The borrower of fund	Transaction title (Note 2)	Are they related parties	Maximum balance – current period (Note 3)	Balance, ending (Note 8)	The actual amounts disbursed	Interest rate collars	Nature of financing (Note 4)	Amount of business transactions (Note 5)	The reasons for short-term financing (Note 6)	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note 7)	Total limit of financing (Note 7)	Remarks
													Name	Value			
1	Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I.)	Other receivables	Yes	$ 24,404	$ -	$ -	2%	The necessity of short-term financing	$ -	Working capital	$ -	-	-	$ 1,771,553	$ 1,771,553	Limited to the net worth of Taichung Leasing Co., Ltd.

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

(2) The investees are sequentially numbered from 1 and so forth.

Note 2: The receivables-affiliates, receivables-related parties, shareholders accounts, prepayments, temporary payments and others as stated in book shall be filled in here if they are classified as financing.

Note 3: Maximum balance of financing a third party in current period.

Note 4: Specify if the nature of financing is for business transactions or short-term financing is necessary.

Note 5: If the nature of financing is for business transactions, specify the amount of business transactions. The amount of business transactions shall be the amount of business conducted between the lender and the beneficiary of financing.

Note 6: If it is necessary for short-term financing, specify the reasons and the beneficiary of financing and the use of the fund, such as: retirement of loans, procurement of equipment, and working capital.

Note 7: Specify the Procedure for Financing Third Parties and the upper limit of financing in favor of particular beneficiary and the total limit of financing, and also the method for the calculation of the upper limit of financing in favor of particular beneficiary and the total limit of financing in the space provided in this field.

Note 8: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Attached table 3: Endorsements/guarantees to others:

Unit: NTD thousand

No.	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity (Note 1)	The highest balance of endorsements and/or guarantees in the current period (Note 2)	The ending balance of endorsements and/or guarantees	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Total endorsements and guarantees as a percentage of equity in the most recent financial statement	The upper limit of an endorsement and/or guarantee (Note 1)	Guarantee and endorsement of parent company to subsidiary (Note 3)	Guarantee and endorsement of parent company to subsidiary (Note 3)	Guarantee and endorsement in Mainland China (Note 3)
		Company name	Relation										
1	Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I.)	100% and directly owned subsidiary	$ 10,629,315	$ 4,116,754	$ 2,510,000	$ 428,121	$ -	141.68	$ 17,715,526	—	—	—
2	Taichung Commercial Bank Lease Enterprise	Taichung Commercial Bank Leasing (Suzhou) Ltd.	100% and indirectly owned subsidiary	10,629,315	4,116,754	1,094,079	83,160	-	61.76	17,715,526	—	—	Y

Note 1: According to the "Regulations Governing Making of Endorsement and Guarantees" of Taichung Commercial Bank Lease Enterprise, the endorsement/guarantee amount made for one single enterprise shall not exceed six times the net worth of the Taichung Commercial Bank Lease Enterprise. The total endorsement/guarantee amount should not exceed ten times the net worth of the Taichung Commercial Bank Lease Enterprise.

Note 2: The highest balance of endorsements and/or guarantees in the current year

Note 3: For guarantee and endorsement from parent company to subsidiaries, from subsidiaries to parent company, and to Mainland China, as in the case of TWSE/GTSW-listed companies, fill in Y.

Attached table 4: Marketable securities – end:

Unit: NTD thousand / thousand shares

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Remarks
				Quantity	Book value	Ratio of Shareholding	Market price	
Taichung Commercial Bank Co., Ltd.	Domestic non-listed (OTC) stocks							
	Taichung Commercial Bank Lease Enterprise	Subsidiaries	Investment under the equity method	185,000	$ 1,771,553	100	$ 1,771,553	
	Taichung Commercial Bank Insurance Agency Co., Ltd.	〃	〃	76,500	1,178,999	100	1,178,999	
	Taichung Commercial Bank Securities Co., Ltd.	〃	〃	150,000	1,416,667	100	1,416,667	
	Reliance Securities Investment Trust Co., Ltd.	Affiliate business	〃	12,000	130,935	38	130,935	
Taichung Commercial Bank Lease Enterprise	Foreign non-listed (OTC) stocks							
	TCCBL Co., Ltd. (B.V.I.)	Sub-subsidiary	〃	30,000	790,928	100	790,928	
TCCBL Co., Ltd. (B.V.I.)	Foreign non-listed (OTC) stocks							
	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Sub-subsidiary	〃	-	742,286	100	742,286	

Note: No disclosure of such information is required, if is a financial business, insurance business, and securities business.

Attached table 5. Information regarding sale of NPL:

1. Master list for disposition of non-performing loans

Unit: NTD thousand

Date of transaction	Counterparties	Content of the creditor rights	Book Value (Note 1)	Sale price	Capital gain/loss from disposition (Note 2)	Conditions attached	Relation of the counterparties to the Bank
2016.05.06	Chang Yue-er	Installment note receivables	$ 81,000	$ 81,000	$ -	None	None
2016.06.01	Excellence Development Construction Co., Ltd.	〃	191,511	191,897	386	〃	〃

Note 1: the book value is the balance of the initial amount of the loan net of the provision for bad debts.

Note 2: recognized as the capital gain from the disposal of non-performance assets amounted to NTD386 thousand.

Attached table 6: Information on investments in Mainland China:

Unit: NTD thousand

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Ratio of shareholding of investment directly or indirectly made by the Company	Investment loss recognized in current period (Note 1)	Book value of investment at ending	ROI remitted to Taiwan at ending
					Outward remittance	Recover					
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Financing Leasing and investments	$ 893,373 (CNY 186,329 thousand)	Investment in Mainland China via a company in existence in a third country/territory	$ 893,373 (CNY 186,329 thousand)	$ -	$ -	$ 893,373 (CNY 186,329 thousand)	100%	($ 85,089) (CNY 17,567thousand)	$ 742,286 (CNY 160,668 thousand)	$ -

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Compliance with the limit of investment in Mainland China set forth by Investment Commission of MOEA (Note 2)
$ 893,373	$ 893,373	$ 1,062,932

Note 1: Investment return/loss has been recognized by parent company on the basis of the reviewed financial statements

Note 2: It is the limit calculated by the applicant – Taichung Commercial Bank Lease Enterprise in accordance with requirements set forth in “Principle of Review of Investment or Technology Joint Venture in Mainland China” of Investment Commission of MOEA.

Note 3: All foreign currencies involved were converted into NTD on the basis of the exchange rate applicable at the end of the period and the average exchange rate applicable in the period as of the financial reporting date (CNY1=NTD 4.62, CNY1=NTD 4.84).

Attachment 7. Business relationship and significant transactions between the parent company and subsidiaries:

Unit: NTD thousand

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			
				Title	Amount (Note 3)	Terms and conditions	Percentage of consolidated net income or total assets (Note 4)
	2016						
0	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	1	Customer deposits and remittances	$ 1,184,816	No significant difference from the general customer	-
0	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	1	Service Fee	200,000	No significant difference from the general customer	2%
0	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	1	Accounts receivable	16,663	No significant difference from the general customer	-
0	Taichung Commercial Bank Co.	Taichung Commercial Bank Securities Co., Ltd.	1	Other business expenses Amount	22,820	No significant difference from the general customer	-
0	Taichung Commercial Bank Co.	Taichung Commercial Bank Securities Co., Ltd.	1	Customer deposits and remittances	14,306	No significant difference from the general customer	-
0	Taichung Commercial Bank Co.	Taichung Commercial Bank Lease Enterprise	1	Customer deposits and remittances	233,677	No significant difference from the general customer	-

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:
1. Fill in "0" for parent company.
2. The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories as follows:
1. The Bank to the Subsidiary.
2. The Subsidiary to the Bank.
3. The Subsidiary to the Subsidiary.

Note 3: Written-off upon consolidation

Note 4: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the interim cumulated amount to the consolidated total income.

Note 5: Major transactions refer to transactions with amount of NTD10,000 thousand and shall be subject to disclosure