

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities required to be included in the combined financial statements of Taiwan Cooperative Financial Holding Co., Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

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CHUNG-DAR LEI  
Chairman

March 25, 2020

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, International Financial Reporting Standards, International Accounting Standards, Interpretation of IFRS and Interpretations of IAS endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2019 were as follows:

#### Impairment Assessment on Loans

The discounts and loans of the Company as of December 31, 2019 amounted to \$2,221,304,880 thousand, consisting 59% of the total consolidated assets. Therefore, the assessment on the impairment loss of discounts and loans may have significant impacts on the consolidated financial statements. Taiwan Cooperative Bank, Ltd. (TCB) was required to assess the impairment on loans in accordance with IFRS 9 “Financial Instruments” and the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by the FSC.

For the accounting policies and critical accounting judgements and estimations of TCB’s impairment assessment of loans, refer to Notes 4 and 5 to the consolidated financial statements; for the relevant information on the impairment assessment of loans, refer to Note 13 to the consolidated financial statements.

When assessing whether to recognize impairment loss on loans in accordance with the FSC guidelines, the main judgment of the management of TCB is the assessment of possible loss of the credit assets, including whether the credit assets are classified based on the length of time the loans have been overdue and the value of the collateral when assessing the impairment loss. As the impairment assessment of loans involves many significant judgments and estimates and are material to the consolidated financial statements, it was identified as a key audit matter.

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

1. Understand and test the internal controls of impairment assessment on loans performed by TCB.
2. Test the classification of credit assets of TCB to evaluate whether the classification of credit assets and provisions of impairment loss are appropriate and in accordance with the FSC guidelines by considering the length of time the loans have been overdue and the value of the collaterals.

#### Assessment on the Insurance Liabilities

The life policy reserve of insurance contracts and financial instruments with discretionary participation features of the Company were recognized in compliance with Regulations Governing the Recognition of Reserves by Insurance Enterprises. The key assumptions include discount rates, mortality rates, withdrawal rates and illness rates. If the formula of life policy reserve are not in compliance with the regulations, or not referred to the accurate insurance products, they may have significant impacts on the assessment of insurance liabilities. Therefore, the assessment of the insurance liabilities and the liability adequacy test were identified as a key audit matter. For the accounting policies and critical accounting judgements and estimations, refer to Notes 4 and 5 to the consolidated financial statements. For the relevant information about the assessment of the insurance liabilities, refer to Note 28 to the consolidated financial statements.

With respect to insurance liabilities, the procedures we performed were as follows:

1. Understand the process and related internal operations of assessment of insurance liabilities of BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI), and assess the compliance with related internal operations by performing the tests.
2. Obtain the actuarial information summary evaluated by the management of BPCTLI, and sample and test whether the information of policyholders is consistent with the information of life policy reserve.
3. Utilize our actuarial experts and perform the following audit procedures with respect to life policy reserve:
  - a. Sample the insurance products to test whether the actuarial memorandum was approved by the Insurance Bureau before the insurance products were introduced to the market and whether the reserves in the memorandum was calculated in accordance with the regulations and was applicable to the insurance products.
  - b. Sample the insurance policies and recalculate the life policy reserve of the insurance policies to ensure that the calculation of BPCTLI was in accordance with the Regulations Governing the Recognition of Reserves by Insurance Enterprises and was consistent with the formula and parameters submitted to the regulatory authority.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries, for the year ended December 31, 2019 and are therefore deemed to be the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

Notice to Readers

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

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

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

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 60,006,782	2	\$ 57,203,098	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 40 and 41)	263,817,306	7	264,471,052	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 40 and 41)	60,475,818	2	58,462,230	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4 and 9)	381,855,600	10	311,892,762	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)	557,848,944	15	558,505,884	16
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	1,436,329	-	1,886,314	-
RECEIVABLES, NET (Notes 4, 12 and 40)	34,284,712	1	31,292,805	1
CURRENT TAX ASSETS (Notes 4 and 37)	1,231,624	-	1,540,589	-
DISCOUNTS AND LOANS, NET (Notes 4, 13, 40 and 41)	2,193,417,017	59	2,060,487,809	59
REINSURANCE ASSETS, NET (Note 4)	84,674	-	46,975	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	134,794	-	127,094	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 30 and 41)	128,596,256	3	110,358,805	3
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	10,826,441	-	9,496,539	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	33,771,493	1	33,824,507	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	1,723,612	-	-	-
INTANGIBLE ASSETS (Notes 4 and 19)	3,711,718	-	3,631,035	-
DEFERRED TAX ASSETS (Notes 4 and 37)	2,491,061	-	1,782,952	-
OTHER ASSETS, NET (Notes 4, 18, 20 and 29)	<u>3,774,376</u>	<u>-</u>	<u>3,277,138</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 3,739,488,557</u></b>	<b><u>100</u></b>	<b><u>\$ 3,508,287,588</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 40)	\$ 242,966,181	7	\$ 226,264,806	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 26 and 40)	16,047,300	1	13,133,240	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 11, 22 and 40)	45,554,849	1	44,369,293	1
COMMERCIAL PAPER ISSUED, NET (Note 23)	31,104,638	1	26,091,523	1
PAYABLES (Notes 4, 24 and 40)	50,852,309	1	51,166,336	2
CURRENT TAX LIABILITIES (Notes 4 and 37)	2,185,489	-	997,439	-
DEPOSITS AND REMITTANCES (Notes 25 and 40)	2,891,805,142	77	2,726,474,349	78
BONDS PAYABLE (Note 26)	65,000,000	2	55,000,000	2
OTHER BORROWINGS (Notes 23 and 27)	3,432,028	-	2,425,405	-
PROVISIONS (Notes 4, 28 and 29)	42,956,006	1	48,830,833	1
OTHER FINANCIAL LIABILITIES (Notes 4, 16 and 30)	113,837,618	3	94,531,001	3
LEASE LIABILITIES (Notes 4 and 18)	1,651,391	-	-	-
DEFERRED TAX LIABILITIES (Notes 4, 17 and 37)	3,453,105	-	3,334,447	-
OTHER LIABILITIES (Note 31)	<u>1,735,197</u>	<u>-</u>	<u>3,194,907</u>	<u>-</u>
Total liabilities	<u>3,512,581,253</u>	<u>94</u>	<u>3,295,813,579</u>	<u>94</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC</b>				
Capital stock				
Common stock	<u>129,458,483</u>	<u>3</u>	<u>125,687,847</u>	<u>3</u>
Capital surplus	<u>57,973,141</u>	<u>2</u>	<u>57,964,343</u>	<u>2</u>
Retained earnings				
Legal reserve	7,927,632	-	6,451,448	-
Special reserve	996,026	-	996,026	-
Unappropriated earnings	<u>16,952,318</u>	<u>1</u>	<u>14,761,844</u>	<u>1</u>
Total retained earnings	<u>25,875,976</u>	<u>1</u>	<u>22,209,318</u>	<u>1</u>
Other equity	<u>8,112,324</u>	<u>-</u>	<u>2,412,696</u>	<u>-</u>
Total equity attributable to owners of TCFHC	221,419,924	6	208,274,204	6
NON-CONTROLLING INTERESTS	<u>5,487,380</u>	<u>-</u>	<u>4,199,805</u>	<u>-</u>
Total equity	<u>226,907,304</u>	<u>6</u>	<u>212,474,009</u>	<u>6</u>
<b>TOTAL</b>	<b><u>\$ 3,739,488,557</u></b>	<b><u>100</u></b>	<b><u>\$ 3,508,287,588</u></b>	<b><u>100</u></b>

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



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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 32 and 40)	\$ 60,460,031	123	\$ 57,144,871	122	6
INTEREST EXPENSE (Notes 4, 32 and 40)	<u>(25,114,232)</u>	<u>(51)</u>	<u>(22,037,113)</u>	<u>(47)</u>	14
NET INTEREST	<u>35,345,799</u>	<u>72</u>	<u>35,107,758</u>	<u>75</u>	1
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 33 and 40)	6,949,056	14	6,471,835	14	7
Premium income(loss), net (Notes 4, 30 and 34)	(354,629)	(1)	150,192	-	(336)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 35 and 40)	3,318,843	7	3,247,591	7	2
Gains on disposal of investment properties, net (Note 4)	2,126	-	1,156	-	84
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	2,483,595	5	1,860,652	4	33
Gains on derecognition of financial assets at amortized cost, net (Notes 4 and 10)	19,346	-	-	-	-
Foreign exchange gains (losses), net (Note 4)	1,739,311	4	(918,181)	(2)	289
Impairment losses on assets (Notes 4, 9 and 10)	(18,770)	-	(18,363)	-	2
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	10,469	-	11,346	-	(8)

(Continued)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Gains (losses) on reclassification of overlay approach (Notes 4 and 8)	\$ (719,134)	(2)	\$ 381,215	1	(289)
Other noninterest gains, net (Notes 16 and 40)	<u>320,113</u>	<u>1</u>	<u>577,478</u>	<u>1</u>	(45)
Total net revenues and gains other than interest	<u>13,750,326</u>	<u>28</u>	<u>11,764,921</u>	<u>25</u>	17
TOTAL NET REVENUES	<u>49,096,125</u>	<u>100</u>	<u>46,872,679</u>	<u>100</u>	5
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 13)	<u>(4,117,955)</u>	<u>(8)</u>	<u>(4,355,258)</u>	<u>(9)</u>	(5)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 28)	<u>1,531,720</u>	<u>3</u>	<u>978,277</u>	<u>2</u>	57
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 29 and 36)					
Employee benefits	(16,787,527)	(34)	(16,334,966)	(35)	3
Depreciation and amortization	(1,904,366)	(4)	(1,339,269)	(3)	42
General and administrative	<u>(7,094,353)</u>	<u>(15)</u>	<u>(7,440,192)</u>	<u>(16)</u>	(5)
Total operating expenses	<u>(25,786,246)</u>	<u>(53)</u>	<u>(25,114,427)</u>	<u>(54)</u>	3
INCOME BEFORE INCOME TAX	20,723,644	42	18,381,271	39	13
INCOME TAX EXPENSE (Notes 4 and 37)	<u>(3,111,228)</u>	<u>(6)</u>	<u>(2,365,017)</u>	<u>(5)</u>	32
NET INCOME	<u>17,612,416</u>	<u>36</u>	<u>16,016,254</u>	<u>34</u>	10

(Continued)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will not be reclassified subsequently to profit or loss (Notes 4 and 29)					
Remeasurement of defined benefit plans	\$ (331,334)	(1)	\$ (277,389)	(1)	19
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(14,696)	-	13,252	-	(211)
Unrealized losses on investments in equity instruments at fair value through other comprehensive income	<u>2,644,141</u>	<u>6</u>	<u>(971,964)</u>	<u>(2)</u>	372
Items that will not be reclassified subsequently to profit or loss, net of income tax					
	<u>2,298,111</u>	<u>5</u>	<u>(1,236,101)</u>	<u>(3)</u>	286
Items that may be reclassified subsequently to profit or loss (Notes 4, 8, 14 and 37)					
Exchange differences on the translation of financial statements of foreign operations	(1,210,502)	(2)	1,067,178	3	(213)
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method	-	-	(3,034)	-	100
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	4,667,538	9	(1,856,573)	(4)	351

(Continued)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Other comprehensive income (loss) on reclassification of overlay approach	\$ 719,134	1	\$ (381,215)	(1)	289
Income tax attributable to other comprehensive income	<u>(133,542)</u>	-	<u>13,370</u>	-	(1,099)
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>4,042,628</u>	<u>8</u>	<u>(1,160,274)</u>	<u>(2)</u>	448
Other comprehensive income (losses), net of income tax	<u>6,340,739</u>	<u>13</u>	<u>(2,396,375)</u>	<u>(5)</u>	365
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 23,953,155</u>	<u>49</u>	<u>\$ 13,619,879</u>	<u>29</u>	76
<b>NET INCOME ATTRIBUTABLE TO:</b>					
Owners of TCFHC	\$ 17,235,959	35	\$ 15,618,243	33	10
Non-controlling interests	<u>376,457</u>	<u>1</u>	<u>398,011</u>	<u>1</u>	(5)
	<u>\$ 17,612,416</u>	<u>36</u>	<u>\$ 16,016,254</u>	<u>34</u>	10
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of TCFHC	\$ 22,563,511	46	\$ 13,745,028	29	64
Non-controlling interests	<u>1,389,644</u>	<u>3</u>	<u>(125,149)</u>	-	1,210
	<u>\$ 23,953,155</u>	<u>49</u>	<u>\$ 13,619,879</u>	<u>29</u>	76
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)</b>					
Basic	<u>\$1.33</u>		<u>\$1.21</u>		
Diluted	<u>\$1.33</u>		<u>\$1.21</u>		

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of TCFHC												Total Equity
	Equity Attributable to Owners of TCFHC						Other Equity						
	Capital Stock (Note 39)		Capital Surplus	Retained Earnings (Note 39)			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 9)	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	Non-controlling Interests (Note 39)	
Shares (In Thousands)	Common Stock	Legal Reserve		Special Reserve	Unappropriated Earnings								
BALANCE, JANUARY 1, 2018	12,202,704	\$ 122,027,036	\$ 57,964,343	\$ 5,019,668	\$ 996,026	\$ 14,377,752	\$ (1,177,934)	\$ -	\$ 1,942,735	\$ 2,414	\$ -	\$ 4,344,256	\$ 205,496,296
Effect of retrospective application	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	84,178	2,613,342
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	4,428,434	208,109,638
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,152,028)	-	-	-	-	-	-	(9,152,028)
Stock dividends	366,081	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(337,291)	-	337,291	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(103,480)	(103,480)
Total comprehensive income													
Net income for the year ended December 31, 2018	-	-	-	-	-	15,618,243	-	-	-	-	-	398,011	16,016,254
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(277,389)	895,595	(2,311,151)	-	13,252	(193,522)	(523,160)	(2,396,375)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	15,340,854	895,595	(2,311,151)	-	13,252	(193,522)	(125,149)	13,619,879
BALANCE, DECEMBER 31, 2018	12,568,785	125,687,847	57,964,343	6,451,448	996,026	14,761,844	(282,339)	2,690,032	-	15,666	(10,663)	4,199,805	212,474,009
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	-	-	8,798
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,426,589)	-	-	-	-	-	-	(9,426,589)
Stock dividends	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(40,742)	-	40,742	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(102,069)	(102,069)
Total comprehensive income													
Net income for the year ended December 31, 2019	-	-	-	-	-	17,235,959	-	-	-	-	-	376,457	17,612,416
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(331,334)	(960,479)	6,269,497	-	(14,696)	364,564	1,013,187	6,340,739
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	16,904,625	(960,479)	6,269,497	-	(14,696)	364,564	1,389,644	23,953,155
BALANCE, DECEMBER 31, 2019	12,945,848	\$ 129,458,483	\$ 57,973,141	\$ 7,927,632	\$ 996,026	\$ 16,952,318	\$ (1,242,818)	\$ 9,000,271	\$ -	\$ 970	\$ 353,901	\$ 5,487,380	\$ 226,907,304

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 20,723,644	\$ 18,381,271
Adjustments for:		
Depreciation expenses	1,719,508	1,169,799
Amortization expenses	184,858	169,470
Expected credit losses/bad-debt expenses	4,012,003	4,350,285
Gains on financial assets and liabilities at fair value through profit or loss	(3,318,843)	(3,247,591)
Interest expense	25,114,232	22,037,113
Gain on derecognition of financial assets at amortized cost	(19,346)	-
Interest revenue	(60,460,031)	(57,144,871)
Dividend income	(1,064,736)	(664,050)
Net changes in reserves for insurance liabilities	(1,531,720)	(978,277)
Reversal of provision for losses on guarantees	54,961	(1,464)
Net changes in reserves for other liabilities	50,991	6,437
Share of gains of associates and joint ventures accounted for using equity method	(10,469)	(11,346)
Losses (gains) on reclassification of overlay approach	719,134	(381,215)
Losses on disposal of properties and equipment	2,743	3,790
Gains on disposal of investment properties	(2,126)	(1,156)
Gains on disposal of investments	(1,418,859)	(1,196,602)
Impairment losses on financial assets	22,665	21,344
Reversal of impairment losses on financial assets	(3,895)	(2,981)
Unrealized gains (losses) on foreign exchange	447,943	(674,895)
Gains on disposal of collaterals assumed	(15,557)	-
Other lease gains	(45)	-
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	14,927,113	(24,051,635)
Decrease in financial assets at fair value through profit or loss	12,915,705	21,011,162
Increase in financial assets at fair value through other comprehensive income	(64,719,900)	(18,298,528)
Increase in investments in debt instruments at amortized cost	(1,721,772)	(41,160,449)
Decrease (increase) in receivables	(3,874,421)	4,147,861
Increase in discounts and loans	(136,393,590)	(61,697,569)
Decrease (increase) in reinsurance assets	(31,200)	88,441
Decrease (increase) in other financial assets	(301,085)	1,998,039
Increase other assets	(1,003,411)	(96,080)
Increase (decrease) in due to the Central Bank and other banks	16,701,375	(1,532,625)
Decrease in financial liabilities at fair value through profit or loss	(8,649,675)	(13,884,297)
Increase in securities sold under repurchase agreements	1,185,556	2,069,455
Decrease in payables	(713,804)	(1,655,932)
Increase in deposits and remittances	165,330,793	102,933,773

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Decrease in provision for employee benefits	\$ (262,807)	\$ (148,244)
Decrease in provisions	(4,521,868)	(958,507)
Increase (decrease) in other financial liabilities	630,352	(241,078)
Increase (decrease) in other liabilities	<u>(1,525,898)</u>	<u>1,607,928</u>
Cash used in operations	(26,821,482)	(48,033,224)
Interest received	62,506,639	57,936,631
Dividends received	1,278,751	848,789
Interest paid	(24,755,629)	(21,667,619)
Income tax paid	<u>(2,321,724)</u>	<u>(2,754,908)</u>
Net cash generated from (used in) operating activities	<u>9,886,555</u>	<u>(13,670,331)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	(3,300)	-
Acquisition of properties and equipment	(1,346,085)	(1,067,542)
Proceeds of the disposal of properties and equipment	20	2
Increase in refundable deposits	(2,660,580)	(2,671,569)
Decrease in refundable deposits	2,999,539	2,202,405
Acquisition of intangible assets	(256,888)	(205,869)
Proceeds of the disposal of collaterals assumed	153,121	-
Acquisition of collaterals assumed	(707)	-
Acquisition of investment properties	(1,140,832)	(927,438)
Proceeds of the disposal of investment properties	16,123	2,971
Increase in other assets	(29,622)	(12,108)
Decrease in other assets	<u>12,026</u>	<u>-</u>
Net cash used in investing activities	<u>(2,257,185)</u>	<u>(2,679,148)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in commercial paper issued	5,015,000	440,000
Proceeds of the issuance of bank debentures	11,000,000	5,000,000
Repayments of bank debentures	(1,000,000)	(14,610,000)
Increase in other borrowings	30,713,086	23,025,477
Decrease in other borrowings	(29,674,701)	(21,387,773)
Increase in guarantee deposits received	1,541,527	644,037
Decrease in guarantee deposits received	(805,519)	(911,948)
Repayments of the principal portion of lease liabilities	(586,186)	-
Increase in other liabilities	29,568	6,609
Dividends paid	(9,426,589)	(9,152,028)
Changes in non-controlling interests	<u>(102,069)</u>	<u>(103,480)</u>
Net cash generated from (used in) financing activities	<u>6,704,117</u>	<u>(17,049,106)</u>

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	<b>2019</b>	<b>2018</b>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>2,293,579</u>	\$ <u>881,578</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,627,066	(32,517,007)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>73,678,540</u>	<u>106,195,547</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 90,305,606</u>	<u>\$ 73,678,540</u>

Cash and cash equivalent reconciliations:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 60,006,782	\$ 57,203,098
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	28,862,495	14,589,128
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>1,436,329</u>	<u>1,886,314</u>
Cash and cash equivalents, end of the year	<u>\$ 90,305,606</u>	<u>\$ 73,678,540</u>

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

(Concluded)



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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, an offshore banking unit (OBU), 12 overseas branches, 8 overseas sub-branches and 2 representative offices as of December 31, 2019.

The operations of TCB's Trust Department are (1) planning, managing and operating the trust business and (2) custodianship of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Law and Trust Law of the ROC.

TCB merged with the Farmers Bank of China (FBC) on May 1, 2006, with TCB as the survivor entity.

On December 2, 2011, TCB spun off its Security Department for the establishment of Taiwan Cooperative Securities Co., Ltd. (TCS). TCS issued new common shares to TCFHC and became its 100% subsidiary. TCS primarily (a) brokers securities; (b) deals securities; (c) underwrites securities; (d) provides pecuniary and securities financing facilities for the trading of listed securities; (e) trading of futures introducing broker business; (f) futures proprietary trading business; (g) does other business as approved by the authorities.

TCBF, established on May 13, 1998, has a head office in Taipei and a branch in Kaohsiung. TCBF engages in (a) brokering and dealing short-term bills; (b) underwriting commercial paper; (c) acting as registrar of commercial paper; (d) providing guarantees on or endorsements of commercial paper and bank acceptance; (e) brokering call loans between financial institutions; (f) providing consulting services on corporate financial matters; (g) brokering and dealing government bonds; (h) underwriting, brokering and dealing bank debentures; (i) dealing corporate bonds; (j) investment related equity instruments; (k) other operations approved by the authorities.

CAM was established on October 18, 2005; its main businesses are the purchase, appraisal, auction and management of financial institutions' creditors' rights as well as the purchase of accounts receivable and management of overdue receivables. To enhance capital allocation and increase the benefits of capital use, the board of directors of CAM decided to merge CAM and its subsidiary, Cooperative I Asset Management Co., Ltd. The effective date of the merger was December 1, 2014. In this merger, CAM was the survivor entity.

Cooperative Insurance Brokers Co., Ltd. (CIB) was established on November 25, 2005; it is engaged in life and property insurance brokering. In order to integrate resources and enhance operating effectiveness, the board of directors of TCB and CIB decided to merge TCB with CIB. The effective date of the merger was June 24, 2016. In this merger, TCB was the survivor entity.

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

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

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

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

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

As of December 31, 2019 and 2018, TCFHC and its subsidiaries (the Company) had 9,430 and 9,140 employees, respectively.

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

## **2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by TCFHC's board of directors on March 23, 2020.

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

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

Except for the following, the initial application of the above New IFRSs in 2019 and related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and Regulations Governing the Preparation of Financial Reports by Insurance Enterprises did not have any material impact on the Company's accounting policies:

- IFRS 16 "Leases"

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

#### Definition of a lease

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

#### The Company as lessee

The Company recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

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

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

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

The Company as lessor

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

- c. Impact of the new IFRS announced by IASB but not yet endorsed and issued into effect by the FSC and not yet applied by the Company

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

- IFRS 17 “Insurance Contracts”

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

#### Level of aggregation

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

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

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

#### Recognition

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

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

### Measurement

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

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

### Subsequent measurement

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

### Onerous contracts

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

### Premium allocation approach

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

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

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

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

#### Investment contracts with discretionary participation features

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

#### Modification and derecognition

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

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

#### Transition

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

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

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

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

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs as endorsed and issued into effect by the FSC.



## **Basis of Preparation**

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

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

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

## **Basis of Consolidation**

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

## **Foreign-currency Transactions**

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

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

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

### **Classification of Current and Non-current Assets and Liabilities**

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

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

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

### **Cash and Cash Equivalents**

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

### **Financial Instruments**

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

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

## Financial assets

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

### a. Measurement category

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

#### 1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL.

Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

#### 2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other bank, call loans to securities firms, receivables and discounts and debt instruments are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a) Purchased or originated credit-impaired financial asset, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- b) Financial asset that has subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest revenue calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is overdue for at least 90 days unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

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

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

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

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

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

c. Derecognition of financial assets

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the TCFHC's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the TCFHC's own equity instruments.

Financial liabilities

1) Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

a) Financial liabilities at FVTPL

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

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 43.

b) Financial guarantee contracts

The Company measures financial guarantee contract issued at the higher of:

- i. The amount of the loss allowance determined in accordance with IFRS 9 endorsed by the FSC; and
- ii. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15 endorsed by the FSC.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and the “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Company are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization recognized.

2) Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company’s obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

### **Overdue Loans**

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

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

### **Purchase on Margin and Short Sale**

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

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

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

Loans to customers for purchases in margin is recorded as overdue loans when the following events have occurred:

- a. The margin ratio of credit transactions is below the regulatory ratio after the disposal of securities, and the security investors do not repay part of loans to customers for purchases on margin within the deadlines.
- b. The security investors cannot disposal the securities of credit transactions and actively deal with the securities without substantial progress in six months.

### **Securities Purchased/Sold Under Resell/Repurchase Agreements**

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense on an accrual basis.



## **Security Lending**

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

## **Investment in Associates and Joint Ventures**

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

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

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

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

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

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

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

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

### **Investment Properties**

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

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

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

### **Reinsurance Contracts**

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

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

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

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

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

## **Properties and Equipment**

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses. Before January 1, 2019, properties and equipment also included assets held under finance leases.

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

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

## **Leasing**

### 2019

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

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

#### a. The Company as lessor

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

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

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

#### b. The Company as lessee

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

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

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

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

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

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

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

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

### a. The Company as lessor

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in an operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis. Lease incentives included in a finance lease are recognized as a reduction of minimum lease payments.

b. The Company as lessee

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

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

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

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

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

## **Goodwill**

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

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

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

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

## **Intangible Assets Other Than Goodwill**

### Separate acquisition

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

### Acquisition as part of a business combination

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

### Derecognition

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

## **Impairment of Tangible and Intangible Assets Other Than Goodwill**

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

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

## **Investment-linked Products**

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

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

## **Foreclosed Collaterals**

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

## **Provisions**

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

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

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

### Life policy reserve

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

### Unearned premium reserve

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

### Claim reserve

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

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

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

- b. Injury insurance

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

### Deficiency reserve

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

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

### Reserve for liability adequacy

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

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

### Insurance contract with financial instrument features

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

### Reserve for foreign exchange valuation

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

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

- a. Special reserve is reclassified to reserve for foreign exchange valuation for three years from the reclassification date. For the first year, the amount cannot be less than one third of the initial amount of net income. For the first two years, the cumulative amounts cannot less than two thirds of the initial amount of net income. In this reclassification, the recovered amount should be calculated in accordance with Regulations Governing the Reserves by Insurance Enterprises.
- b. Provisions: Except for provisions calculated at the total amounts of foreign investments multiplied by the ratio of exposures and the ratio of 0.05 percent, if there is the profit on non-hedging foreign exchange assets, the Company should provide a reserve at 50 percent of the profit.
- c. Write-off amounts: The loss on foreign exchange of the assets without hedge should be written off against the reserve at 50 percent of the loss. The balance of the reserve at the end of a month cannot be less than 20 percent of the amount of the end of the previous year’s cumulative balances. The cumulative balance in 2012 refers to the initial amount of the reserve.



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

### **Recognition of Revenue**

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

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

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

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

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

### **Premium Income and Policy Acquisition Cost**

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

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

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

### **Government Grants**

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

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

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

## **Employee Benefits**

### Short-term employee benefits

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

### Retirement benefits

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

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

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

### Preferential interest deposits for employees

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

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

### Termination benefits

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

## **Share-based Payment**

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

## **Taxation**

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

### Current tax

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

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

### Deferred tax

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

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

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

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

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

### Current and deferred tax for the year

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

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

### **Business Combination**

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

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

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

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

### **Classification of Insurance Contracts**

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

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

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

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

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

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

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

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

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

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

### **a. Impairment losses on loans**

Estimated impairment losses on the Company's loans is based on certain assumptions about the percentage of default and expected losses. The Company makes assumptions and selects the input values for the impairment assessment based on prior experience, the current market situation and forward-looking information.

The assessment of impairment loss also takes into consideration the classification of credit assets and the possible impairment losses based on the length of time the loans have become overdue and the status of collection of the collateral. The Company evaluates the amount of impairment losses based on whether the customer's repayments of principal and interest are overdue and the length of time the payments are overdue, the estimate of value of the collateral and the debtor's financial status. If future actual cash flows are lesser than expected, a material impairment loss may arise.

b. Insurance liability and liability adequacy test

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 38,837,415	\$ 22,726,112
Notes and checks in clearing	6,067,358	21,869,459
Due from banks	<u>15,102,009</u>	<u>12,607,527</u>
	<u>\$ 60,006,782</u>	<u>\$ 57,203,098</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2019 and 2018 are shown in the consolidated statements of cash flows.

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Reserves for deposits - account A	\$ 22,529,019	\$ 62,508,712
Reserves for deposits - account B	74,559,407	71,549,801
Reserves for deposits - community financial institutions	60,777,063	58,185,258
Reserves for deposits - foreign-currency deposits	408,912	393,676
Deposits in the Central Bank	39,200,000	39,200,000
Due from the Central Bank - others	22,485,951	12,494,330
Due from the Central Bank - central government agencies' deposits	5,641,409	4,211,689
Call loans to banks	<u>38,215,545</u>	<u>15,927,586</u>
	<u>\$ 263,817,306</u>	<u>\$ 264,471,052</u>

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

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

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Commercial paper	\$ 37,520,824	\$ 29,672,612
Beneficial certificates	5,422,409	4,892,193
Negotiable certificates of deposit	4,999,773	7,049,267
Corporate bonds	4,410,829	3,783,583
Investment in equity instruments	3,285,674	2,018,437
Convertible bonds	1,088,914	1,141,636
Bank debentures	873,028	3,015,334
Acquired loans	303,196	491,654
Government bonds	147,338	2,152,749
Commercial paper contracts with reference rate	4,349	1,987
Currency swap contracts	1,372,738	1,668,499
Interest rate swap contracts	496,817	10,784
Convertible bonds assets swap contracts	181,040	2,101,005
Futures exchange margins	157,086	282,792
Foreign-currency margin contracts	119,049	145,684
Forward contracts	53,994	11,509
Currency option contracts - buy	28,094	12,908
Cross-currency swap contracts	<u>10,666</u>	<u>9,597</u>
Financial assets at fair value through profit or loss	<u>\$ 60,475,818</u>	<u>\$ 58,462,230</u>
<u>Held-for-trading financial liabilities</u>		
Payable - security borrowing	\$ 139,434	\$ 50,235
Securities purchased under resell agreements - short sale	-	100,256
Currency swap contracts	3,796,160	916,402
Currency option contracts - sell	28,278	13,050
Interest rate swap contracts	14,548	415,939
Forward contracts	13,462	127,435
Asset swap options contracts	2,989	17,979
Cross-currency swap contracts	<u>-</u>	<u>7,989</u>
	3,994,871	1,649,285
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 26)	<u>12,052,429</u>	<u>11,483,955</u>
Financial liabilities at fair value through profit or loss	<u>\$ 16,047,300</u>	<u>\$ 13,133,240</u>

As of December 31, 2019 and 2018, financial assets at fair value through profit or loss amounting to \$28,594,352 thousand and \$25,558,693 thousand, respectively, had been sold under repurchase agreements.

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Currency swap contracts	\$ 344,693,125	\$ 468,620,179
Interest rate swap contracts	15,836,460	15,605,012
Forward contracts	6,701,883	9,483,058
Currency option contracts - sell	5,016,696	4,299,752
Currency option contracts - buy	5,016,696	4,299,752
Cross-currency swap contracts	605,798	2,150,028
Foreign-currency margin contracts	644,945	826,095

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

		<b>December 31, 2019</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	Stock index futures	Sell	10	\$ 23,696	\$ 23,988

		<b>December 31, 2018</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	Stock index futures	Sell	102	\$ 198,254	\$ 197,050
	Interest rate futures	Sell	170	624,855	635,060

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

		<b>December 31, 2019</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	Single-stock futures	Buy	19	\$ 8,540	\$ 8,390
	Stock index futures	Buy	7	7,480	7,474
	Interest rate futures	Buy	1	5,425	5,446
	Interest rate futures	Sell	36	232,686	232,585
	Stock index futures	Sell	451	188,670	188,812
	Single-stock futures	Sell	243	46,597	46,597
	Commodity futures	Sell	9	19,743	20,009
	Foreign exchange futures	Sell	2	6,940	6,930



		<b>December 31, 2018</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of</b>	<b>Amounts or</b>	
				<b>Contracts</b>	
				<b>Paid</b>	
				<b>(Charged)</b>	
Futures contracts	Stock index futures	Buy	94	\$ 140,213	\$ 142,205
	Single-stock futures	Buy	43	1,914	1,885
	Commodity futures	Buy	38	51,727	53,001
	Interest rate futures	Sell	144	929,681	935,876
	Stock index futures	Sell	131	186,362	185,238
	Single-stock futures	Sell	44	10,774	10,401
	Commodity futures	Sell	36	67,045	66,214
	Foreign exchange futures	Sell	3	10,385	10,563

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Asset swap contracts	\$ 124,200	\$ 223,400

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Currency swap contracts	\$ 104,930	\$ 421,807
Interest rate swap contracts	600,000	75,200,000

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Currency swap contracts	\$ 11,971,264	\$ 12,976,054

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets at FVTPL</u>		
Beneficial certificates	\$ 4,745,210	\$ 4,292,643
Investment in equity instruments	579,428	550,978

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss on application of IFRS 9	\$ 1,052,931	\$ (39,652)
Less: Profit or loss had IAS 39 been applied	<u>333,797</u>	<u>341,563</u>
Gain or loss on reclassification using the overlay approach	<u>\$ 719,134</u>	<u>\$ (381,215)</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Investment in equity instruments at FVTOCI</u>		
Listed shares and emerging market shares	\$ 12,108,964	\$ 7,026,779
Unlisted shares	<u>5,416,359</u>	<u>4,373,477</u>
	<u>17,525,323</u>	<u>11,400,256</u>
<u>Investments in debt instruments at FVTOCI</u>		
Government bonds	188,054,791	141,610,607
Corporate bonds	110,095,314	100,828,618
Bank debentures	<u>66,180,172</u>	<u>58,053,281</u>
	<u>364,330,277</u>	<u>300,492,506</u>
	<u>\$ 381,855,600</u>	<u>\$ 311,892,762</u>

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

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments in the amounts of \$11,431,960 thousand and \$4,387,211 thousand for the years ended December 31, 2019 and 2018, respectively. The accumulated unrealized valuation loss of financial assets at FVTOCI under other equity in the amount of \$40,742 thousand and \$337,291 thousand have been transferred to retained earnings, respectively.

As of December 31, 2019 and 2018, the Company recognized dividends revenue \$1,064,732 thousand and \$664,050 thousand, respectively, and also derecognized amounts related to investments \$418,114 thousand and \$162,357 thousand, respectively, compared to the amounts held on December 31, 2019 and 2018 which were \$646,622 thousand and \$501,693 thousand, respectively.

As of December 31, 2019 and 2018, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$104,428 thousand and \$93,772 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the years ended December 31, 2019 and 2018 were \$18,856 thousand and \$11,268 thousand, respectively.

As of December 31, 2019 and 2018, financial assets at fair value through other comprehensive income amounting to \$16,124,558 thousand and \$18,985,764 thousand, respectively, had been sold under repurchase agreements.

#### 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Negotiable certificates of deposit in the Central Bank	\$ 386,260,000	\$ 400,180,000
Government bonds	107,778,975	100,069,300
Corporate bonds	43,372,329	38,112,575
Bank debentures	20,207,214	19,807,229
Certificates of deposit	<u>278,907</u>	<u>385,836</u>
	557,897,425	558,554,940
Less: Allowance for impairment loss	<u>48,481</u>	<u>49,056</u>
	<u>\$ 557,848,944</u>	<u>\$ 558,505,884</u>

Impairment loss recognized in profit or loss for the years ended December 31, 2019 and 2018 were \$86 thousand gains and \$3,412 thousand losses, respectively.

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

#### 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,436,329 thousand and \$1,886,314 thousand under resell agreements as of December 31, 2019 and 2018, respectively, will subsequently be sold for \$1,437,169 thousand and \$1,886,999 thousand, respectively.

As of December 31, 2019, securities purchased under resell agreements amounting to \$30,996 thousand had been sold under repurchase agreements.

#### 12. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Accrued interest	\$ 9,704,380	\$ 9,618,041
Margin loans receivable	4,298,212	3,955,680
Credit cards	4,397,510	3,654,314
Settlement consideration	3,155,981	1,979,845
Acceptances	3,139,891	3,533,576
Lease payment receivable	2,793,859	2,320,061
Settlement receivable	2,678,150	1,499,851
Receivable on securities	1,189,001	1,222,451

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Receivables on merchant accounts in the credit card business	\$ 1,051,907	\$ 832,720
Receivables on financing provided	860,467	1,081,279
Accounts receivable	578,130	538,258
Credits receivable	456,459	459,866
Accounts receivable factored without recourse	246,992	456,346
Receivable - separated account	-	155,950
Refundable deposits receivable in leasehold agreements	183,993	183,993
Others	<u>623,479</u>	<u>772,654</u>
	35,358,411	32,264,885
Less: Allowance for possible losses	881,849	817,010
Less: Unrealized interest revenue	<u>191,850</u>	<u>155,070</u>
	<u>\$ 34,284,712</u>	<u>\$ 31,292,805</u>

(Concluded)

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

The changes in the impairment assessment of receivables and allowance for possible losses of credits, credit cards, and accrued interest from debt instruments are summarized below:

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2019	\$ 20,357,759	\$ 44,951	\$ 154,180	\$ 20,556,890
Transfers to				
Lifetime ECL	(22,296)	22,355	(59)	-
Credit-impaired financial assets	(24,604)	(3,402)	28,006	-
12-month ECL	12,146	(11,369)	(777)	-
New financial assets purchased or originated	81,142,604	142,191	120,341	81,405,136
Write-offs	-	-	(35,438)	(35,438)
Derecognition of financial assets in the current reporting period	(80,972,259)	(145,876)	(81,128)	(81,199,263)
Changes in exchange rates and other changes	<u>269,060</u>	<u>-</u>	<u>(121)</u>	<u>268,939</u>
Balance at December 31, 2019	<u>\$ 20,762,410</u>	<u>\$ 48,850</u>	<u>\$ 185,004</u>	<u>\$ 20,996,264</u>

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2018	\$ 22,194,858	\$ 53,206	\$ 184,769	\$ 22,432,833
Transfers to				
Lifetime ECL	(18,479)	18,643	(164)	-
Credit-impaired financial assets	(9,738)	(7,192)	16,930	-
12-month ECL	13,661	(13,263)	(398)	-
New financial assets purchased or originated	45,371,893	128,368	175,648	45,675,909
Write-offs	-	-	(67,856)	(67,856)
Derecognition of financial assets in the current reporting period	(48,307,278)	(134,812)	(154,783)	(48,596,873)
Change in exchange rates and other changes	<u>1,112,842</u>	<u>1</u>	<u>34</u>	<u>1,112,877</u>
Balance at December 31, 2018	<u>\$ 20,357,759</u>	<u>\$ 44,951</u>	<u>\$ 154,180</u>	<u>\$ 20,556,890</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2019	\$ 47,086	\$ 11,458	\$ 36,154	\$ 94,698	\$ 105,414	\$ 200,112
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(343)	351	(8)	-	-	-
Credit-impaired financial assets	(643)	(780)	1,423	-	-	-
12-month ECL	3,113	(2,817)	(296)	-	-	-
Derecognition of financial assets in the current reporting period	(48,114)	(52,183)	(40,895)	(141,192)	-	(141,192)
Reversal from financial instruments recognized at the beginning of the current reporting period	4,380	9,645	34,070	48,095	-	48,095
New financial assets purchased or originated	37,757	48,195	84,360	170,312	-	170,312
Difference of impairment loss under regulations	-	-	-	-	43,981	43,981
Write-offs	-	-	(35,438)	(35,438)	-	(35,438)
Recovery of written-off receivables	-	-	4,867	4,867	-	4,867
Changes in exchange rates and other changes	<u>6,262</u>	<u>-</u>	<u>(6,949)</u>	<u>(687)</u>	<u>-</u>	<u>(687)</u>
Balance at December 31, 2019	<u>\$ 49,498</u>	<u>\$ 13,869</u>	<u>\$ 77,288</u>	<u>\$ 140,655</u>	<u>\$ 149,395</u>	<u>\$ 290,050</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2018	\$ 46,423	\$ 12,867	\$ 61,448	\$ 120,738	\$ 97,016	\$ 217,754
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(408)	425	(17)	-	-	-
Credit-impaired financial assets	(251)	(639)	890	-	-	-
12-month ECL	2,484	(2,431)	(53)	-	-	-
Derecognition of financial assets in the current reporting period	(47,168)	(47,458)	(101,085)	(195,711)	-	(195,711)
Reversal from financial instruments recognized at the beginning of the current reporting period	76,055	5,141	41,943	123,139	-	123,139

(Continued)

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
New financial assets purchased or originated	\$ 49,155	\$ 43,552	\$ 38,543	\$ 131,250	\$ -	\$ 131,250
Difference of impairment loss under regulations	-	-	-	-	8,398	8,398
Write-offs	-	-	(67,856)	(67,856)	-	(67,856)
Recovery of written-off receivables	-	-	68,020	68,020	-	68,020
Change in exchange rates and other changes	<u>(79,204)</u>	<u>1</u>	<u>(5,679)</u>	<u>(84,882)</u>	<u>-</u>	<u>(84,882)</u>
Balance at December 31, 2018	<u>\$ 47,086</u>	<u>\$ 11,458</u>	<u>\$ 36,154</u>	<u>\$ 94,698</u>	<u>\$ 105,414</u>	<u>\$ 200,112</u>

(Concluded)

Impairment assessment, except the above receivables was based on the expected credit loss model at the beginning of the current reporting period by the simplified method. On December 31, 2019 and 2018, the amounts of impairment of receivables were assessed as \$14,362,147 thousand and \$11,707,995 thousand, respectively, and the amounts of allowance for possible losses were \$591,799 thousand and \$616,898 thousand, respectively.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance, January 1	\$ 616,898	\$ 601,913
Provision for possible losses	20,445	8,217
Write-offs	(51,109)	-
Recovery of written-off receivables	7,464	7,469
Effects of exchange rate changes	<u>(1,899)</u>	<u>(701)</u>
Balance, December 31	<u>\$ 591,799</u>	<u>\$ 616,898</u>

### 13. DISCOUNTS AND LOANS, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Bills discounted	\$ 1,958,364	\$ 2,342,530
Overdraft		
Unsecured	76,441	116,491
Secured	33,123	67,220
Import and export negotiations	593,669	480,986
Short-term loans		
Unsecured	303,476,993	270,175,609
Accounts receivable financing	417,844	599,595
Secured	215,171,974	203,826,944
Medium-term loans		
Unsecured	337,513,275	305,619,561
Secured	308,947,041	291,276,124
Long-term loans		
Unsecured	30,990,954	27,650,364
Secured	1,015,513,426	979,349,185

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Overdue loans	\$ 5,847,989	\$ 5,056,933
Life insurance loan	713,885	747,084
Temporary insurance paid	<u>49,902</u>	<u>41,042</u>
	2,221,304,880	2,087,349,668
Less: Allowance for possible losses	27,376,392	26,398,310
Less: Adjustment of discount	<u>511,471</u>	<u>463,549</u>
	<u><u>\$ 2,193,417,017</u></u>	<u><u>\$ 2,060,487,809</u></u>

(Concluded)

The changes in gross carrying amount and allowance for possible losses of discounts and loans are summarized below:

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2019	\$ 2,051,978,195	\$ 2,960,372	\$ 32,411,101	\$ 2,087,349,668
Transfers to				
Lifetime ECL	(1,585,621)	1,608,715	(23,094)	-
Credit-impaired financial assets	(16,290,101)	(642,969)	16,933,070	-
12-month ECL	2,204,661	(832,746)	(1,371,915)	-
New financial assets purchased or originated	959,260,441	214,362	399,104	959,873,907
Write-offs	-	-	(4,615,713)	(4,615,713)
Derecognition of financial assets in the current reporting period	(803,537,154)	(811,554)	(6,039,315)	(810,388,023)
Changes in exchange rates and other changes	<u>(10,888,112)</u>	<u>28,258</u>	<u>(55,105)</u>	<u>(10,914,959)</u>
Balance at December 31, 2019	<u><u>\$ 2,181,142,309</u></u>	<u><u>\$ 2,524,438</u></u>	<u><u>\$ 37,638,133</u></u>	<u><u>\$ 2,221,304,880</u></u>

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2018	\$ 1,991,651,844	\$ 6,619,720	\$ 30,231,174	\$ 2,028,502,738
Transfers to				
Lifetime ECL	(2,056,359)	2,108,509	(52,150)	-
Credit-impaired financial assets	(8,162,762)	(1,407,495)	9,570,257	-
12-month ECL	3,788,022	(3,577,292)	(210,730)	-
New financial assets purchased or originated	876,122,377	294,010	3,954,613	880,371,000
Write-offs	(319,050)	(148,252)	(3,641,155)	(4,108,457)
Derecognition of financial assets in the current reporting period	(813,770,824)	(903,980)	(7,434,652)	(822,109,456)
Change in exchanges and other changes	<u>4,724,947</u>	<u>(24,848)</u>	<u>(6,256)</u>	<u>4,693,843</u>
Balance at December 31, 2018	<u><u>\$ 2,051,978,195</u></u>	<u><u>\$ 2,960,372</u></u>	<u><u>\$ 32,411,101</u></u>	<u><u>\$ 2,087,349,668</u></u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2019	\$ 3,785,613	\$ 9,005	\$ 4,570,540	\$ 8,365,158	\$ 18,033,152	\$ 26,398,310
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(1,122)	3,932	(2,810)	-	-	-
Credit-impaired financial assets	(635,422)	(5,974)	641,396	-	-	-
12-month ECL	99,119	8,618	(107,737)	-	-	-
Derecognition of financial assets in the current reporting period	(2,134,565)	(1,864)	(848,608)	(2,985,037)	-	(2,985,037)
Reversal from financial instruments recognized at the beginning of the current reporting period	377,349	(1,165)	4,316,225	4,692,409	-	4,692,409
New financial assets purchased or originated	2,878,437	803	88,164	2,967,404	-	2,967,404
Difference of impairment loss under regulations	-	-	-	-	(845,456)	(845,456)
Write-offs	-	-	(4,615,713)	(4,615,713)	-	(4,615,713)
Recovery of write-off credits	-	-	1,858,469	1,858,469	-	1,858,469
Changes in exchange rates and other changes	14,065	1,797	(109,856)	(93,994)	-	(93,994)
Balance at December 31, 2019	<u>\$ 4,383,474</u>	<u>\$ 15,152</u>	<u>\$ 5,790,070</u>	<u>\$ 10,188,696</u>	<u>\$ 17,187,696</u>	<u>\$ 27,376,392</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2018	\$ 3,366,360	\$ 36,992	\$ 5,674,719	\$ 9,078,071	\$ 16,113,076	\$ 25,191,147
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(1,322)	6,765	(5,443)	-	-	-
Credit-impaired financial assets	(92,599)	(8,114)	100,713	-	-	-
12-month ECL	41,052	(21,841)	(19,211)	-	-	-
Derecognition of financial assets in the current reporting period	(1,893,794)	(3,003)	(1,606,715)	(3,503,512)	-	(3,503,512)
Reversal from financial instruments recognized at the beginning of the current reporting period	211,204	144,565	2,356,094	2,711,863	-	2,711,863
New financial assets purchased or originated	2,368,976	1,694	738,311	3,108,981	-	3,108,981
Difference of impairment loss under regulations	-	-	-	-	1,920,076	1,920,076
Write-offs	(319,050)	(148,252)	(3,641,155)	(4,108,457)	-	(4,108,457)
Recovery of write-off credits	-	-	983,259	983,259	-	983,259
Change in exchange rates and other changes	104,786	199	(10,032)	94,953	-	94,953
Balance at December 31, 2018	<u>\$ 3,785,613</u>	<u>\$ 9,005</u>	<u>\$ 4,570,540</u>	<u>\$ 8,365,158</u>	<u>\$ 18,033,152</u>	<u>\$ 26,398,310</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Provision for possible losses on discounts and loans	\$ 3,829,320	\$ 4,237,408
Provision for possible losses on receivables	141,641	75,293
Provision for possible losses on overdue receivables	41,042	37,584
Provision (reversal of provision) for possible losses on guarantees	54,961	(1,464)
Provision (reversal of provision) for possible losses on loan commitment	42,487	(3,707)
Provision for other possible losses	<u>8,504</u>	<u>10,144</u>
	<u>\$ 4,117,955</u>	<u>\$ 4,355,258</u>



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

As of December 31, 2019 and 2018, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$133,989 thousand and \$119,914 thousand for the years ended December 31, 2019 and 2018, respectively, based on the average loan interest rate for the year.

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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>Percentage of Ownership</b>	<b>Amount</b>	<b>Percentage of Ownership</b>
<u>Investment in associate</u>				
United Real Estate Management Co., Ltd.	\$ 131,500	30.00	\$ 127,094	30.00
Mesh Cooperative Ventures, Inc.	<u>3,294</u>	33.00	<u>-</u>	-
	<u>\$ 134,794</u>		<u>\$ 127,094</u>	

Aggregate information of associate that is not individually material:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Company's share of:		
Net income	\$ 10,469	\$ 11,346
Other comprehensive income	<u>-</u>	<u>(3,034)</u>
Total comprehensive income for the period	<u>\$ 10,469</u>	<u>\$ 8,312</u>

The Company should have received \$6,069 thousand and \$5,564 thousand of dividends from United Real Estate Management Co., Ltd. for the years ended December 31, 2019 and 2018, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

Except for United Real Estate Management Co., Ltd., the Company's share of profit or loss and other comprehensive income of the associates accounted for using equity method for the years ended December 31, 2019 and 2018 were based on the associates' financial statements that have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the associates that have not been audited.

## 15. OTHER FINANCIAL ASSETS, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Overdue receivables	\$ 99,024	\$ 142,683
Less: Allowance for possible losses	<u>91,249</u>	<u>108,532</u>
Overdue receivables, net	7,775	34,151
Due from banks	19,150,780	18,980,261
Security borrowing margin	209,516	98,575
Separate-account assets (Note 30)	<u>109,228,185</u>	<u>91,245,818</u>
	<u>\$ 128,596,256</u>	<u>\$ 110,358,805</u>

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

## 16. INVESTMENT PROPERTIES, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 8,149,105	\$ 7,207,192
Buildings	<u>2,677,336</u>	<u>2,289,347</u>
	<u>\$ 10,826,441</u>	<u>\$ 9,496,539</u>

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	695,274	445,558	1,140,832
Disposals	(9,600)	(5,051)	(14,651)
Transferred from properties and equipment	256,239	106,677	362,916
Reclassification	<u>-</u>	<u>(21,385)</u>	<u>(21,385)</u>
Balance at December 31, 2019	<u>\$ 8,149,105</u>	<u>\$ 3,632,616</u>	<u>\$ 11,781,721</u>
Balance at January 1, 2018	\$ 6,532,839	\$ 2,610,676	\$ 9,143,515
Additions	501,850	425,588	927,438
Disposals	(1,451)	(530)	(1,981)
Transferred from properties and equipment	<u>173,954</u>	<u>71,083</u>	<u>245,037</u>
Balance at December 31, 2018	<u>\$ 7,207,192</u>	<u>\$ 3,106,817</u>	<u>\$ 10,314,009</u>

(Continued)

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Disposals	-	(654)	(654)
Depreciation expenses	-	85,191	85,191
Transferred from properties and equipment	<u>-</u>	<u>53,273</u>	<u>53,273</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 955,280</u>	<u>\$ 955,280</u>
Balance at January 1, 2018	\$ -	\$ 716,811	\$ 716,811
Disposals	-	(166)	(166)
Depreciation expenses	-	68,783	68,783
Transferred from properties and equipment	<u>-</u>	<u>32,042</u>	<u>32,042</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 817,470</u>	<u>\$ 817,470</u>

(Concluded)

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

Main buildings	5 to 50 years
Equipment installed in buildings	5 to 15 years

As of December 31, 2019 and 2018, the fair value of investment properties was \$25,209,392 thousand and \$24,204,429 thousand, respectively. The fair value was determined through calculations using the market value method and estimates based on market quotes.

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Rental income from investment properties (part of other noninterest gains, net)	\$ 504,944	\$ 407,846
Direct operating expenses for investment properties that generate rental income	<u>(145,470)</u>	<u>(132,773)</u>
	<u>\$ 359,474</u>	<u>\$ 275,073</u>

Lease agreements on investment properties owned by the Company and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2019 and 2018, guarantee deposits on these leases totaled \$95,043 thousand, \$84,704 thousand, respectively. Minimum future annual rentals are as follows:

	<b>December 31, 2019</b>
Year 1	\$ 409,542
Year 2	344,075
Year 3	316,310
Year 4	219,299
Year 5	186,163
Over five years	<u>415,132</u>
	<u>\$ 1,890,521</u>
	<b>December 31, 2018</b>
Within one year	\$ 417,145
One to five years	1,237,639
Over five years	<u>833,163</u>
	<u>\$ 2,487,947</u>

## 17. PROPERTIES AND EQUIPMENT, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Carrying amount</u>		
Land	\$ 20,715,350	\$ 20,933,668
Buildings	11,281,242	11,662,068
Machinery and equipment	1,022,181	440,852
Transportation equipment	103,116	79,383
Other equipment	238,354	233,601
Leasehold improvements	156,569	137,003
Leased assets	-	21,298
Prepayments for equipment, land and buildings and construction in progress	<u>254,681</u>	<u>316,634</u>
	<u>\$ 33,771,493</u>	<u>\$ 33,824,507</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
<b>Cost</b>									
Balance at January 1, 2019	\$ 20,948,845	\$ 19,063,052	\$ 4,307,593	\$ 623,596	\$ 1,360,114	\$ 953,168	\$ 26,125	\$ 316,634	\$ 47,599,127
Effect of IFRS 16 retrospective application	-	-	-	-	-	-	(26,125)	-	(26,125)
Balance at January 1, 2019 as restated	20,948,845	19,063,052	4,307,593	623,596	1,360,114	953,168	-	316,634	47,573,002
Additions	430	253,798	478,220	44,352	77,131	53,710	-	438,444	1,346,085
Disposals	-	(5,284)	(368,298)	(34,227)	(39,194)	(10,290)	-	-	(457,293)
Reclassification	37,554	81,357	333,515	3,951	7,697	23,891	-	(489,168)	(1,203)
Transferred to investment properties	(256,239)	(106,677)	-	-	-	-	-	-	(362,916)
Transferred to intangible assets	-	-	-	-	-	-	-	(11,157)	(11,157)
Effects of exchange rate changes	(63)	(135)	(3,634)	(642)	(1,352)	(2,562)	-	(72)	(8,460)
Balance at December 31, 2019	<u>\$ 20,730,527</u>	<u>\$ 19,286,111</u>	<u>\$ 4,747,396</u>	<u>\$ 637,030</u>	<u>\$ 1,404,396</u>	<u>\$ 1,017,917</u>	<u>\$ -</u>	<u>\$ 254,681</u>	<u>\$ 48,078,058</u>
Balance at January 1, 2018	\$ 21,122,708	\$ 18,675,258	\$ 4,592,586	\$ 648,149	\$ 1,311,963	\$ 904,230	\$ 13,352	\$ 112,527	\$ 47,380,773
Additions	-	440,525	86,037	14,757	82,542	68,926	12,773	361,982	1,067,542
Disposals	-	-	(434,647)	(39,605)	(82,384)	(30,378)	-	-	(587,014)
Reclassification	-	18,095	60,697	-	47,076	9,544	-	(135,534)	(122)
Transferred to investment properties	(173,954)	(71,016)	-	-	-	-	-	(67)	(245,037)
Transferred to intangible assets	-	-	-	-	-	-	-	(22,302)	(22,302)
Effects of exchange rate changes	91	190	2,920	295	917	846	-	28	5,287
Balance at December 31, 2018	<u>\$ 20,948,845</u>	<u>\$ 19,063,052</u>	<u>\$ 4,307,593</u>	<u>\$ 623,596</u>	<u>\$ 1,360,114</u>	<u>\$ 953,168</u>	<u>\$ 26,125</u>	<u>\$ 316,634</u>	<u>\$ 47,599,127</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2019	\$ 15,177	\$ 7,400,984	\$ 3,866,741	\$ 544,213	\$ 1,126,513	\$ 816,165	\$ 4,827	\$ -	\$ 13,774,620
Effect of IFRS 16 retrospective application	-	-	-	-	-	-	(4,827)	-	(4,827)
Balance at January 1, 2019 as restated	15,177	7,400,984	3,866,741	544,213	1,126,513	816,165	-	-	13,769,793
Disposals	-	(5,284)	(365,567)	(34,214)	(39,175)	(10,290)	-	-	(454,530)
Depreciation expenses	-	662,562	227,169	23,581	81,689	57,543	-	-	1,052,544
Transferred to investment properties	-	(53,273)	-	-	-	-	-	-	(53,273)
Effects of exchange rate changes	-	(120)	(3,128)	334	(2,985)	(2,070)	-	-	(7,969)
Balance at December 31, 2019	<u>\$ 15,177</u>	<u>\$ 8,004,869</u>	<u>\$ 3,725,215</u>	<u>\$ 533,914</u>	<u>\$ 1,166,042</u>	<u>\$ 861,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,306,565</u>
Balance at January 1, 2018	\$ 15,177	\$ 6,779,143	\$ 4,011,489	\$ 553,023	\$ 1,130,910	\$ 793,214	\$ 1,748	\$ -	\$ 13,284,704
Disposals	-	-	(432,685)	(39,602)	(82,252)	(28,683)	-	-	(583,222)
Depreciation expenses	-	653,734	285,396	30,634	77,161	51,012	3,079	-	1,101,016
Transferred to investment properties	-	(32,042)	-	-	-	-	-	-	(32,042)
Effects of exchange rate changes	-	149	2,541	158	694	622	-	-	4,164
Balance at December 31, 2018	<u>\$ 15,177</u>	<u>\$ 7,400,984</u>	<u>\$ 3,866,741</u>	<u>\$ 544,213</u>	<u>\$ 1,126,513</u>	<u>\$ 816,165</u>	<u>\$ 4,827</u>	<u>\$ -</u>	<u>\$ 13,774,620</u>

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

Properties and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	
Main buildings	37 to 50 years
Equipment installed in buildings	10 to 15 years
Machinery and equipment	3 to 10 years
Transportation equipment	4 to 10 years
Other equipment	2 to 20 years
Leasehold improvements	2 to 10 years
Leased assets	7 to 10 years

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for properties and equipment. The discount rates for the CGUs' value in use were 7.54% and 8.69% as of December 31, 2019 and 2018, respectively.

## 18. LEASE ARRANGEMENTS

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

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 14,838
Buildings	1,623,628
Transportation equipment	63,519
Other equipment	<u>21,627</u>
	<u>\$ 1,723,612</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 717,279</u>
Depreciation charge for right-of-use assets	
Land	\$ 2,625
Buildings	546,802
Transportation equipment	27,848
Other equipment	<u>4,498</u>
	<u>\$ 581,773</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
Carrying amounts	<u>\$ 1,651,391</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land	1.617%-1.627%
Buildings	1.615%-9.800%
Transportation equipment	1.040%-8.880%
Other equipment	2.445%-4.000%

### c. Material lease-in activities - 2019

The Company signed lease agreements on office premises due to operating activities. Rentals are calculated on the basis of leased areas and are receivable monthly, quarterly or semiannually. As of December 31, 2019, refundable deposits on these leases totaled \$135,333 thousand.

d. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 70,510</u>
Expenses relating to low-value asset leases	<u>\$ 3,674</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,020</u>
Total cash outflow for leases	<u>\$ (672,727)</u>

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

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied was \$61,375 thousand as of December 31, 2019.

2018

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

	<b>December 31, 2018</b>
Within one year	\$ 591,680
One to five years	1,207,933
Over five years	<u>133,169</u>
	<u>\$ 1,932,782</u>

The lease payments recognized as expenses are as follows:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	\$ 632,476
Contingent rentals	<u>1,083</u>
	<u>\$ 633,559</u>

## 19. INTANGIBLE ASSETS

	<b>December 31</b>		
	<b>2019</b>	<b>2018</b>	
Goodwill	\$ 3,170,005	\$ 3,170,005	
Computer software	<u>541,713</u>	<u>461,030</u>	
	<u>\$ 3,711,718</u>	<u>\$ 3,631,035</u>	
	<b>Goodwill</b>	<b>Computer Software</b>	<b>Total</b>
Balance at January 1, 2019	\$ 3,170,005	\$ 461,030	\$ 3,631,035
Separate acquisition	-	256,888	256,888
Amortization expenses	-	(184,837)	(184,837)
Reclassification	-	11,157	11,157
Effect of exchange rate changes	<u>-</u>	<u>(2,525)</u>	<u>(2,525)</u>
Balance at December 31, 2019	<u>\$ 3,170,005</u>	<u>\$ 541,713</u>	<u>\$ 3,711,718</u>
Balance at January 1, 2018	\$ 3,170,005	\$ 418,485	\$ 3,588,490
Separate acquisition	-	205,869	205,869
Amortization expenses	-	(169,447)	(169,447)
Reclassification	-	22,302	22,302
Effect of exchange rate changes	<u>-</u>	<u>(16,179)</u>	<u>(16,179)</u>
Balance at December 31, 2018	<u>\$ 3,170,005</u>	<u>\$ 461,030</u>	<u>\$ 3,631,035</u>

Computer software with limited useful lives is amortized on a straight-line basis over their useful lives of 3 to 10 years.

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 7.54% and 8.69% as of December 31, 2019 and 2018, respectively.

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

## 20. OTHER ASSETS, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Refundable deposits	\$ 1,557,376	\$ 1,862,013
Operating deposits and settlement funds	721,456	699,596
Prepaid expenses	1,266,353	339,299
Collaterals assumed, net	119,389	255,144
Others	<u>109,802</u>	<u>121,086</u>
	<u>\$ 3,774,376</u>	<u>\$ 3,277,138</u>



As of December 31, 2019, prepaid expenses included that TCB invested in overseas branch in the amounts of \$1,038,095 thousand.

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Due to banks	\$ 142,115,517	\$ 138,794,751
Call loans from banks	98,312,219	84,072,185
Bank overdraft	1,523,969	1,569,412
Deposits from Chunghwa Post Co., Ltd.	589,604	1,474,134
Due to the Central Bank	<u>424,872</u>	<u>354,324</u>
	<u>\$ 242,966,181</u>	<u>\$ 226,264,806</u>

## 22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$45,554,849 thousand and \$44,369,293 thousand under repurchase agreements as of December 31, 2019 and 2018, respectively, would subsequently be purchased for \$45,574,470 thousand and \$44,391,054 thousand, respectively.

## 23. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$31,125,000 thousand and \$26,110,000 thousand and the annual discount rates were from 0.668% to 1.008% and from 0.658% to 1.088% as of December 31, 2019 and 2018, respectively, and the commercial paper will mature by March 11, 2020 and March 5, 2019, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of December 31, 2019, the Company had not used the amount of \$63,605,222 thousand, the sum of the amount of the commercial paper issued and the credit.

## 24. PAYABLES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Accrued interest	\$ 6,302,176	\$ 5,390,930
Checks for clearing	6,067,358	21,869,459
Accrued expenses	5,850,263	5,316,528
Collections payable	4,868,304	4,382,105
Collections of notes and checks for various financial institutions in other cities	4,661,873	733,967
Separate accounts payable	4,599,943	-
Payables on securities	3,422,615	2,239,059
Acceptances	3,408,518	3,678,990
Settlement payable	3,019,195	1,605,380
Settlement consideration	2,900,712	1,666,905
Payables on notes and checks collected for others	1,493,452	368,090
Tax payable	510,791	493,974
Payables for short-sale transactions	501,921	339,992
Deposits on short-sale transactions	460,612	313,676

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Dividends payable	\$ 339,653	\$ 305,577
Insurance claims and benefits payable	154,881	206,161
Factored accounts payable	85,645	125,071
Others	<u>2,204,397</u>	<u>2,130,472</u>
	<u>\$ 50,852,309</u>	<u>\$ 51,166,336</u> (Concluded)

## 25. DEPOSITS AND REMITTANCES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deposits		
Checking	\$ 45,146,567	\$ 48,864,458
Demand	552,317,584	512,077,364
Savings - demand	892,650,215	839,919,122
Time	616,547,240	556,156,837
Negotiable certificates of deposit	43,230,113	48,351,856
Savings - time	626,095,579	628,015,834
Treasury	115,377,291	92,894,432
Remittances	<u>440,553</u>	<u>194,446</u>
	<u>\$ 2,891,805,142</u>	<u>\$ 2,726,474,349</u>

## 26. BONDS PAYABLE

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	\$ 1,500,000	\$ 1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000
First non-cumulative perpetual subordinated bonds in 2018: Fixed rated of 2.28%; TCB may exercise its redemption rights after 5 years and 2 months	5,000,000	5,000,000
First non-cumulative perpetual subordinated bonds in 2019: Fixed rated of 1.9%; TCB may exercise its redemption rights after 5 years and 1 months	5,000,000	-
Second unsecured bank debentures bonds in 2019: Fixed rate of 0.69%; maturity - November 28, 2022	1,000,000	-
Third non-cumulative perpetual subordinated bonds in 2019: Fixed rate of 1.45%; TCB may exercise its redemption rights after 5 years and 1 month	<u>5,000,000</u>	<u>-</u>
	<u>\$ 65,000,000</u>	<u>\$ 55,000,000</u> (Concluded)

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,039,290	\$ 8,613,482
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,013,139</u>	<u>2,870,473</u>
	<u>\$ 12,052,429</u>	<u>\$ 11,483,955</u>

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

TCB has obtained approval from the FSC to issue unsecured bank debentures amounting to US\$1,000,000 thousand on November 18, 2019. As of December 31, 2019, the amount of unissued unsecured bank debentures of TCB was US\$1,000,000 thousand.

## 27. OTHER BORROWINGS

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>
Borrowings (Note 23)	<u>\$ 3,432,028</u>	0.900-5.795	<u>\$ 2,425,405</u>	0.860-5.938

## 28. PROVISIONS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Reserve for life insurance liabilities	\$ 27,679,771	\$ 29,414,070
Reserve for insurance contracts with financial instrument features	6,068,784	10,434,066
Provision for employee benefits	6,933,236	6,864,774
Provision for losses on guarantees	1,479,849	1,425,121
Provision for losses on loan commitment	182,585	142,335
Provision for others	34,837	26,721
Other provision for insurance	<u>576,944</u>	<u>523,746</u>
	<u>\$ 42,956,006</u>	<u>\$ 48,830,833</u>

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

	<b>December 31, 2019</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance	\$ 11,066,862	\$ 5,653,456	\$ 16,720,318
Health insurance	606,154	-	606,154
Annuity insurance	-	10,292,255	10,292,255
Investment insurance	<u>60,107</u>	-	<u>60,107</u>
	11,733,123	15,945,711	27,678,834
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,733,123</u>	<u>\$ 15,945,711</u>	<u>\$ 27,678,834</u>

	<b>December 31, 2018</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Life insurance	\$ 11,761,660	\$ 6,195,170	\$ 17,956,830
Health insurance	484,010	-	484,010
Annuity insurance	-	10,901,113	10,901,113
Investment insurance	<u>71,886</u>	<u>-</u>	<u>71,886</u>
	<u>12,317,556</u>	<u>17,096,283</u>	<u>29,413,839</u>
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,317,556</u>	<u>\$ 17,096,283</u>	<u>\$ 29,413,839</u>

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

	<b>For the Year Ended December 31</b>					
	<b>2019</b>			<b>2018</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Balance at January 1	\$ 12,317,556	\$ 17,096,283	\$ 29,413,839	\$ 11,452,624	\$ 19,211,939	\$ 30,664,563
Provision	1,520,252	318,459	1,838,711	1,972,377	407,107	2,379,484
Recovery	<u>(2,104,685)</u>	<u>(1,469,031)</u>	<u>(3,573,716)</u>	<u>(1,107,445)</u>	<u>(2,522,763)</u>	<u>(3,630,208)</u>
Ending balance	11,733,123	15,945,711	27,678,834	12,317,556	17,096,283	29,413,839
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 11,733,123</u>	<u>\$ 15,945,711</u>	<u>\$ 27,678,834</u>	<u>\$ 12,317,556</u>	<u>\$ 17,096,283</u>	<u>\$ 29,413,839</u>

- b. As of December 31, 2019 and 2018, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$27,679,771 thousand and \$29,414,070 thousand, respectively.
- c. Details of liability adequacy reserves are as follows:

	<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Life insurance liability reserve	\$ 27,678,834	\$ 29,413,839
Unearned premium reserve	269,630	233,941
Claims reserve	76,215	44,076
Premium deficiency reserve	<u>579</u>	<u>6,289</u>
Book value of insurance reserve	<u>\$ 28,025,258</u>	<u>\$ 29,698,145</u>
Present value of discounted cash flows	<u>\$ 25,137,472</u>	<u>\$ 26,008,338</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

<b>December 31, 2019 and 2018</b>	
Test method	Total premium measurement method
Tested group	All insurance contracts as a whole
Assumptions	The discount rate assumption for every year was based on the best estimate scenario as well as the rate of return on investment with current information

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Life insurance	<u>\$ 6,068,784</u>	<u>\$ 10,434,066</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 10,434,066	\$ 11,238,116
Insurance claim payments for the period	(4,521,868)	(958,507)
Reserve for insurance contracts with financial instrument features	<u>156,586</u>	<u>154,457</u>
Balance at December 31	<u>\$ 6,068,784</u>	<u>\$ 10,434,066</u>

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve of foreign exchange variation

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	<u>\$ 239,440</u>	<u>\$ 149,520</u>
Provisions		
Compulsory provisions	15,013	9,042
Additional provisions	<u>62,842</u>	<u>108,482</u>
	<u>77,855</u>	<u>117,524</u>
Recovery	<u>(86,775)</u>	<u>(27,604)</u>
Balance at December 31	<u>\$ 230,520</u>	<u>\$ 239,440</u>

3) Impact of the reserve of foreign exchange variation

For the year ended December 31, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 17,605,280	\$ 17,612,416	\$ 7,136
Basic earnings per share (NT\$)	1.33	1.33	-
Reserve of foreign exchange variation	-	230,520	230,520
Equity	227,121,023	226,907,304	(213,719)

For the year ended December 31, 2018

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 16,088,190	\$ 16,016,254	\$ (71,936)
Basic earnings per share (NT\$)	1.25	1.24	(0.01)
Reserve of foreign exchange variation	-	239,440	239,440
Equity	212,694,864	212,474,009	(220,855)

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Reserve for life insurance liabilities, net	\$ (1,735,005)	\$ (1,250,724)
Reserve for insurance contract with financial instrument features, net	156,586	154,457
Others, net	<u>46,699</u>	<u>117,990</u>
	<u>\$ (1,531,720)</u>	<u>\$ (978,277)</u>

g. Provisions for employee benefits are summarized below:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Net defined benefit liabilities	\$ 2,961,625	\$ 2,822,786
Present value of retired employees' preferential interest deposit obligation	<u>3,971,611</u>	<u>4,041,988</u>
	<u>\$ 6,933,236</u>	<u>\$ 6,864,774</u>

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

	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2019	\$ 713,131	\$ 207,387	\$ 18,827	\$ 939,345	\$ 654,832	\$ 1,594,177
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(360)	360	-	-	-	-
Credit-impaired financial assets	(1)	(27)	28	-	-	-
12-month ECL	-	-	-	-	-	-
Derecognition of financial assets in the current reporting period	(151,047)	(361)	(8,127)	(159,535)	-	(159,535)
Reversal from financial instruments recognized at the beginning of the current reporting period	17,697	(103,327)	3,555	(82,075)	-	(82,075)
New financial assets purchased or originated	322,776	-	61,305	384,081	-	384,081
Difference of impairment loss under regulations	-	-	-	-	(36,519)	(36,519)
Change in exchange rates and other changes	(2,858)	-	-	(2,858)	-	(2,858)
Balance at December 31, 2019	<u>\$ 899,338</u>	<u>\$ 104,032</u>	<u>\$ 75,588</u>	<u>\$ 1,078,958</u>	<u>\$ 618,313</u>	<u>\$ 1,697,271</u>

	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 2018	\$ 667,534	\$ 294,665	\$ 30,229	\$ 992,428	\$ 594,508	\$ 1,586,936
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(25)	25	-	-	-	-
Credit-impaired financial assets	(89)	-	89	-	-	-
12-month ECL	-	-	-	-	-	-
Derecognition of financial assets in the current reporting period	(174,552)	(2,605)	(18,886)	(196,043)	-	(196,043)
Reversal from financial instruments recognized at the beginning of the current reporting period	(23,107)	(84,691)	7,380	(100,418)	-	(100,418)
New financial assets purchased or originated	241,095	-	15	241,110	-	241,110
Difference of impairment loss under regulations	-	-	-	-	60,324	60,324
Change in exchange rates and other changes	2,275	(7)	-	2,268	-	2,268
Balance at December 31, 2018	<u>\$ 713,131</u>	<u>\$ 207,387</u>	<u>\$ 18,827</u>	<u>\$ 939,345</u>	<u>\$ 654,832</u>	<u>\$ 1,594,177</u>

## 29. EMPLOYEE BENEFITS PLAN

- a. Defined contribution plan

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Company's monthly contributions to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labor pension accounts at the Bureau of Labor Insurance.



The Company recognized expense of \$211,590 thousand and \$188,727 thousand in the consolidated statement of comprehensive income for the years ended December 31, 2019 and 2018, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 14,005,930	\$ 13,182,777
Fair value of plan assets	<u>(11,049,816)</u>	<u>(10,365,506)</u>
Deficit	2,956,114	2,817,271
Net defined benefit asset (part of other assets)	<u>5,511</u>	<u>5,515</u>
Net defined benefit liability (part of provisions)	<u>\$ 2,961,625</u>	<u>\$ 2,822,786</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2018	<u>\$ 12,736,738</u>	<u>\$ (10,014,951)</u>	<u>\$ 2,721,787</u>
Service cost			
Current service cost	790,653	-	790,653
Net interest expense (revenue)	<u>134,682</u>	<u>(109,202)</u>	<u>25,480</u>
Recognized in profit or loss	<u>925,335</u>	<u>(109,202)</u>	<u>816,133</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(295,053)	(295,053)
Actuarial loss - changes in financial assumptions	130,709	-	130,709
Actuarial loss - experience adjustments	<u>441,733</u>	-	<u>441,733</u>
Recognized in other comprehensive income	<u>572,442</u>	<u>(295,053)</u>	<u>277,389</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Contributions from the employer	\$ -	\$ (998,038)	\$ (998,038)
Benefits paid	<u>(1,051,738)</u>	<u>1,051,738</u>	<u>-</u>
Balance at December 31, 2018	<u>13,182,777</u>	<u>(10,365,506)</u>	<u>2,817,271</u>
Service cost			
Current service cost	771,123	-	771,123
Net interest expense (revenue)	<u>128,338</u>	<u>(105,171)</u>	<u>23,167</u>
Recognized in profit or loss	<u>899,461</u>	<u>(105,171)</u>	<u>794,290</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(367,489)	(367,489)
Actuarial loss - changes in financial assumptions	398,496	-	398,496
Actuarial loss - experience adjustments	<u>300,327</u>	<u>-</u>	<u>300,327</u>
Recognized in other comprehensive income	<u>698,823</u>	<u>(367,489)</u>	<u>331,334</u>
Contributions from the employer	<u>-</u>	<u>(986,781)</u>	<u>(986,781)</u>
Benefits paid	<u>(775,131)</u>	<u>775,131</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 14,005,930</u>	<u>\$ (11,049,816)</u>	<u>\$ 2,956,114</u> (Concluded)

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	0.70%-0.75%	1.00%-1.10%
Expected rate(s) of salary increase	2.00%	2.00%
Expected rate(s) of return on plan asset	0.70%-0.75%	1.00%-1.10%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (333,225)</u>	<u>\$ (321,705)</u>
0.25% decrease	<u>\$ 345,592</u>	<u>\$ 333,988</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 325,167</u>	<u>\$ 315,686</u>
0.25% decrease	<u>\$ (315,439)</u>	<u>\$ (305,895)</u>

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

As of December 31, 2019 and 2018, the expected contributions to the plan for the next year were \$1,050,000 thousand and \$1,000,000 thousand, respectively. As of December 31, 2019 and 2018, the average duration of defined benefit obligation were 9.75 to 11.69 years and 10.01 to 12.59 years, respectively.

c. Employees' preferential deposit plan

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of retired employees' preferential interest deposits obligation (part of provisions)	<u>\$ 3,971,611</u>	<u>\$ 4,041,988</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of retired employees' preferential interest deposits obligation, January 1	\$ 4,041,988	\$ 4,008,321
Interest expense	153,204	155,711
Actuarial losses	622,169	715,807
Benefits paid	<u>(845,750)</u>	<u>(837,851)</u>
Present value of retired employees' preferential interest deposits obligation, December 31	<u>\$ 3,971,611</u>	<u>\$ 4,041,988</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expense	\$ 153,204	\$ 155,711
Actuarial losses	<u>622,169</u>	<u>715,807</u>
Excessive interest of retired employees' preferential interest deposits	<u>\$ 775,373</u>	<u>\$ 871,518</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Account balance diminishing rate per year	1.00%	1.00%
Rate of probability of change in the preferential deposit system	50.00%	50.00%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
1% increase	<u>\$ (273,978)</u>	<u>\$ (284,051)</u>
1% decrease	<u>\$ 314,312</u>	<u>\$ 326,681</u>
Return on deposit		
1% increase	<u>\$ (962,047)</u>	<u>\$ (926,392)</u>
1% decrease	<u>\$ 962,047</u>	<u>\$ 926,392</u>
Account balance diminishing rate per year		
1% increase	<u>\$ (289,598)</u>	<u>\$ (300,225)</u>
1% decrease	<u>\$ 327,836</u>	<u>\$ 340,755</u>
Rate of probability of change in the preferential deposit system		
20% increase	<u>\$ (1,588,645)</u>	<u>\$ (1,616,795)</u>
20% decrease	<u>\$ 1,588,645</u>	<u>\$ 1,616,795</u>

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

### 30. OTHER FINANCIAL LIABILITIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Structured products - host contracts	\$ 2,529,298	\$ 1,905,310
Guarantee deposits received	2,050,163	1,334,404
Appropriation for loans	29,972	23,608
Separate-account liabilities	109,228,185	91,245,818
Lease payables	<u>-</u>	<u>21,861</u>
	<u>\$ 113,837,618</u>	<u>\$ 94,531,001</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Separate-account assets (part of other financial assets)		
Demand deposits	\$ 963,032	\$ 2,476,651
Financial assets at FVTPL	103,107,687	88,282,280
Other receivables		
General accounts receivables	4,599,943	-
Investment settlement receivables	<u>557,523</u>	<u>486,887</u>
	<u>5,157,466</u>	<u>486,887</u>
	<u>\$ 109,228,185</u>	<u>\$ 91,245,818</u>

Separate-account liabilities (part of other financial liabilities)		
Reserve for separate account-insurance contract	\$ 85,224,162	\$ 81,551,911
Reserve for separate account-investment contract	24,004,023	9,537,957
Other payables		
General accounts payables	<u>-</u>	<u>155,950</u>
	<u>\$ 109,228,185</u>	<u>\$ 91,245,818</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Separate-account revenue		
Premium income	\$ 8,549,479	\$ 12,596,351
Gain (loss) on financial assets at FVTPL	5,905,579	(11,994,271)
Loss on foreign exchange	(1,206,566)	(1,818,873)
Interest revenue	<u>2,122</u>	<u>1,966</u>
	<u>\$ 13,250,614</u>	<u>\$ (1,214,827)</u>
Separate-account expense		
Insurance claims and benefits	\$ 7,039,942	\$ 6,927,906
Reserves for separate accounts, net of releases - insurance contract	5,330,590	(8,922,057)
Administrative expenses	<u>880,082</u>	<u>779,324</u>
	<u>\$ 13,250,614</u>	<u>\$ (1,214,827)</u>

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

### 31. OTHER LIABILITIES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Advance receipts	\$ 1,620,591	\$ 3,103,752
Others	<u>114,606</u>	<u>91,155</u>
	<u>\$ 1,735,197</u>	<u>\$ 3,194,907</u>

### 32. NET INTEREST

	<u>For the Year Ended December 31</u>	
	<b>2019</b>	<b>2018</b>
Interest revenue		
From discounts and loans	\$ 45,684,116	\$ 42,985,618
From investments	11,053,406	10,224,343
From due from banks and call loans to other banks	2,538,921	2,844,662
Others	<u>1,183,588</u>	<u>1,090,248</u>
	<u>60,460,031</u>	<u>57,144,871</u>
Interest expense		
From deposits	(20,347,068)	(18,031,070)
From funds borrowed from the Central Bank and other banks	(2,815,489)	(2,155,975)
From subordinated bank debentures	(876,474)	(800,742)
From due to the Central Bank and other banks	(612,383)	(646,742)
From securities sold under repurchase agreements	(293,718)	(279,376)
Others	<u>(169,100)</u>	<u>(123,208)</u>
	<u>(25,114,232)</u>	<u>(22,037,113)</u>
	<u>\$ 35,345,799</u>	<u>\$ 35,107,758</u>

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

	<u>For the Year Ended December 31</u>	
	<b>2019</b>	<b>2018</b>
Service fee and commission revenues		
Trust business	\$ 1,446,916	\$ 1,477,299
Insurance service	1,087,787	1,049,402
Guarantees	905,407	798,337
Loans	838,256	854,849
Investment-linked products	642,132	556,694
Credit cards	590,251	558,681
Brokerage service	407,651	433,571
Management fees	369,827	194,366
Remittance	309,681	321,706
Management fees of investment-linked products	301,716	178,033
Trust affiliated business	293,445	258,911
Cross-bank transactions	289,054	272,793

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Underwriting	\$ 147,270	\$ 106,063
Import/export service	111,598	115,319
Others	<u>592,515</u>	<u>528,155</u>
	<u>8,333,506</u>	<u>7,704,179</u>
Service charge and commission expenses		
From cross-bank transactions	(338,809)	(331,523)
From insurance business	(349,451)	(295,390)
From credit cards	(274,083)	(219,723)
From credit cards acquiring	(126,499)	(118,814)
From custody	(92,199)	(77,807)
Others	<u>(203,409)</u>	<u>(189,087)</u>
	<u>(1,384,450)</u>	<u>(1,232,344)</u>
	<u>\$ 6,949,056</u>	<u>\$ 6,471,835</u>

(Concluded)

#### 34. PREMIUM INCOME, NET

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Separate-account revenue (Note 30)	\$ 13,250,614	\$ (1,214,827)
Premium income	<u>3,819,775</u>	<u>4,304,332</u>
	<u>17,070,389</u>	<u>3,089,505</u>
Separate-account expense (Note 30)	(13,250,614)	1,214,827
Insurance claims and benefits	(3,954,770)	(3,942,075)
Reinsurance premium ceded	(192,442)	(160,400)
Others	<u>(27,192)</u>	<u>(51,665)</u>
	<u>(17,425,018)</u>	<u>(2,939,313)</u>
	<u>\$ (354,629)</u>	<u>\$ 150,192</u>

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

	<b>For the Year Ended December 31, 2019</b>				
	<b>Interest Revenue (Expense)</b>	<b>Gain (Loss) on Disposal</b>	<b>Gain (Loss) on Valuation</b>	<b>Dividend Income</b>	<b>Total</b>
Financial assets mandatorily classified as at fair value through profit or loss	\$ 603,632	\$ 14,012,919	\$ 1,307,496	\$ 208,891	\$ 16,132,938
Held-for-trading financial liabilities	-	(8,993,853)	(2,366,140)	-	(11,359,993)
Financial liabilities designated as at fair value through profit or loss	<u>(602,324)</u>	<u>-</u>	<u>(851,778)</u>	<u>-</u>	<u>(1,454,102)</u>
	<u>\$ 1,308</u>	<u>\$ 5,019,066</u>	<u>\$ (1,910,422)</u>	<u>\$ 208,891</u>	<u>\$ 3,318,843</u>

	<b>For the Year Ended December 31, 2018</b>				
	<b>Interest Revenue (Expense)</b>	<b>Gain (Loss) on Disposal</b>	<b>Gain (Loss) on Valuation</b>	<b>Dividend Income</b>	<b>Total</b>
Financial assets mandatorily classified as at fair value through profit or loss	\$ 581,736	\$ 15,800,046	\$ (1,301,912)	\$ 179,665	\$ 15,259,535
Held-for-trading financial liabilities	-	(13,342,103)	1,283,627	-	(12,058,476)
Financial liabilities designated as at fair value through profit or loss	<u>(566,552)</u>	<u>-</u>	<u>613,084</u>	<u>-</u>	<u>46,532</u>
	<u>\$ 15,184</u>	<u>\$ 2,457,943</u>	<u>\$ 594,799</u>	<u>\$ 179,665</u>	<u>\$ 3,247,591</u>

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

#### a. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employee benefits expenses		
Salaries	\$ 8,721,423	\$ 8,501,570
Incentives	3,283,017	2,913,557
Excessive interest from preferential interest deposits	1,196,971	1,286,602
Post-employment benefits, termination benefits and compensation	1,026,730	1,215,570
Overtime	426,829	432,076
Others	<u>2,132,557</u>	<u>1,985,591</u>
	<u>\$ 16,787,527</u>	<u>\$ 16,334,966</u>

Under the Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the years ended December 31, 2019 and 2018, compensations of employees were estimated at \$2,968 thousand and \$2,301 thousand and the remuneration of directors were estimated at \$94,909 thousand and \$86,104 thousand, respectively, based on the Articles and past experiences.

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

The appropriations of employees' compensation and remuneration of directors for 2019 and 2018 approved by the board of directors on March 23, 2020 and March 25, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation - cash	\$ 2,968	\$ 2,301
Remuneration of directors - cash	94,909	86,104



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

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

b. Depreciation and amortization expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Depreciation expenses	\$ 1,719,508	\$ 1,169,799
Amortization expenses	<u>184,858</u>	<u>169,470</u>
	<u>\$ 1,904,366</u>	<u>\$ 1,339,269</u>

### 37. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
Current year	\$ 3,841,118	\$ 2,340,480
Additional income tax on unappropriated earnings	16,267	-
Additional income tax under the Alternative Minimum Tax Act	-	8,416
Prior year's adjustments	(22,286)	(80,689)
Land revaluation increment tax	<u>296</u>	<u>194</u>
	3,835,395	2,268,401
Deferred tax		
Current year	(722,728)	251,605
Effect of change in tax rate	-	(141,013)
Prior year's adjustment	<u>(1,439)</u>	<u>(13,976)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,111,228</u>	<u>\$ 2,365,017</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Income before income tax	<u>\$ 20,723,644</u>	<u>\$ 18,381,271</u>
Income tax expense at the statutory rate	\$ 4,144,728	\$ 3,676,254
Nondeductible expenses in determining taxable income	35,401	27,104
Tax-exempt income	(1,253,190)	(1,045,758)
Additional income tax under the Alternative Minimum Tax Act	-	8,416
Additional income tax on unappropriated earnings	16,267	-
Land revaluation increment tax	296	194
Unrecognized deductible temporary differences	(66,052)	(139,713)
Effect of different tax rate of overseas entities operating in other jurisdictions	257,503	74,198
Adjustments for prior year's tax	(23,725)	(94,665)
Effect of change in tax rate	<u>-</u>	<u>(141,013)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,111,228</u>	<u>\$ 2,365,017</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings has been reduced from 10% to 5%.

b. Income tax expense (benefit) recognized in other comprehensive income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	\$ (240,119)	\$ 213,777
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	369,361	(194,282)
Other comprehensive income on reclassification of overlay approach	4,300	(1,897)
Effect of change in tax rate	<u>-</u>	<u>(30,968)</u>
Total income tax recognized in other comprehensive income	<u>\$ 133,542</u>	<u>\$ (13,370)</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Current tax assets		
Tax refund receivable	\$ 1,162,359	\$ 1,364,019
Others	<u>69,265</u>	<u>176,570</u>
	<u>\$ 1,231,624</u>	<u>\$ 1,540,589</u>
Current tax liabilities		
Tax payable	\$ 2,165,626	\$ 861,522
Others	<u>19,863</u>	<u>135,917</u>
	<u>\$ 2,185,489</u>	<u>\$ 997,439</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Financial instruments at fair value					
through other comprehensive income	\$ 135,030	\$ -	\$ (135,030)	\$ -	\$ -
Properties and equipment	9,826	(644)	-	-	9,182
Payable for annual leave	101,044	1,963	-	-	103,007
Employee's preferential interest deposit obligation	808,398	(14,076)	-	-	794,322
Other liabilities	5,883	(100)	-	-	5,783
Exchange differences on foreign operations	56,349	-	239,874	-	296,223
Allowance for possible losses	70,154	(14,436)	-	(1,174)	54,554
Collaterals assumed	372	-	-	-	372
Financial instruments at fair value through profit or loss	7,535	497,685	-	-	505,220
Pension liabilities	348	38	-	-	386
Unrealized interest expense	415,068	120,464	-	-	535,532
Unrealized foreign exchange losses	26,590	(10,389)	-	-	16,201
Revenue from disposal of acquired loans	<u>146,355</u>	<u>23,924</u>	<u>-</u>	<u>-</u>	<u>170,279</u>
	<u>\$ 1,782,952</u>	<u>\$ 604,439</u>	<u>\$ 104,844</u>	<u>\$ (1,174)</u>	<u>\$ 2,491,061</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at fair value through profit or loss	\$ 189,567	\$ (187,014)	\$ -	\$ -	\$ 2,553
Financial instruments at fair value through other comprehensive income	-	-	238,631	-	238,631
Intangible assets	428,614	-	-	-	428,614
The reserve for land revaluation increment tax	2,596,230	-	-	-	2,596,230
Exchange differences on foreign operations	245	-	(245)	-	-
Defined benefit obligation	36,348	38,486	-	-	74,834
Investments accounted for using equity method	60,149	28,684	-	-	88,833
Collaterals assumed	466	-	-	-	466
Lease incentive	9,419	2,510	-	-	11,929
Unrealized foreign exchange gains	6,667	(6,667)	-	-	-
Others	6,742	4,273	-	-	11,015
	<u>\$ 3,334,447</u>	<u>\$ (119,728)</u>	<u>\$ 238,386</u>	<u>\$ -</u>	<u>\$ 3,453,105</u>

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through other comprehensive income	\$ -	\$ -	\$ 167,572	\$ -	\$ (32,542)	\$ 135,030
Available-for-sale financial assets	2,957	-	-	-	(2,957)	-
Properties and equipment	8,921	905	-	-	-	9,826
Payable for annual leave	70,741	30,303	-	-	-	101,044
Defined benefit obligation	29	(29)	-	-	-	-
Employee's preferential interest deposit obligation	681,415	126,983	-	-	-	808,398
Other liabilities	4,955	928	-	-	-	5,883
Exchange differences on foreign operations	229,400	-	(173,050)	-	-	56,350
Allowance for possible losses	77,976	(7,304)	-	(519)	-	70,153
Collaterals assumed	316	56	-	-	-	372
Financial instruments at fair value through profit or loss	40,905	(33,370)	-	-	-	7,535

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
Pension liabilities	\$ 488	\$ (140)	\$ -	\$ -	\$ -	\$ 348
Employee benefit	1,020	(1,020)	-	-	-	-
Unrealized interest expense	387,778	27,290	-	-	-	415,068
Unrealized foreign exchange losses	-	26,590	-	-	-	26,590
Revenue from disposal of acquired loans	94,738	51,617	-	-	-	146,355
	<u>\$ 1,601,639</u>	<u>\$ 222,809</u>	<u>\$ (5,478)</u>	<u>\$ (519)</u>	<u>\$ (35,499)</u>	<u>\$ 1,782,952</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 1,229	\$ 188,338	\$ -	\$ -	\$ -	\$ 189,567
Financial instruments at fair value through other comprehensive income	-	-	(19,093)	-	19,093	-
Available-for-sale financial assets	19,093	-	-	-	(19,093)	-
Intangible assets	364,322	64,292	-	-	-	428,614
The reserve for land revaluation increment tax	2,596,230	-	-	-	-	2,596,230
Exchange differences on foreign operations	-	-	245	-	-	245
Defined benefit obligation	-	36,348	-	-	-	36,348
Investments accounted for using equity method	32,884	27,265	-	-	-	60,149
Collaterals assumed	397	69	-	-	-	466
Lease incentive	5,528	3,891	-	-	-	9,419
Unrealized foreign exchange gains	-	6,667	-	-	-	6,667
Others	14,187	(7,445)	-	-	-	6,742
	<u>\$ 3,033,870</u>	<u>\$ 319,425</u>	<u>\$ (18,848)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,334,447</u>

(Concluded)

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Deductible temporary differences	<u>\$ 1,944,766</u>	<u>\$ 1,695,127</u>
Loss carryforwards	<u>\$ 262,264</u>	<u>\$ 481,732</u>

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

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

### 38. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2019</u>			
Basic earnings per share (EPS)	\$ 17,235,959	12,945,848	<u>\$ 1.33</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>173</u>	
Diluted EPS	<u>\$ 17,235,959</u>	<u>12,946,021</u>	<u>\$ 1.33</u>
<u>For the year ended December 31, 2018</u>			
Basic EPS	\$ 15,618,243	12,945,848	<u>\$ 1.21</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>159</u>	
Diluted EPS	<u>\$ 15,618,243</u>	<u>12,946,007</u>	<u>\$ 1.21</u>

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

	<b>For the Year Ended December 31, 2018</b>	
	<b>Before Adjusted Retrospectively</b>	<b>After Adjusted Retrospectively</b>
Basic EPS (NT\$)	<u>\$ 1.24</u>	<u>\$ 1.21</u>
Diluted EPS (NT\$)	<u>\$ 1.24</u>	<u>\$ 1.21</u>

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

### 39. EQUITY

#### a. Capital stock

##### Common stocks

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of shares authorized (in thousands)	<u>15,000,000</u>	<u>15,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>12,945,848</u>	<u>12,568,785</u>
Common stocks issued	<u>\$ 129,458,483</u>	<u>\$ 125,687,847</u>

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

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

On June 21, 2019, the stockholders of TCFHC resolved to issue 377,063 thousand shares, which included the 2018 earnings amounting to \$3,770,636 thousand. This issuance was approved by the FSC and the MOEA.

b. Capital surplus

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

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

The capital surplus as of December 31, 2019 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

Sources

From subsidiaries

Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	\$ 27,783,766
Legal reserve	15,799,245
Special reserve	195,968
Unappropriated earnings	<u>10,410,804</u>
	54,189,783
Additional paid-in capital from TCFHC's share issuance in excess of par value	3,861,434
Cash dividends from TCFHC received by subsidiary	148,857
Additional paid-in capital from TCFHC's share issuance in excess of par value	12,642,000
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	618,750
Unclaimed dividends	<u>8,798</u>
	71,469,622

Uses

Issuance of TCFHC's stock and cash dividends in 2012	(6,360,660)
Issuance of TCFHC's stock dividends in 2013	(1,625,333)
Subsidiaries' disposal of the shares of TCFHC regarded as reissuance of treasury stock	(148,857)
Issuance of TCFHC's stock dividends in 2014	(4,307,133)
Issuance of TCFHC's stock dividends in 2015	<u>(1,054,498)</u>
	<u>\$ 57,973,141</u>

c. Special reserve

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

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 996,026	\$ 996,026
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	<u>          -</u>	<u>          -</u>
Balance on December 31	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

When TCFHC appropriated its earnings, legal reserve is appropriated from the annual net income less any accumulated deficit. A special reserve was then appropriated depending on regulation requirement and operation needs. Any remainder together with any undistributed retained earnings shall be used for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends.

Unless otherwise restricted by related regulations, TCFHC's policy indicates that cash dividends must be 10% or above of the total dividends and bonuses distributed. If the cash dividend per share is less than NT\$0.1, the cash dividend will not be distributed unless the distribution is resolved in the stockholders' meetings.

Under the Company Law, legal reserve should be appropriated until the reserve equals TCFHC's paid-in capital. This reserve should only be used to offset a deficit. When the reserve exceeds 25% of TCFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.



Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section. The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years, and such special reserve should not be appropriated.

If there is difference between appropriation of special reserve and net amount of deduction in other stockholder's equity, the Company should appropriate on additional amount of special reserve in the first-time adoption of IFRSs. Afterwards, if there is any reversal in of the deduction in other stockholder's equity, the Company is allowed to appropriating retained earnings from the reversal amount.

The appropriations from the earnings of 2018 and 2017 were approved in the stockholders' meeting on June 21, 2019 and June 22, 2018, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 1,476,184	\$ 1,431,780		
Cash dividends	9,426,589	9,152,028	\$ 0.75	\$ 0.75
Stock dividends	3,770,636	3,660,811	0.30	0.30

The appropriations of earnings for 2019 had been proposed by TCFHC's board of directors on March 23, 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 1,695,232	
Cash dividends	11,003,971	\$0.85
Stock dividends	3,883,754	0.30

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

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1		\$ 4,344,256
Effect of retrospective application and retrospective restatement		<u>84,178</u>
Balance of retrospective application and retrospective restatement at beginning	\$ 4,199,805	4,428,434
Attributable to non-controlling interests		
Net income	376,457	398,011
Exchange differences on the translation of financial statements of foreign operations	(9,904)	(1,713)
Unrealized valuation gain (loss) on financial assets at FVTOCI	672,821	(335,514)
Other comprehensive income reclassification of overlay approach	350,270	(185,933)
Cash dividends distributed by subsidiary	<u>(102,069)</u>	<u>(103,480)</u>
Balance on December 31	<u>\$ 5,487,380</u>	<u>\$ 4,199,805</u>

#### 40. RELATED-PARTY TRANSACTIONS

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

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

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
United Real Estate Management Co., Ltd.	Associated enterprise
Mesh Cooperative Ventures Inc.	Associated enterprise
TCB Global Emerging Markets Equity Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Fund of Emerging Markets Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 6 Year Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Mobility and Innovation Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 6 Year ESG Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company’s director.
Others	Main management of the parent company and other related parties

b. Significant transactions between the Company and related parties:

1) Call loans to banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>				
Others	\$ 4,231,000	\$ -	\$ 27,061	0.400-2.850
For the year ended <u>December 31, 2018</u>				
Others	\$ 4,542,750	\$ -	\$ 30,046	0.350-4.150

2) Due to banks

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Balance</b>	<b>Interest Expense</b>
Main management	\$ 232,743	\$ 1,638	\$ 285,207	\$ 1,479
Others				
Tamshui First Credit				
Bank	24,066,019	240,837	21,426,256	235,290
Others	<u>40,198</u>	<u>23</u>	<u>17,413</u>	<u>9</u>
	<u>\$ 24,338,960</u>	<u>\$ 242,498</u>	<u>\$ 21,728,876</u>	<u>\$ 236,778</u>

3) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>				
Others	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 105</u>	0.270-0.280
For the year ended <u>December 31, 2018</u>				
Others	<u>\$ 1,844,100</u>	<u>\$ -</u>	<u>\$ 216</u>	0.180-1.830

4) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>				
Main management	\$ 311,585	\$ 247,205	\$ 3,249	1.245-1.790
Others	<u>540,831</u>	<u>137,770</u>	<u>3,189</u>	1.137-2.465
	<u>\$ 852,416</u>	<u>\$ 384,975</u>	<u>\$ 6,438</u>	
For the year ended <u>December 31, 2018</u>				
Main management	\$ 303,302	\$ 241,364	\$ 2,594	1.245-1.790
Others	<u>141,496</u>	<u>129,400</u>	<u>1,104</u>	1.137-2.465
	<u>\$ 444,798</u>	<u>\$ 370,764</u>	<u>\$ 3,698</u>	

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

5) Securities sold under repurchase agreements

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the year ended December 31, 2019</u>			
Others	\$ <u>          -</u>	\$ <u>      43</u>	0.580-0.600
<u>For the year ended December 31, 2018</u>			
Others	\$ <u>          -</u>	\$ <u>      57</u>	0.380-0.540

6) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the year ended December 31, 2019</u>			
Associates	\$ 137,084	\$ 274	0-0.640
Main management	806,983	11,131	0-13.000
Others	<u>12,483,506</u>	<u>67,814</u>	0-13.000
	<u>\$ 13,427,573</u>	<u>\$ 79,219</u>	
<u>For the year ended December 31, 2018</u>			
Associates	\$ 64,677	\$ 365	0-0.775
Main management	718,088	3,695	0-13.000
Others	<u>12,607,764</u>	<u>109,421</u>	0-13.000
	<u>\$ 13,390,529</u>	<u>\$ 113,481</u>	

<b>December 31</b>	
<b>2019</b>	<b>2018</b>

7) Accrued income (part of receivables)

Others	<u>\$ 32,766</u>	<u>\$ 20,900</u>
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8) Receivable on securities (part of receivables)

Others	<u>\$ -</u>	<u>\$ 470</u>
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9) Payable on securities (part of payables)

Others	<u>\$ 1,153</u>	<u>\$ -</u>
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	<u>For the Year Ended December 31</u>	
	2019	2018
10) Service fee income (part of service fee and commission income, net)		
Associate	\$ -	\$ 106
Main management	158	352
Others	<u>385,821</u>	<u>194,134</u>
	<u>\$ 385,979</u>	<u>\$ 194,592</u>
11) Service charge (part of service fee and commission income, net)		
Main management	\$ 83	\$ 56
Others	<u>4</u>	<u>4</u>
	<u>\$ 87</u>	<u>\$ 60</u>
12) Other income (part of other noninterest gain, net)		
Others	<u>\$ 4,007</u>	<u>\$ 4,477</u>
13) Donation (part of other noninterest gain, net)		
Main management	\$ 2,000	\$ 2,000
Others	<u>900</u>	<u>900</u>
	<u>\$ 2,900</u>	<u>\$ 2,900</u>

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

14) Purchases and sales of securities

	<u>For the Year Ended December 31, 2019</u>			
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,629</u>	<u>\$ -</u>
	<u>For the Year Ended December 31, 2018</u>			
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Others	<u>\$ 150,050</u>	<u>\$ 100,287</u>	<u>\$ 463,930</u>	<u>\$ -</u>

## 15) Derivatives

<b>For the Year Ended December 31, 2019</b>						
<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Consolidated Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2019.12.30-2020.03.30	US\$ 6,700	\$ (1,415)	Financial liabilities at fair value through profit or loss	\$ (1,415)
Other - TCB Global High Yield Bond Fund	Currency swap	2019.12.11-2020.02.12	US\$ 14,900	(7,355)	Financial liabilities at fair value through profit or loss	(7,355)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2019.12.26-2020.01.21	US\$ 6,000	(1,292)	Financial liabilities at fair value through profit or loss	(1,292)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.10.18-2020.04.20	US\$ 19,750	(2,446)	Financial liabilities at fair value through profit or loss	(2,446)
Other - TCB Mobility and Innovation Fund	Currency swap	2019.12.12-2020.02.12	US\$ 7,300	(1,922)	Financial liabilities at fair value through profit or loss	(1,922)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2019.12.23-2020.02.24	US\$ 55,200	(5,353)	Financial liabilities at fair value through profit or loss	(5,353)
<b>For the Year Ended December 31, 2018</b>						
<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Consolidated Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.12.03-2019.01.14	US\$ 8,300	\$ (127)	Financial liabilities at fair value through profit or loss	\$ (127)
Other - TCB Global High Yield Bond Fund	Currency swap	2018.12.06-2019.01.14	US\$ 7,250	(1,010)	Financial liabilities at fair value through profit or loss	(1,010)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.12.13-2019.01.17	US\$ 7,000	(644)	Financial liabilities at fair value through profit or loss	(644)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2018.12.05-2019.01.07	US\$20,000	1,048	Financial assets at fair value through profit or loss	1,048
	Currency swap	2018.12.13-2019.03.18	US\$ 850	(72)	Financial liabilities at fair value through profit or loss	(72)

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

<b>For the Year Ended December 31</b>		
	<b>2019</b>	<b>2018</b>
Financial assets and liabilities at fair value through profit or loss		
Others	<u>\$ 29,435</u>	<u>\$ 66,272</u>

## 16) Loans

### December 31, 2019

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2019 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	79	\$ 181,852	\$ 131,546	\$ 131,546	\$ -	Note 2	None
Self-used housing mortgage loans	50	282,224	232,419	232,419	-	Land and buildings	None
Other loans	Others	388,340	21,010	21,010	-	Note 3	None

### December 31, 2018

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

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

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

Note 3: A portion of loans was guaranteed by certificates of deposit or demand deposits.

- c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand as of December 31, 2019 and 2018

#### 1) Taiwan Cooperative Bank, Ltd.

##### a) Due from banks

Subsidiary	December 31	
	2019	2018
	<u>\$ 539,932</u>	<u>\$ 573,442</u>

##### b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended				
<u>December 31, 2019</u>				
Subsidiary	\$ 9,734,133	\$ 8,025,216	\$ 45,444	0.001-3.180
Sister companies	5,000,000	3,310,000	19,114	0.400-0.700
Others	<u>4,231,000</u>	<u>-</u>	<u>27,061</u>	0.400-2.850
	<u>\$ 18,965,133</u>	<u>\$ 11,335,216</u>	<u>\$ 91,619</u>	

(Continued)

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2018</u>				
Subsidiary	\$ 10,400,488	\$ 7,412,225	\$ 67,388	0.001-3.180
Sister companies	4,500,000	-	9,830	0.350-0.550
Others	<u>4,542,750</u>	<u>-</u>	<u>30,046</u>	0.350-4.150
	<u>\$ 19,443,238</u>	<u>\$ 7,412,225</u>	<u>\$ 107,264</u>	(Concluded)

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

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>				
Sister company TCS	<u>\$ 316,200</u>	<u>\$ 179,940</u>	<u>\$ 7,987</u>	1.710-3.200
For the year ended <u>December 31, 2018</u>				
Sister company TCS	<u>\$ 311,010</u>	<u>\$ 307,350</u>	<u>\$ 7,212</u>	1.750-3.200

d) Due to banks

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Balance</b>	<b>Interest Expense</b>
Subsidiary	\$ 1,286	\$ -	\$ 1,325	\$ -
Main management	232,743	1,638	285,207	1,479
Others				
Tamshui First Credit Bank	24,066,019	240,837	21,426,256	235,290
Others	<u>40,198</u>	<u>23</u>	<u>17,413</u>	<u>9</u>
	<u>\$ 24,340,246</u>	<u>\$ 242,498</u>	<u>\$ 21,730,201</u>	<u>\$ 236,778</u>



e) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>				
Others	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 105</u>	0.270-0.280
For the year ended <u>December 31, 2018</u>				
Others	<u>\$ 1,844,100</u>	<u>\$ -</u>	<u>\$ 216</u>	0.180-1.830

f) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>				
Sister companies	\$ 89,500	\$ -	\$ 12	2.265
Main management	311,585	247,205	3,249	1.245-1.790
Others	<u>540,831</u>	<u>137,770</u>	<u>3,189</u>	1.137-2.465
	<u>\$ 941,916</u>	<u>\$ 384,975</u>	<u>\$ 6,450</u>	
For the year ended <u>December 31, 2018</u>				
Sister companies	\$ 512,000	\$ -	\$ 34	2.265
Main management	303,302	241,364	2,594	1.245-1.790
Others	<u>141,496</u>	<u>129,400</u>	<u>1,104</u>	1.137-2.465
	<u>\$ 956,798</u>	<u>\$ 370,764</u>	<u>\$ 3,732</u>	

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

g) Securities purchased under resell agreement

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>			
Sister companies			
TCBF	\$ <u>          -</u>	\$ <u>    3,182</u>	0.440-0.695
For the year ended <u>December 31, 2018</u>			
Sister companies			
TCBF	\$ <u>  3,320,000</u>	\$ <u>       336</u>	0.425-0.480

h) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2019</u>			
Parent company	\$ 47,637	\$ 81	0-0.800
Sister companies	8,242,148	12,805	0-1.065
Associates	137,084	274	0-0.640
Main management	806,983	11,131	0-13.000
Others	<u>12,483,506</u>	<u>67,814</u>	0-13.000
	<u>\$ 21,717,358</u>	<u>\$ 92,105</u>	
For the year ended <u>December 31, 2018</u>			
Parent company	\$ 25,293	\$ 58	0-0.800
Sister companies	4,727,583	8,790	0-1.065
Associates	64,677	365	0-0.775
Main management	718,088	3,695	0-13.000
Others	<u>12,607,764</u>	<u>109,421</u>	0-13.000
	<u>\$ 18,143,405</u>	<u>\$ 122,329</u>	

i) Accrued income (part of receivables)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Sister company		
BPC TLI	\$ 203,989	\$ 153,207
Others	<u>2,430</u>	<u>1,430</u>
	<u>\$ 206,419</u>	<u>\$ 154,637</u>

j) Receivable on securities (part of receivables)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Sister company		
TCS	\$ <u>138,642</u>	\$ <u>147,499</u>

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ <u>1,639,593</u>	\$ <u>547,923</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sister companies		
BPCTLI	\$ 1,234,439	\$ 1,019,949
Others	27,196	26,146
Associate	-	106
Main management	158	352
Others	<u>15,937</u>	<u>208</u>
	<u>\$ 1,277,730</u>	<u>\$ 1,046,761</u>

n) Lease agreements - TCB is lessor

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

i. Future lease payment receivables was as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ 62,992	\$ 87,040
Sister companies		
TCS	173,981	204,807
BPCTLI	26,536	40,715
Others	<u>48,630</u>	<u>71,300</u>
	<u>\$ 312,139</u>	<u>\$ 403,862</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ 24,048	\$ 24,048
Sister companies		
TCS	44,724	30,355
Others	<u>37,221</u>	<u>32,306</u>
	<u>\$ 105,993</u>	<u>\$ 86,709</u>

o) Purchases and sales of securities

<b>For the Year Ended December 31, 2019</b>				
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Sister companies	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,581,540</u>
<b>For the Year Ended December 31, 2018</b>				
<b>Related Party</b>	<b>Purchases</b>	<b>Sales</b>	<b>Sales Under Repurchase Agreements</b>	<b>Purchases Under Resell Agreements</b>
Sister companies	\$ 150,009	\$ 199,617	\$ -	\$ 3,519,521
Others	<u>150,050</u>	<u>100,287</u>	<u>-</u>	<u>-</u>
	<u>\$ 300,059</u>	<u>\$ 299,904</u>	<u>\$ -</u>	<u>\$ 3,519,521</u>

p) Derivatives

<b>For the Year Ended December 31, 2019</b>						
<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Balance Sheet Account</b>	<b>Amounts</b>
Sister company - BPCTLI	Currency swap	2019.08.19-2020.09.30	US\$ 118,951	\$ (117,207)	Financial liabilities at fair value through profit or loss	\$ (117,207)
	Currency swap	2019.10.30-2020.02.27	EUR 4,844	(1,328)	Financial liabilities at fair value through profit or loss	(1,328)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2019.12.30-2020.03.30	US\$ 6,700	(1,415)	Financial liabilities at fair value through profit or loss	(1,415)
Other - TCB Global High Yield Bond Fund	Currency swap	2019.12.11-2020.02.12	US\$ 14,900	(7,355)	Financial liabilities at fair value through profit or loss	(7,355)
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2019.12.26-2020.01.21	US\$ 6,000	(1,292)	Financial liabilities at fair value through profit or loss	(1,292)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.10.18-2020.04.20	US\$ 19,750	(2,446)	Financial liabilities at fair value through profit or loss	(2,446)
Other - TCB Mobility and Innovation Fund	Currency swap	2019.12.12-2020.02.12	US\$ 7,300	(1,922)	Financial liabilities at fair value through profit or loss	(1,922)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2019.12.23-2020.02.24	US\$ 55,200	(5,353)	Financial liabilities at fair value through profit or loss	(5,353)

Related Party	Type of Derivatives	Contract Period	For the Year Ended December 31, 2018		Amounts on the Balance Sheet		
			Nominal Amounts	Valuation Gain (Loss)	Account		Amounts
Sister company - BPCTLI	Currency swap	2018.09.28-2019.03.04	US\$ 5,351	\$ 1,954	Financial assets at fair value through profit or loss	\$ 1,954	
	Currency swap	2018.12.17-2019.03.29	US\$ 180,162	(13,802)	Financial liabilities at fair value through profit or loss	(13,802)	
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2018.12.03-2019.01.14	US\$ 8,300	(127)	Financial liabilities at fair value through profit or loss	(127)	
Other - TCB Global High Yield Bond Fund	Currency swap	2018.12.06-2019.01.14	US\$ 7,250	(1,010)	Financial liabilities at fair value through profit or loss	(1,010)	
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2018.12.13-2019.01.17	US\$ 7,000	(644)	Financial liabilities at fair value through profit or loss	(644)	
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2018.12.05-2019.01.07	US\$ 20,000	1,048	Financial assets at fair value through profit or loss	1,048	
	Currency swap	2018.12.13-2019.03.18	US\$ 850	(72)	Financial liabilities at fair value through profit or loss	(72)	

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

	For the Year Ended December 31	
	2019	2018
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ 127,431	\$ 48,330
Others	-	1,470
Others	<u>29,435</u>	<u>66,272</u>
	<u>\$ 156,866</u>	<u>\$ 116,072</u>

r) Loans

December 31, 2019

Type	Account Volume or Name	Highest Balance in the Period Ended December 31, 2019 (Note 1)	Ending Balance	Loan Classification			Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans			
Consumer loans	79	\$ 181,852	\$ 131,546	\$ 131,546	\$ -	Note 2	None	
Self-used housing mortgage loans	50	282,224	232,419	232,419	-	Land and buildings	None	
Other loans	Others	388,340	21,010	21,010	-	Note 3	None	
	TCS	89,500	-	-	-	Bonds	None	

December 31, 2018

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

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

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

Note 3: A portion of loans was guaranteed by certificates of deposit or demand deposits.

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

a) Settlement payable (part of payables)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Sister companies	\$ 276,157	\$ 224,482
Others	<u>1,153</u>	<u>-</u>
	<u>\$ 277,310</u>	<u>\$ 224,482</u>

b) Purchases and sales of securities

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

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

	<b>For the Year Ended December 31, 2019</b>			
	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
Sister companies	<u>\$ 89,500</u>	<u>\$ -</u>	<u>\$ 12</u>	2.265

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

d) TCS applied to TCB for call loans

<b>For the Year Ended December 31, 2019</b>				
<b>Related Party</b>	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense (Part of Financing Cost)</b>	<b>Interest Rate (%)</b>
Sister companies				
TCB	<u>\$ 316,000</u>	<u>\$ 179,880</u>	<u>\$ 7,987</u>	1.710-3.200

<b>For the Year Ended December 31, 2018</b>				
<b>Related Party</b>	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense (Part of Financing Cost)</b>	<b>Interest Rate (%)</b>
Sister companies				
TCB	<u>\$ 309,550</u>	<u>\$ 307,150</u>	<u>\$ 7,232</u>	1.750-3.200

e) Lease agreements - TCS is lessee

i. Right-of-use assets, net

	<b>December 31, 2019</b>
Sister companies	
TCB	<u>\$ 150,717</u>

ii. Lease liabilities

	<b>December 31, 2019</b>
Sister companies	<u>\$ 151,834</u>

iii. Interest expense

	<b>For the Year Ended December 31, 2019</b>
Sister companies	<u>\$ 2,643</u>

iv. Depreciation expense

	<b>For the Year Ended December 31, 2019</b>
Sister companies	<u>\$ 40,788</u>

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
<u>December 31, 2019</u>				
Sister companies	\$ 173,497	\$ 19,560	0.010-1.065	\$ 17
<u>December 31, 2018</u>				
Sister companies	1,049,646	81,703	0.010-1.065	22

b) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
For the year ended <u>December 31, 2019</u>				
Sister companies	\$ 5,000,000	\$ 3,310,000	0.400-0.700	\$ 19,114
For the year ended <u>December 31, 2018</u>				
Sister companies	4,500,000	-	0.350-0.550	9,830

c) Securities sold under repurchase agreement

	<b>Ending Balance</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
For the year ended <u>December 31, 2019</u>			
Sister companies	\$ 1,055,364	0.440-0.695	\$ 8,154
Others	-	0.580-0.600	43
For the year ended <u>December 31, 2018</u>			
Parent company	-	0.500	14
Sister companies	3,860,387	0.360-0.610	1,416
Others	-	0.380-0.540	57

d) Receivable on securities (part of receivables)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Sister companies	<u>\$ 119,225</u>	<u>\$ -</u>



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

- a) Cash in bank (part of cash and cash equivalents, investment in debt instrument at amortized cost, refundable deposits and separate account assets)

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sister company TCB	<u>\$ 7,325,078</u>	<u>70</u>	<u>\$ 4,500,423</u>	<u>55</u>

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

	<b>For the Year Ended December 31, 2019</b>		
	<b>Ending Balance</b>	<b>Securities Purchase Under Resell Agreement</b>	
		<b>Amount (Note)</b>	<b>Rate (%)</b>
Sister company TCBF	\$ 1,055,364	\$ 12,908,489	0.440-0.670

	<b>For the Year Ended December 31, 2018</b>		
	<b>Ending Balance</b>	<b>Securities Purchase Under Resell Agreement</b>	
		<b>Amount (Note)</b>	<b>Rate (%)</b>
Sister company TCBF	\$ 540,387	\$ 4,465,584	0.360-0.610

Note: The amount includes securities purchased under resell agreements.

- c) Derivatives

For the year ended December 31, 2019

<b>Type of Derivatives</b>	<b>Related Party</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Currency swap	Sister companies - TCB	2019.08.15- 2020.09.30	US\$ 118,951	\$ 119,964	Financial assets at fair value through profit or loss	\$ 119,964
		2019.10.28- 2020.02.27	EUR 4,844	1,550	Financial assets at fair value through profit or loss	1,550
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.06- 2022.06.30	US\$ 113,333	125,204	Financial assets at fair value through profit or loss	125,204
		2019.02.15- 2021.02.19	EUR 4,827	6,180	Financial assets at fair value through profit or loss	6,180

For the year ended December 31, 2018

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister companies - TCB	2018.12.19-2019.03.29	US\$ 180,162	\$ 13,802	Financial assets at fair value through profit or loss	\$ 13,802
		2018.10.02-2019.03.04	US\$ 5,351	(1,954)	Financial liabilities at fair value through profit or loss	(1,954)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2018.12.17-2019.02.27	US\$ 84,845	(6,214)	Financial liabilities at fair value through profit or loss	(6,214)
		2018.09.17-2019.01.17	US\$ 71,179	(11,839)	Financial liabilities at fair value through profit or loss	(11,839)
		2018.10.30-2019.01.30	EUR 4,845	437	Financial assets at fair value through profit or loss	437
		2018.11.16-2019.01.16	EUR 4,827	(1,287)	Financial liabilities at fair value through profit or loss	(1,287)

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

In 2019 and 2018, the realized gains or losses on currency swaps with sister companies were \$137,314 thousand losses and \$48,330 thousand losses, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$146,503 thousand losses and \$400,585 thousand losses, respectively.

The BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (reported as other assets - refundable deposits other liabilities) depending on the value of the swaps. As of December 31, 2019 and 2018, the BPCTLI had received deposits of \$108,242 thousand and refundable deposits of \$2,767 thousand, respectively.

d) Payables

	December 31	
	2019	2018
Sister company TCB	<u>\$ 226,065</u>	<u>\$ 136,340</u>

e) Operating cost - insurance contract expenses

	For the Year Ended December 31	
	2019	2018
Sister company TCB	<u>\$ 1,226,453</u>	<u>\$ 942,546</u>

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

f) Consulting and advisory contract

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Associates		
Paris Management Consultant Co., Ltd (Note)	\$ <u>120,343</u>	\$ <u>152,597</u>

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

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

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

a) Management fee income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Sister company	\$ 996	\$ 991
Others	<u>368,917</u>	<u>193,303</u>
	<u>\$ 369,913</u>	<u>\$ 194,294</u>

b) General expense (part of operating expense)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Sister company		
BPCTLI	\$ 93,655	\$ 21,699
Others	<u>25,889</u>	<u>25,345</u>
	<u>\$ 119,544</u>	<u>\$ 47,044</u>

6) Taiwan Cooperative Venture Capital Co., Ltd.

	<b><u>December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Cash in banks		
TCB	\$ <u>133,939</u>	\$ <u>42,356</u>

d. Salaries, bonuses and remunerations to main management

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Salaries and other short-term employment benefits	\$ 179,353	\$ 164,241
Post-employment benefits	7,779	7,268
Interest arising from the employees' preferential rate in excess of normal rates	<u>2,046</u>	<u>1,816</u>
	<u>\$ 189,178</u>	<u>\$ 173,325</u>

#### 41. PLEDGED ASSETS

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Collateral for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000
Collateral for domestic overdraft	31,400,000	31,610,000
Collateral for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000
Collateral for overdraft of domestic RMB settlement	2,362,250	1,430,080
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,254,500	1,049,300
Guarantee deposits for the insurance operation	1,010,000	1,010,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000
Overseas branches' capital adequate reserve	389,819	376,667
Guarantee deposits for securities operation	355,000	355,000
Guarantee deposits for the bills finance business	278,100	262,000
Guarantee deposits for the trust business compensation reserve	260,000	240,000
Collateral for overseas branch U.S. dollar settlement	61,650	130,931
Overseas branches' guarantee deposits for operation	5,998	6,147
Others	<u>90,000</u>	<u>90,000</u>
	<u>\$ 88,967,317</u>	<u>\$ 88,060,125</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousand as collateral for day-term overdraft as of December 31, 2019 and 2018. The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as TCB's liquidity reserve.

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

(In Thousands of U.S. Dollars)

Date	Outstanding Loan Balance	Collateral Value
December 31, 2019	<u>\$ 281,333</u>	<u>\$ 232,718</u>
December 31, 2018	<u>\$ 234,446</u>	<u>\$ 165,192</u>

#### 42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

As of December 31, 2019, TCFHC's outstanding major construction and procurement contracts amounted to \$159,104 thousand, of which \$86,233 thousand was still unpaid.

- b. Taiwan Cooperative Bank, Ltd.

1) As of December 31, 2019, TCB's outstanding major construction and procurement contracts amounted to \$210,971 thousand, of which \$141,818 thousand was still unpaid.

2) According to the joint venture contract signed with BNP Paribas Assurance (BNPPA), TCB signed the tri-party agreement with BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) and Cooperative Insurance Broker Co., Ltd. (CIB) on April 13, 2010, which identified BPCTLI as the sole supplier of life insurance products for TCB and CIB, also applying TCB's marketing channels to sell life insurance products. Since TCB merged with the CIB on June 24, 2016, TCB signed a two-party agreement with BPCTLI on March 30, 2018 to replace the original tri-party agreement, the rights and obligations of the CIB were assumed by TCB.

- c. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of December 31, 2019, the commitments that arose from business were as follows:

	<b>December 31, 2019</b>
Guarantees of commercial paper	<u>\$ 31,272,500</u>
Purchase of reference-rate commercial paper	<u>\$ 5,000,000</u>

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

1) As of December 31, 2019, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$20,521 thousand, of which \$13,208 thousand was still unpaid.

- 2) In May 2012, TCS laid off an employee - Ms. Chen - in accordance with the Labor Standards Act, but Ms. Chen, claiming the layoff was illegal, applied to the Taipei District Court (the Court) on April 10, 2014 for clarification of this employment issue. The Taipei Department of Labor (TDOL) investigated this case in March 2014 and TDOL later concluded that there was no evidence that TCS had violated the Labor Standards Act. On March 18, 2016, the Taipei District Court ascertained the existence of the employment relationship in the first instance. TCS is required to pay monthly salary of \$30.5 thousand plus accrued interests from April 25, 2014 to Ms. Chen until her reinstatement. The rest of the appeal of the plaintiff had been dismissed by the Court. Four fifth of the litigation fee is to be paid by TCS and the rest of the litigation fee is to be paid by the plaintiff. TCS filed an appeal on April 13, 2016. TCS appointed lawyers to handle the litigation and the case is still in process. TCS has already recognized \$2,435 thousand loss.

#### 43. FINANCIAL INSTRUMENTS

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

	December 31			
	2019		2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 557,848,944	\$ 563,118,799	\$ 558,505,884	\$ 561,239,159
<u>Financial liabilities</u>				
Bonds payable	65,000,000	66,544,129	55,000,000	56,204,741

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

##### December 31, 2019

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 563,118,799	\$ 8,510,714	\$ 554,608,085	\$ -
<u>Financial liabilities</u>				
Bonds payable	66,544,129	-	66,544,129	-

December 31, 2018

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

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

- b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial instruments traded on active markets are based on quoted market prices. However, in many instances where there are no quoted market prices for the Company's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. Fair values of forward contracts, currency swap contracts, foreign-currency margin contracts, cross-currency swap contracts and interest rate swap contracts are calculated using the discounted cash flow method, unless the fair values are provided by counter-parties. Fair values of option contracts are based on estimates using the Black Scholes pricing model.

The Company estimates the fair value of each forward contract on the basis of the swap points quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the Bloomberg information system, unless the fair values are provided by counterparties. The calculation of the fair value of each option contract is based on the mid-price (the average of bid and ask prices) quoted by Reuters and applied consistently.

For debt instruments with no active market, if there are theoretical prices from Taipei Exchange (TPEX, an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the GTSM; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 0.5537% and 1.0441%, between 0.6707% and 1.3055% as of December 31, 2019 and 2018, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

#### Evaluation technique and input of fair value measurement at Level 3

The Company adopts the market approach, adjusted net asset method, and income approach for domestic unlisted equity investment. Under the market approach, the Company selects similar industries with the target company. The main business model is similar and the products and scales are close to the comparable listed companies. The fair value estimation is based on the information of the listed company, or the price-book ratio (P/B) of the industry to which the target is evaluated is estimated as the multiplier of the fair value estimate. Under the adjusted net asset method, the overall value of a company or business is evaluated by the total market value of individual assets and individual liabilities of the target company with the consideration of the discount for lack of marketability and for

minority interest. Acquired loans are evaluated by the income approach. The estimated income was estimated by discounting future cash flows. The significant unobservable input used is discount for lack of marketability and discount for minority interest. A decrease in discount for lack of marketability and for minority interest used in isolation would result in increases in fair value. The Company adopts the discount for lack of marketability at 10% to 30% and for minority interest at 10% on December 31, 2019 and 2018. With other input values remaining and a change in discount for lack of marketability or for minority interest input value to reflect reasonable assumptions, the amount of fair value of investment in equity instruments will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount for lack of marketability		
Increase 10%	<u>\$ (797,989)</u>	<u>\$ (621,461)</u>
Decrease 10%	<u>\$ 797,989</u>	<u>\$ 621,461</u>
Discount for minority interest		
Increase 10%	<u>\$ (235)</u>	<u>\$ (239)</u>
Decrease 10%	<u>\$ 235</u>	<u>\$ 239</u>

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

1) Fair value hierarchy

<b>Financial Instruments Measured at Fair Value</b>	<b>December 31, 2019</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 3,285,674	\$ 2,608,395	\$ 4,298	\$ 672,981
Debt instruments	6,520,109	3,192,633	3,327,476	-
Others	48,250,551	5,422,409	42,524,946	303,196
Financial assets at FVTOCI				
Equity instruments	17,525,323	12,108,964	-	5,416,359
Debt instruments	364,330,277	39,870,296	324,459,981	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,191,863)	(139,434)	(12,052,429)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,419,484	157,086	2,262,398	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(3,855,437)	-	(3,855,437)	-



Financial Instruments Measured at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,018,437	\$ 1,535,555	\$ 2,564	\$ 480,318
Debt instruments	10,093,302	4,863,056	5,230,246	-
Others	42,107,713	4,892,193	36,723,866	491,654
Financial assets at FVTOCI				
Equity instruments	11,400,256	7,026,779	-	4,373,477
Debt instruments	300,492,506	23,448,095	277,044,411	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(11,634,446)	(150,491)	(11,483,955)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,242,778	282,792	3,959,986	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,498,794)	-	(1,498,794)	-

2) Reconciliation for financial assets based on the fair value measurement of Level 3

Financial Assets	Financial assets at FVTPL	Investment in Equity Instruments at FVTOCI	Total
Balance at January 1, 2019	\$ 971,972	\$ 4,373,477	\$ 5,345,449
Recognized in profit or loss (included in gains on financial assets and liabilities at FVTPL)	54,226	-	54,226
Recognized in OCI (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI)	-	1,042,882	1,042,882
Purchases	223,130	-	223,130
Disposals	(225,151)	-	(225,151)
Transferred out of Level 3	(48,000)	-	(48,000)
Balance at December 31, 2019	<u>\$ 976,177</u>	<u>\$ 5,416,359</u>	<u>\$ 6,392,536</u>
Balance at January 1, 2018	\$ 937,184	\$ 5,521,358	\$ 6,458,542
Recognized in profit or loss (included in gains on financial assets and liabilities at FVTPL)	464,942	-	464,942
Recognized in OCI (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI)	-	(784,435)	(784,435)
Purchases	276,520	86,554	363,074
Disposal	(706,674)	(450,000)	(1,156,674)
Balance at December 31, 2018	<u>\$ 971,972</u>	<u>\$ 4,373,477</u>	<u>\$ 5,345,449</u>

The change in unrealized gains for the years ended December 31, 2019 and 2018 included in profit or loss for assets held at December 31, 2019 and 2018 was \$83,154 thousand gains and \$91,518 thousand losses, respectively.

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Difference between carrying amount and contractual amount at maturity		
Fair value	\$ 12,052,429	\$ 11,483,955
Amount payable at maturity	<u>11,996,000</u>	<u>12,294,000</u>
	<u>\$ 56,429</u>	<u>\$ (810,045)</u>
		<b>Change in Fair Values Resulting from Credit Risk Variations</b>
Accumulated amount of change		
As of December 31, 2019		<u>\$ 970</u>
As of December 31, 2018		<u>\$ 15,666</u>

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

- e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

## 2) Credit risk

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

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

## 3) Market risk

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

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

## 4) Liquidity risk

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

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

#### Taiwan Cooperative Bank Ltd. and subsidiary

##### 1) Risk management

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

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

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

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

Under the business management regulation and risk policy, the business supervising unit manages and oversees each business unit toward proper risk management and carries out risk review and control. In addition, the Audit Department evaluates each audit units' risks to determine the audit focus, scope, measurement, procedures and frequency, and establishes the relevance between the assessment result and the audit frequency, which enhance the effectiveness of audit and assist the Bank to improve internal control and business development.

##### 2) Credit risk

###### a) Credit risk management policy

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

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

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

i. Loans business (including loan commitment and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

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

b) Measurement of expected credit losses

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

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

Loans business

i) Quantitative benchmark

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

ii) Qualitative benchmark

- Borrower or its representative suffered from dishonored check due to insufficient funds.
- Borrower or its representative suffered from credit card suspension.
- Owners of credit card has been denied by Taiwan Clearing House (TCH).
- Objective evidence shows that the borrower's ability to fulfill obligation has been affected.

Bonds and bills business

i) Quantitative benchmark

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

Credit risks are deemed low, if the credit rating of the issuer was classified as investment grade at the issue date and did not increase significantly after initial recognition.

ii) Qualitative benchmark

Credit rating of bond issuers are not classified as investment grade and downgraded by no more than two grades, but credit risk increase significantly.

ii. Definition of default and credit loss on financial assets

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

Loans business

- i) Loans and other credits (including accrued interest) are overdue for at least 90 days.
- ii) Borrower filed for bankruptcy or reorganization.

- iii) Borrower defaulted on other financial instruments.
- iv) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulties, has granted the borrower concession that the lender would not otherwise consider.
- v) Borrower has been denied by TCH.

Bonds and bills business

- i) Interest or principal of bonds without payment are overdue for at least 90 days.
- ii) Borrower has indication of impairment such as overdue receivables, doubtful debts, financial crisis, contract condition change due to financial crisis and bankruptcy or reorganization.

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

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

iii. Reversal policy

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

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

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

#### iv. Measurement of expected credit losses

##### Loans business

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

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

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

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

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

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of December 31, 2019.

##### Bonds and bills business

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

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

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of December 31, 2019.



v. Forward-looking information considerations

Loans business

TCB and its subsidiary have taken into account previous forward-looking information when assessing asset default probability. The Bank and its subsidiaries analyze past archives to identify relevant economic factors affecting personal and company asset default probabilities.

According to TCB and its subsidiary's previous forward-looking information, estimations are calculated at the end of the year per year on average. The influence of relevant economic factors and expected credit loss identified by the Bank and its subsidiaries on December 31, 2018 and 2017 is as follows:

<b>Probability of Default</b>	
Relevant economic factors	Monitoring indicator/unemployment rate

Bonds and bills business

The assessment of the increase/decrease in the credit risk is based on TCB and its subsidiary's amortization costs and other comprehensive income measured by fair value, referring to changes in external credit ratings according to the international credit ratings service (Moody's) as a quantitative indicator. Also, the expected credit loss uses external credit ratings and Moody's periodic calculations of default probability and loss given default as references. As international credit ratings services have taken into account forward-looking information in assessing credit ratings, it is also appropriate for TCB and its subsidiary to consider forward-looking information when assessing relevant expected credit loss.

c) Credit risk avoidance or mitigation policy

i. Strengthen collaterals and other credits

TCB and its subsidiary have a series of measures for credit granting to reduce credit risks. One of the measures is to require collaterals from the borrowers. To secure a debt, TCB and its subsidiary manage and assess the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, TCB and its subsidiary stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that TCB and its subsidiary reserve the right to reduce the granted quota, to shorten the repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in TCB and its subsidiary in order to reduce the credit risks.

There was no major change in the collateral policy of TCB and its subsidiary on the balance sheet date, and there was no significant change in the overall collateral quality.

TCB and its subsidiary closely monitor the value of collaterals of financial instruments and consider impairment on credit-impaired financial assets. Credit-impaired financial assets and collateral to mitigate potential loss were as follows:

December 31, 2019

<u>Impaired financial assets</u>	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
Discount and loans	<u>\$ 24,847,797</u>	<u>\$ 2,557,302</u>	<u>\$ 22,290,495</u>	<u>\$ 65,307,192</u>

December 31, 2018

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

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in December 31, 2019 and 2018 were \$7,608,546 thousand and \$6,892,567 thousand, respectively.

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

To avoid the concentration of credit risks, TCB and its subsidiary set up centralized credit limits for business segments, countries, collaterals, groups, and construction financing. Monthly, or more frequently, as needed, TCB and its subsidiary review credit limits, monitor the actual risk-exposure condition and whether the usage rate of limits meets relevant regulations and reports the review results to superior management, risk management committee and the Board periodically. If there is a possibility of breach of the credit limits, the related department or division will apply appropriate procedures to ensure that the credit limits are followed.

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The profile by group or industry, regions and collaterals of obligations that were 10% or more of total outstanding loans is as follows:

<b>Credit Risk Profile by Group or Industry</b>	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 873,758,898	40	\$ 843,564,027	41
Manufacturing	395,568,638	18	387,603,437	19

iii. Master netting arrangement

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

d) Maximum exposures to credit risks

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

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

	<u>December 31</u>	
	2019	2018
Financial assets at fair value through profit or loss - debt instrument	\$ 1,950,488	\$ 2,561,635

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

	<u>December 31, 2019</u>				
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Maximum exposures to credit risk	\$ 237,493,576	\$ 47,264	\$ 313,950	\$ -	\$ 237,854,790
Allowance for possible losses	(708,936)	(332)	(75,588)	-	(784,856)
Difference of impairment loss under "Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(503,693)	(503,693)
	<u>\$ 236,784,640</u>	<u>\$ 46,932</u>	<u>\$ 238,362</u>	<u>\$ (503,693)</u>	<u>\$ 236,566,241</u>

December 31, 2018

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Maximum exposures to credit risk	\$ 221,894,310	\$ 202,073	\$ 131,786	\$ -	\$ 222,228,169
Allowance for possible losses	(564,424)	(387)	(18,827)	-	(583,638)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(577,117)	(577,117)
	<u>\$ 221,329,886</u>	<u>\$ 201,686</u>	<u>\$ 112,959</u>	<u>\$ (577,117)</u>	<u>\$ 221,067,414</u>

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

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

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

a) Credit quality analysis of discounts, loans and receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Discounts and loans	\$ 2,180,378,522	\$ 2,524,438	\$ 37,638,133	\$ -	\$ 2,220,541,093
Allowance for possible losses	(4,383,474)	(15,152)	(5,790,070)	-	(10,188,696)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(17,187,696)	(17,187,696)
	<u>\$ 2,175,995,048</u>	<u>\$ 2,509,286</u>	<u>\$ 31,848,063</u>	<u>\$ (17,187,696)</u>	<u>\$ 2,193,164,701</u>

December 31, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Discounts and loans	\$ 2,051,190,069	\$ 2,960,372	\$ 32,411,101	\$ -	\$ 2,086,561,542
Allowance for possible losses	(3,785,613)	(9,005)	(4,570,540)	-	(8,365,158)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(18,033,152)	(18,033,152)
	<u>\$ 2,047,404,456</u>	<u>\$ 2,951,367</u>	<u>\$ 27,840,561</u>	<u>\$ (18,033,152)</u>	<u>\$ 2,060,163,232</u>

December 31, 2019						
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	\$ 15,910,096	\$ 48,850	\$ 185,004	\$ 3,496,136	\$ -	\$ 19,640,086
Allowance for possible losses	(47,815)	(13,869)	(77,288)	(519,740)	-	(658,712)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(149,395)	(149,395)
	<u>\$ 15,862,281</u>	<u>\$ 34,981</u>	<u>\$ 107,716</u>	<u>\$ 2,976,396</u>	<u>\$ (149,395)</u>	<u>\$ 18,831,979</u>

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

b) Credit quality analysis of securities

	December 31, 2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 307,551,361	\$ -	\$ -	\$ 307,551,361
Allowance for possible losses	<u>(83,771)</u>	<u>-</u>	<u>-</u>	<u>(83,771)</u>
Amortized cost	307,467,590	-	-	307,467,590
Fair value adjustments	<u>4,503,105</u>	<u>-</u>	<u>-</u>	<u>4,503,105</u>
	<u>\$ 311,970,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,970,695</u>
Investments in debt instruments at amortized cost	\$ 555,678,609	\$ -	\$ -	\$ 555,678,609
Allowance for possible losses	<u>(47,897)</u>	<u>-</u>	<u>-</u>	<u>(47,897)</u>
	<u>\$ 555,630,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,630,712</u>
	December 31, 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 244,566,373	\$ -	\$ -	\$ 244,566,373
Allowance for possible losses	<u>(71,742)</u>	<u>-</u>	<u>-</u>	<u>(71,742)</u>
Amortized cost	244,494,631	-	-	244,494,631
Fair value adjustments	<u>1,554,032</u>	<u>-</u>	<u>-</u>	<u>1,554,032</u>
	<u>\$ 246,048,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,048,663</u>
Investments in debt instruments at amortized cost	\$ 556,203,943	\$ -	\$ -	\$ 556,203,943
Allowance for possible losses	<u>(48,378)</u>	<u>-</u>	<u>-</u>	<u>(48,378)</u>
	<u>\$ 556,155,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,155,565</u>

c) The changes in allowance for possible losses of investments in debt instruments at FVTOCI are summarized below:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 71,742	\$ -	\$ -	\$ 71,742
New financial assets purchased	30,399	-	-	30,399
Derecognition of financial assets in the current reporting period	(12,485)	-	-	(12,485)
Change in model or risk parameters	(7,841)	-	-	(7,841)
Changes in exchange rates and other changes	<u>1,956</u>	<u>-</u>	<u>-</u>	<u>1,956</u>
Balance at December 31, 2019	<u>\$ 83,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,771</u>

	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2018	\$ 78,071	\$ -	\$ -	\$ 78,071
New financial assets purchased	22,545	-	-	22,545
Derecognition of financial assets in the current reporting period	(17,651)	-	-	(17,651)
Change in model or risk parameters	(11,892)	-	-	(11,892)
Changes in exchange rates and other changes	<u>669</u>	<u>-</u>	<u>-</u>	<u>669</u>
Balance at December 31, 2018	<u>\$ 71,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,742</u>

- d) The changes in allowance for possible losses of investments in debt instruments at amortized cost are summarized below:

	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2019	\$ 48,378	\$ -	\$ -	\$ 48,378
New financial assets purchased	10,503	-	-	10,503
Derecognition of financial assets in the current reporting period	(2,252)	-	-	(2,252)
Change in model or risk parameters	(8,571)	-	-	(8,571)
Changes in exchange rates and other changes	<u>(161)</u>	<u>-</u>	<u>-</u>	<u>(161)</u>
Balance at December 31, 2019	<u>\$ 47,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,897</u>

	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2018	\$ 41,461	\$ -	\$ -	\$ 41,461
New financial assets purchased	13,184	-	-	13,184
Derecognition of financial assets in the current reporting period	(1,331)	-	-	(1,331)
Change in model or risk parameters	(3,472)	-	-	(3,472)
Changes in exchange rates and other changes	<u>(1,464)</u>	<u>-</u>	<u>-</u>	<u>(1,464)</u>
Balance at December 31, 2018	<u>\$ 48,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,378</u>

### 3) Market risks

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

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

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

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

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

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

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

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

<b>Main Risk</b>	<b>Change Scenario</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Interest rate risk	Interest rate curve increased 100 basis points	\$ (115,606)	\$ (72,019)
	Interest rate curve fell 100 basis points	124,047	78,211
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(206,532)	(319,033)
	USD/NT\$, EUR/NT\$ fell 3%	206,532	319,033
	Others (RMB, AUD etc.)/NT\$ increased 5%	90,152	16,140
	Others (RMB, AUD etc.)/NT\$ fell 5%	(90,152)	(16,140)
Equity security price risk	Equity security price increased by 15%	414,782	66,851
	Equity security price fell by 15%	(414,782)	(66,751)



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

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

Taiwan Cooperative Bank, Ltd.

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Due from banks and other financial assets - due from banks	\$ 33,228,721	2.52	\$ 37,825,166	2.60
Due from the Central Bank	172,633,074	0.36	167,184,471	0.36
Call loans to banks and other financial assets - call loans to security firms	60,101,441	1.88	65,671,062	2.02
Financial assets mandatorily classified as at fair value through profit or loss	23,410,758	0.65	7,260,659	0.71
Financial assets at fair value through other comprehensive income	271,636,940	1.87	235,733,976	1.97
Investments in debt instruments at amortized cost	555,646,351	0.87	520,374,185	0.85
Securities purchased under resell agreements	882,602	0.59	86,695	0.47
Discounts and loans	2,141,341,765	2.12	2,073,393,711	2.06
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	239,979,719	1.30	237,763,051	1.09
Financial liabilities designated as at fair value through profit or loss	12,343,611	4.88	12,068,071	4.69
Securities sold under repurchase agreements	8,050,509	0.39	10,130,301	0.27
Demand deposits	530,238,278	0.19	509,712,425	0.16
Savings - demand deposits	883,277,268	0.27	832,136,846	0.28
Time deposits	596,532,364	1.57	536,322,601	1.39
Time savings deposits	627,533,489	1.05	636,379,825	1.05
Treasury deposits	101,408,583	0.64	91,156,594	0.64
Negotiable certificates of deposits	48,437,496	0.72	36,917,476	0.62
Structured products	2,141,601	1.77	1,745,888	2.25
Bank debentures	57,676,712	1.52	57,090,685	1.40
Lease liabilities	1,543,281	2.78	-	-

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

(In Thousands)

	<b>December 31, 2019</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
USD	\$ 12,902,790	29.9900	\$ 386,954,674
RMB	14,753,075	4.2950	63,364,456
AUD	1,612,742	21.0150	33,891,780
EUR	397,713	33.6400	13,379,049
HKD	2,492,068	3.8510	9,596,956
JPY	27,449,454	0.2761	7,578,794
ZAR	3,041,509	2.1200	6,448,000
GBP	86,192	39.3800	3,394,259
KHR	443,050,700	0.0074	3,268,385
NZD	21,938	20.2000	443,153
CAD	19,021	22.9800	437,105
CHF	5,531	30.9750	171,335
SEK	9,713	3.2200	31,275
SGD	1,069	22.2600	23,805
THB	13,441	1.0081	13,550
PHP	3,008	0.5916	1,780
<u>Financial liabilities</u>			
USD	14,271,944	29.9900	428,015,613
RMB	12,729,607	4.2950	54,673,664
AUD	1,362,811	21.0150	28,639,467
JPY	44,759,017	0.2761	12,357,965
EUR	260,978	33.6400	8,779,295
ZAR	4,051,609	2.1200	8,589,410
HKD	1,832,481	3.8510	7,056,885
NZD	124,919	20.2000	2,523,363
KHR	327,120,295	0.0074	2,413,166
GBP	59,138	39.3800	2,328,838
CAD	55,744	22.9800	1,280,990
SGD	16,594	22.2600	369,393
CHF	5,138	30.9750	159,159
SEK	37,830	3.2200	121,813
THB	9,916	1.0081	9,997
PHP	7,805	0.5916	4,618
MYR	-	7.3280	2

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

#### 4) Liquidity risk

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

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

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

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

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

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

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

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

TCB's liquidity reserve ratios were 28.00% in December 2019 and 27.17% in December 2018.

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

<b>December 31, 2019</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Due to the Central Bank and other banks	\$ 151,837,041	\$ 72,369,653	\$ 7,544,907	\$ 874,640	\$ -	\$ 232,626,241
Financial liabilities at fair value through profit or loss	-	-	-	-	11,996,000	11,996,000
Securities sold under repurchase agreements	3,093,552	3,495,094	1,241,171	147,092	-	7,976,909
Payables	24,627,811	2,325,459	6,142,682	1,669,256	2,649,139	37,414,347
Deposits and remittances	285,030,624	437,851,560	400,006,559	628,054,943	1,147,601,128	2,898,544,814
Bank debentures	-	7,500,000	-	900,000	56,600,000	65,000,000
Lease liabilities	63,912	161,685	131,309	241,645	1,277,361	1,875,912
Other items of cash outflow on maturity	3,291,351	335	414	817,139	28,260	4,137,499

<b>December 31, 2018</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days - 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Due to the Central Bank and other banks	\$ 145,728,697	\$ 56,171,885	\$ 11,769,771	\$ -	\$ -	\$ 213,670,353
Financial liabilities at fair value through profit or loss	-	-	-	-	12,294,000	12,294,000
Securities sold under repurchase agreements	5,173,426	2,719,554	1,584,396	124,765	-	9,602,141
Payables	31,427,161	2,473,878	5,388,363	2,437,105	1,709,136	43,435,643
Deposits and remittances	258,518,459	420,909,708	371,997,188	602,229,795	1,075,096,880	2,728,752,030
Bank debentures	-	-	-	1,000,000	54,000,000	55,000,000
Other items of cash outflow on maturity	2,264,251	19,562	1,670	861,149	20,342	3,166,974

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of December 31, 2019 and 2018 must be repaid soon, the capital expenditure will be increased by \$1,501,221,386 thousand and \$1,409,026,262 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 652	\$ 257	\$ 1,372	\$ 126	\$ -	\$ 2,407
Interest	(918)	(286)	(693)	(2,063)	(8,385)	(12,345)

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

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 56,546,734	\$ 85,479,384	\$ 48,034,112	\$ 20,257,084	\$ 2,766	\$ 210,320,080
Cash inflow	57,580,384	87,179,724	48,798,928	20,610,274	2,766	214,172,076
Total cash outflow	56,546,734	85,479,384	48,034,112	20,257,084	2,766	210,320,080
Total cash inflow	57,580,384	87,179,724	48,798,928	20,610,274	2,766	214,172,076
Net cash flow	1,033,650	1,700,340	764,816	353,190	-	3,851,996

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 73,424,124	\$ 57,472,834	\$ 48,578,031	\$ 13,840,882	\$ 907,428	\$ 194,223,299
Cash inflow	73,721,292	57,705,688	48,779,153	13,901,740	960,294	195,068,167
Interest derivatives						
Cash outflow	-	-	726,620	244,294	20,988,364	21,959,278
Cash inflow	-	-	749,467	438,134	27,631,514	28,819,115
Total cash outflow	73,424,124	57,472,834	49,304,651	14,085,176	21,895,792	216,182,577
Total cash inflow	73,721,292	57,705,688	49,528,620	14,339,874	28,591,808	223,887,282
Net cash flow	297,168	232,854	223,969	254,698	6,696,016	7,704,705

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

<b>December 31, 2019</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Irrevocable loan commitments issued	\$ 1,301,497	\$ 2,813,539	\$ 4,859,722	\$ 11,768,715	\$ 45,500,087	\$ 66,243,560
Irrevocable credit card commitments	575,983	119,930	633,351	793,970	49,817,155	51,940,389
Letters of credit issued yet unused	3,831,647	11,174,034	2,361,938	1,834,072	236,358	19,438,049
Other guarantees	3,594,030	7,152,648	5,338,986	11,824,810	72,322,318	100,232,792

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

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

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

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

#### 1) Market risk

##### a) Market risk source and market risk factors

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

##### b) Market risk strategy and procedures

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

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

In line with hedging against interest rate risk, the investment selection includes an assessment of the financial instrument issuers' credit and financial condition, the investing countries' risk condition and interest rate movements. If a foreign currency risk pertains to overseas investments, BPCTLI uses foreign exchange swaps for each overseas investment and periodically measures the efficiency of these swaps. BPCTLI has investment limits and stop-loss order to control equity risk.

c) Market risk management framework

To quantify the possible loss resulting from the price fluctuations of BPCTLI assets, BPCTLI control market risk through calculating value-at-risk (VaR) regularly, combining with back testing, sensitivity analysis method and stress testing.

d) Market risk information

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were \$413,290 thousand and \$469,775 thousand as of December 31, 2019 and 2018, respectively.

ii. Sensitivity analysis

i) Interest rate risk

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

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of December 31, 2019 and 2018 the fair values of financial assets would have decreased by \$22,514 thousand and \$23,876 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on December 31, 2019 and 2018, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$18,221 thousand and \$17,476 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the years ended December 31, 2019 and 2018, the income before income tax would have decreased \$179,257 thousand and \$192,483 thousand, respectively.

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

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Savings accounts			
USD	\$ 145,504	29.984	\$ 4,362,784
ZAR	301,375	2.124	640,180
RMB	124,247	4.297	533,889
Receivables			
USD	4,254	29.984	127,554
RMB	1,983	4.297	8,520
Financial assets at FVTPL			
USD	4,144	29.984	124,250
Financial assets at FVTOCI			
USD	448,736	29.984	13,454,911
EUR	72,714	33.600	2,443,192
RMB	241,507	4.297	1,037,756
Financial assets at amortized cost			
USD	5,425	29.984	162,675
EUR	9,616	33.600	323,088
<u>Financial liabilities</u>			
Guarantee deposits received			
USD	10,220	29.984	306,436

December 31, 2018

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



### iii. Stress testing

If an extreme event or systematic risk occurs, stress testing is done to measure the potential impact of a negative development on trading book portfolio during an abnormal market period.

BPCTLI does stress testing by analyzing market risk stress testing and different stress testing scenarios from Bloomberg.

Assuming the U.S. 10 year Treasury yield increased 1% as of December 31, 2019 and 2018, the losses on financial assets of the BPCTLI would have been \$813,157 thousand and \$913,618 thousand, respectively.

## 2) Credit risk

### a) Credit risk definition and classifications

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

### b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

#### ii. Stress testing

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

#### iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

	<b>December 31, 2019</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 14,430,367	\$ 14,468,259	41
Domestic investment - corporate bonds (twAAA - twAA-)	2,708,046	2,708,046	8
Overseas investment - government bonds	1,964,676	2,032,241	6
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	14,186,572	14,187,359	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>1,270,374</u>	<u>1,270,374</u>	<u>4</u>
	<u>\$ 34,560,035</u>	<u>\$ 34,666,279</u>	<u>100</u>
	<b>December 31, 2018</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 17,044,308	\$ 17,047,981	44
Domestic investment - corporate bonds (twAAA - twAA-)	2,139,321	2,139,321	6
Overseas investment - government bonds	1,306,393	1,301,999	3
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,621,639	15,621,518	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,345,353</u>	<u>2,345,353</u>	<u>6</u>
	<u>\$ 38,457,014</u>	<u>\$ 38,456,172</u>	<u>100</u>

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

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

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

- ii. Maturity analysis of derivatives

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

	<b>December 31, 2019</b>			
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 461,211	\$ 61,777	\$ _____	\$ _____
	<b>December 31, 2018</b>			
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 19,171	\$ _____	\$ _____	\$ _____

f. Insurance contracts

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

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

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

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

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

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

2) Concentration of insurance risk and the development of claims

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

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

a) Development of direct business loss

Accident Year	Development Ages										Claim Reserve		
	1	2	3	4	5	6	7	8	9	10			
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -	
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	8,034	8,034	-	
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	21,112	21,112	21,112	-	
2013	19,586	27,531	27,762	28,666	28,555	28,551	28,553	28,553	28,553	28,553	28,553	-	
2014	25,862	28,357	28,976	31,011	31,016	31,017	31,018	31,018	31,018	31,018	31,018	1	
2015	35,899	42,080	42,346	42,353	42,361	42,361	42,362	42,362	42,362	42,362	42,362	1	
2016	26,485	31,219	31,407	31,432	31,438	31,438	31,439	31,439	31,439	31,439	31,440	8	
2017	53,250	63,055	58,484	59,793	59,805	59,805	59,806	59,806	59,806	59,806	59,806	1,322	
2018	36,190	45,800	46,335	46,638	46,649	46,649	46,650	46,650	46,650	46,650	46,650	850	
2019	52,386	66,446	67,041	69,456	69,468	69,468	69,469	69,469	69,469	69,470	69,470	17,084	
												Incurred but not reported	19,266
												Reported but not paid	56,949
												Balance of claim reserve	<u>\$ 76,215</u>

b) Development of retained business

Accident Year	Development Ages										Claim Reserve		
	1	2	3	4	5	6	7	8	9	10			
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -	
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	8,034	8,034	-	
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	19,065	19,065	19,065	-	
2013	19,497	26,841	27,071	27,975	27,864	27,860	27,861	27,861	27,861	27,861	27,861	-	
2014	25,174	27,659	28,278	30,313	30,318	30,319	30,320	30,320	30,320	30,320	30,320	1	
2015	31,538	37,711	37,977	37,985	37,992	37,992	37,994	37,994	37,994	37,994	37,993	1	
2016	25,930	30,590	30,778	30,802	30,809	30,809	30,810	30,810	30,810	30,810	30,810	8	
2017	51,121	58,887	56,315	57,343	57,354	57,354	57,356	57,356	57,356	57,356	57,356	1,041	
2018	35,432	44,832	45,358	45,631	45,642	45,642	45,643	45,643	45,643	45,643	45,643	811	
2019	47,585	59,110	59,703	61,157	61,169	61,169	61,170	61,170	61,170	61,170	61,170	13,585	
												Incurring but not reported	15,447
												Reported but not paid	45,300
												Balance of claim reserve	<u>\$ 60,747</u>

3) Sensitivity analysis of insurance risk

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

Insurance contracts and investment contracts with a discretionary participation feature.

	December 31, 2019		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 62,591	\$ 50,073
Discount rate	(0.25%)	(62,591)	(50,073)
Mortality rate	10.00%	(26,901)	(21,521)
Mortality rate	(10.00%)	27,040	21,632
Withdrawal rate	30.00%	12,574	10,059
Withdrawal rate	(30.00%)	(12,480)	(9,984)
Illness rate/loss rate	15.00%	(17,469)	(13,975)
Expense rate	10.00%	(34,685)	(27,748)
	December 31, 2018		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 66,370	\$ 53,096
Discount rate	(0.25%)	(66,518)	(53,214)
Mortality rate	10.00%	(22,780)	(18,224)
Mortality rate	(10.00%)	22,780	18,224
Withdrawal rate	30.00%	9,059	7,247
Withdrawal rate	(30.00%)	(9,174)	(7,339)
Illness rate/loss rate	15.00%	(16,005)	(12,804)
Expense rate	10.00%	(74,587)	(59,669)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

g. Transfers of financial assets

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

<b>December 31, 2019</b>					
<b>Financial Assets</b>	<b>Carrying Amount of Transferred Financial Assets</b>	<b>Carrying Amount of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Position of Fair Value</b>
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 28,594,352	\$ 28,652,118	\$ 28,594,352	\$ 28,652,118	\$ (57,766)
Financial assets at FVTOCI - securities sold under repurchase agreements	16,124,558	16,855,053	16,124,558	16,855,053	(730,495)
Securities purchased under sell agreements - securities sold under repurchase agreements	30,996	47,678	30,996	47,678	(16,682)

<b>December 31, 2018</b>					
<b>Financial Assets</b>	<b>Carrying Amount of Transferred Financial Assets</b>	<b>Carrying Amount of Related Financial Liabilities</b>	<b>Fair Value of Transferred Financial Assets</b>	<b>Fair Value of Related Financial Liabilities</b>	<b>Net Position of Fair Value</b>
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 25,558,693	\$ 25,329,301	\$ 25,558,693	\$ 25,329,301	\$ 229,392
Financial assets at FVTOCI - securities sold under repurchase agreements	18,985,764	19,039,992	18,985,764	19,039,992	(54,228)

h. Offsetting financial assets and financial liabilities

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

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

December 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,436,329	\$ -	\$ 1,436,329	\$ (1,436,329)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 45,554,849	\$ -	\$ 45,554,849	\$ (44,223,640)	\$ -	\$ 1,331,209

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,886,314	\$ -	\$ 1,886,314	\$ (1,786,051)	\$ -	\$ 100,263

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



#### **44. CAPITAL MANAGEMENT**

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

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

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

The Act Governing Bills Finance Business and related regulations require that the bills finance business maintain CARs at a minimum of 8%. The CARs of TCBF were 13.68% and 15.18% as of December 31, 2019 and 2018, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 150% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 150%, the authority may impose certain restrictions on a firm's operations. The CAR of TCS was 511% and 325% as of December 31, 2019 and 2018, respectively.

The Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%. The CARs of BPCTLI were 1,148.15% and 1,097.71% as of December 31, 2019 and 2018, respectively.

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

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

a. Asset quality of Taiwan Cooperative Bank, Ltd.: Table 3 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 40,485,293	17.83
2	Group B Real estate development	15,490,169	6.82
3	Group C Harbor services	14,706,544	6.48
4	Group D Computers and computing peripheral equipment manufacturing	12,971,615	5.71
5	Group E Iron and steel smelting	10,462,949	4.61
6	Group F Shipping agency	10,211,396	4.50
7	Group G Cotton and textile	10,114,951	4.46
8	Group H Real estate development	10,067,584	4.43
9	Group I Petroleum and coal products manufacturing	9,663,511	4.26
10	Group J Financial leasing	7,848,501	3.46

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2018		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 40,485,293	19.30
2	Group C Harbor services	16,327,744	7.78
3	Group I Petroleum and coal products manufacturing	14,983,456	7.14
4	Group D Computers and computing peripheral equipment manufacturing	12,069,134	5.75
5	Group G Cotton and textile	11,403,628	5.44
6	Group B Real estate development	11,107,510	5.30
7	Group F Shipping agency	9,956,059	4.75
8	Group K Computers manufacturing	9,538,253	4.55
9	Group E Iron and steel smelting	8,891,512	4.24
10	Group H Real estate development	8,208,265	3.91

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Sheet glass and glass products	\$ 1,100,000	16.27
2	Group B Iron and steel rolls over extends and crowding	1,062,000	15.71
3	Group C Motor bus transportation	906,000	13.40
4	Group D Real estate development	890,000	13.17
5	Group E Real estate development	800,000	11.83
6	Group F Other financial service activities not elsewhere classified	800,000	11.83
7	Group G Real estate development	775,200	11.47
8	Group H Manmade fiber manufacturing	700,000	10.36
9	Group I Shipping agency	700,000	10.36
10	Group J Real estate development	695,000	10.28

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2018		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group F Other financial intermediation not elsewhere classified	\$ 1,460,000	23.34
2	Group G Real estate development	953,000	15.23
3	Group D Real estate development	818,000	13.08
4	Group B Iron and steel rolls over extends and crowding	730,500	11.68
5	Group K Real estate development	716,000	11.45
6	Group I Shipping agency	700,000	11.19
7	Group H Manmade fiber manufacturing	680,000	10.87
8	Group L Iron and steel rolls over extends and crowding	650,000	10.39
9	Group M Real estate development	606,100	9.69
10	Group N Pulp manufacturing	590,000	9.43

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

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

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

c. Interest rate sensitivity information - Taiwan Cooperative Bank, Ltd.

Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity  
December 31, 2019**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,319,216,214	\$ 120,148,166	\$ 18,594,035	\$ 347,294,457	\$ 2,805,252,872
Interest rate-sensitive liabilities	963,313,881	1,410,859,166	107,342,702	57,129,715	2,538,645,464
Interest rate sensitivity gap	1,355,902,333	(1,290,711,000)	(88,748,667)	290,164,742	266,607,408
Net worth					202,794,508
Ratio of interest rate-sensitive assets to liabilities					110.50
Ratio of interest rate sensitivity gap to net worth					131.47

**Interest Rate Sensitivity  
December 31, 2018**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,234,040,644	\$ 99,477,577	\$ 17,281,989	\$ 282,450,708	\$ 2,633,250,918
Interest rate-sensitive liabilities	927,589,418	1,338,861,650	108,225,728	49,652,666	2,424,329,462
Interest rate sensitivity gap	1,306,451,226	(1,239,384,073)	(90,943,739)	232,798,042	208,921,456
Net worth					188,701,358
Ratio of interest rate-sensitive assets to liabilities					108.62
Ratio of interest rate sensitivity gap to net worth					110.72

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

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

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

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

**Interest Rate Sensitivity  
December 31, 2019**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 14,052,462	\$ 741,777	\$ 171,555	\$ 1,704,354	\$ 16,670,148
Interest rate-sensitive liabilities	15,943,251	1,963,448	1,062,056	-	18,968,755
Interest rate sensitivity gap	(1,890,789)	(1,221,671)	(890,501)	1,704,354	(2,298,607)
Net worth					808,112
Ratio of interest rate-sensitive assets to liabilities					87.88
Ratio of interest rate sensitivity gap to net worth					(284.44)

**Interest Rate Sensitivity**  
**December 31, 2018**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 12,740,523	\$ 455,543	\$ 189,696	\$ 1,530,735	\$ 14,916,497
Interest rate-sensitive liabilities	14,198,638	1,019,242	766,580	-	15,984,460
Interest rate sensitivity gap	(1,458,115)	(563,699)	(576,884)	1,530,735	(1,067,963)
Net worth					684,330
Ratio of interest rate-sensitive assets to liabilities					93.32
Ratio of interest rate sensitivity gap to net worth					(156.06)

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

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

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

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

d. Profitability

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

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.57	0.53
	After income tax	0.49	0.46
Return on equity	Before income tax	9.43	8.80
	After income tax	8.02	7.66
Net income ratio		35.87	34.17

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	7.11	6.88
	After income tax	7.14	6.91
Return on equity	Before income tax	7.99	7.60
	After income tax	8.02	7.63
Net income ratio		99.12	99.01

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.56	0.52
	After income tax	0.47	0.46
Return on equity	Before income tax	8.66	8.27
	After income tax	7.32	7.20
Net income ratio		34.36	33.30

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.97	1.00
	After income tax	0.93	1.00
Return on equity	Before income tax	7.62	8.17
	After income tax	7.28	8.14
Net income ratio		77.11	105.83

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	1.52	(0.32)
	After income tax	1.35	(0.37)
Return on equity	Before income tax	6.98	(1.61)
	After income tax	6.16	(1.87)
Net income ratio		29.09	(16.33)

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

(%)

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.58	0.65
	After income tax	0.49	0.55
Return on equity	Before income tax	9.33	11.36
	After income tax	7.94	9.67
Net income ratio		46.85	47.44

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

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

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

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



e. Maturity analysis of assets and liabilities - Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities  
December 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,158,863,899	\$ 423,278,474	\$ 301,756,205	\$ 149,315,327	\$ 276,810,446	\$ 308,243,608	\$ 1,699,459,839
Main capital outflow on maturity	3,696,343,478	203,697,242	174,803,056	517,144,926	418,392,403	674,087,757	1,708,218,094
Gap	(537,479,579)	219,581,232	126,953,149	(367,829,599)	(141,581,957)	(365,844,149)	(8,758,255)

Maturity Analysis of Assets and Liabilities  
December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,082,215,120	\$ 436,034,109	\$ 367,537,346	\$ 173,545,077	\$ 262,960,766	\$ 285,566,636	\$ 1,556,571,186
Main capital outflow on maturity	3,556,701,553	234,259,197	172,973,297	470,507,744	417,718,511	653,383,898	1,607,858,906
Gap	(474,486,433)	201,774,912	194,564,049	(296,962,667)	(154,757,745)	(367,817,262)	(51,287,720)

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

Maturity Analysis of Assets and Liabilities  
December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 24,923,601	\$ 8,223,719	\$ 4,671,016	\$ 2,488,935	\$ 1,507,227	\$ 8,032,704
Main capital outflow on maturity	29,293,208	12,960,116	5,168,261	3,618,565	4,010,662	3,535,604
Gap	(4,369,607)	(4,736,397)	(497,245)	(1,129,630)	(2,503,435)	4,497,100

Maturity Analysis of Assets and Liabilities  
December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 24,362,709	\$ 7,741,135	\$ 5,073,454	\$ 2,570,755	\$ 1,700,446	\$ 7,276,919
Main capital outflow on maturity	28,430,760	11,966,865	7,133,317	2,734,534	3,387,928	3,208,116
Gap	(4,068,051)	(4,225,730)	(2,059,863)	(163,779)	(1,687,482)	4,068,803

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

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

December 31, 2019

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	\$ 14,750,767	\$ 19,136,773	\$ 1,114,622	\$ -	\$ -
	Bonds	-	286,260	-	886,260	15,190,090
	Cash in bank	169,845	-	200	-	-
	Total	14,920,612	19,423,033	1,114,822	886,260	15,190,090
Source of funds	Borrowings	13,650,000	-	-	-	-
	Securities sold under repurchase agreements	24,673,359	7,084,340	10,012	-	-
	Total	38,323,359	7,084,340	10,012	-	-
Net flows		(23,402,747)	12,338,693	1,104,810	886,260	15,190,090
Accumulated capital net flows		(23,402,747)	(11,064,054)	(9,959,244)	(9,072,984)	6,117,106

December 31, 2018

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	\$ 17,324,416	\$ 13,538,033	\$ 897,705	\$ 402,621	\$ -
	Bonds	100,000	100,000	-	206,708	12,778,880
	Cash in bank	263,142	-	200	70,000	-
	Total	17,687,558	13,638,033	897,905	679,329	12,778,880
Source of funds	Borrowings	12,180,000	-	-	-	-
	Securities sold under repurchase agreements	29,005,398	883,956	50,049	-	-
	Total	41,185,398	883,956	50,049	-	-
Net flows		(23,497,840)	12,754,077	847,856	679,329	12,778,880
Accumulated capital net flows		(23,497,840)	(10,743,763)	(9,895,907)	(9,216,578)	3,562,302

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

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

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

##### Balance Sheets of Trust Accounts December 31, 2019 and 2018

Trust Assets	2019	2018	Trust Liabilities	2019	2018
Cash in banks	\$ 7,021,670	\$ 5,038,852	Payables		
Short-term investments			Accrued expense	\$ 643	\$ 2,661
Mutual funds	169,141,039	168,601,296	Others	9	2,294
Stocks	1,325,432	1,045,199	Mutual funds	-	200
Debt instruments	5,066,402	3,976,219		652	5,155
Structured products	107,364	165,591	Accounts payable on securities under custody	171,703,651	115,683,741
	175,640,237	173,788,305	Trust capital		
Securities lending	104,114	278,417	Cash	180,266,162	176,013,465
Receivables	4,709	5,669	Real estate	83,731,346	73,184,329
Real estate			Superficies	56,660	-
Land	64,162,781	56,391,821	Leasehold	60,940	60,940
Buildings	1,600	8,523	Securities	1,288,418	1,324,259
Construction in process	18,596,003	15,137,667	Others	84,242	119,350
	82,760,384	71,538,011		265,487,768	250,702,343
Intangible assets			Reserves and retained earnings		
Leasehold	60,940	60,940	Net income	173,816	11,725
Superficies	56,660	-	Appropriation	(298,330)	(248,802)
	117,600	60,940	Retained earnings	284,808	239,773
Securities under custody	171,703,651	115,683,741		160,294	2,696
Total	\$ 437,352,365	\$ 366,393,935	Total	\$ 437,352,365	\$ 366,393,935

**Trust Property List**  
**December 31, 2019 and 2018**

<b>Investment Items</b>	<b>2019</b>	<b>2018</b>
Cash in banks	\$ 7,021,670	\$ 5,038,852
Short-term investments		
Mutual funds	169,141,039	168,601,296
Stocks	1,325,432	1,045,199
Debt instruments	5,066,402	3,976,219
Structured products	107,364	165,591
Securities lending	104,114	278,417
Receivables		
Accrued interest	1,851	3,857
Mutual fund	2,276	-
Cash dividends	83	-
Receivable on the sale of securities	-	200
Others	499	1,612
Real estate		
Land	64,162,781	56,391,821
Buildings	1,600	8,523
Construction in process	18,596,003	15,137,667
Intangible assets		
Leasehold	60,940	60,940
Superficies	56,660	-
Securities under custody	<u>171,703,651</u>	<u>115,683,741</u>
Total	<u>\$ 437,352,365</u>	<u>\$ 366,393,935</u>

**Statements of Income on Trust Accounts  
For the Years ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Revenues		
Interest revenue	\$ 7,045	\$ 5,287
Lending stock	3,929	5,316
Cash dividends	59,144	61,018
Realized gain on investment - stocks	1,461	7,462
Unrealized gain on investment - stocks	216,022	145,510
Unrealized gain on investment - lending stock	22,257	-
Realized gain on investment - mutual funds	4,634	51
Unrealized gain on investment - mutual funds	15,436	-
Beneficial certificate appropriation	2,922	-
Others	<u>10</u>	<u>326</u>
Total revenues	<u>332,860</u>	<u>224,970</u>
Expenses		
Management fees	4,990	3,923
Taxes	25	17
Service charge	279	269
Postage	25	26
Unrealized loss on investment - stocks	138,411	207,674
Unrealized loss on investment - lending stock	10,149	-
Realized loss on investment - mutual funds	118	308
Unrealized loss on investment - mutual funds	4,905	-
Others	<u>142</u>	<u>1,028</u>
Total expenses	<u>159,044</u>	<u>213,245</u>
Income before income tax	173,816	11,725
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 173,816</u>	<u>\$ 11,725</u>

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

**47. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

Under cooperation arrangements, Taiwan Cooperative Bank, Ltd. (TCB) and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together; thus, related revenues received by TCB were calculated as follows: (a) revenue based on 20% of the net revenue derived from security transactions for three years (for five years before January 1, 2018). (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

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

As of December 31, 2019 and 2018, TCB's accrued receivables were \$3,455 thousand and \$3,168 thousand, respectively. TCB's revenues from cross-selling transactions were \$12,451 thousand and \$11,428 thousand for the years ended December 31, 2019 and 2018, respectively.

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

As of December 31, 2019 and 2018, TCB's accrued receivables were \$2,358 thousand and \$2,541 thousand, respectively. TCB's revenues from cross-selling transactions were \$31,771 thousand and \$38,106 thousand for the years ended December 31, 2019 and 2018, respectively.

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

Table 4 (attached).

#### 49. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 5 (attached).

#### 50. FINANCIAL HOLDING COMPANY ACT NO. 46 ANNOUNCEMENT

Table 6 (attached).

#### 51. CASH FLOW INFORMATION

##### a. Non-Cash financing activities

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

##### b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

	Opening Balance	Cash Inflows (Outflows)	New Leases	Non-cash Changes Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Financial liabilities designated as at fair value through profit or loss -						
bank debentures	\$ 11,483,955	\$ -	\$ -	\$ 14,696	\$ 553,778	\$ 12,052,429
Commercial paper issued	26,091,523	5,015,000	-	-	(1,885)	31,104,638
Bonds payable	55,000,000	10,000,000	-	-	-	65,000,000
Other borrowings	2,425,405	1,038,385	-	-	(31,762)	3,432,028
Guarantee deposits received	1,334,404	736,008	-	-	(20,249)	2,050,163
Lease liabilities	1,528,139	(586,186)	706,700	-	2,738	1,651,391
Other liabilities - other	91,155	29,568	-	-	(6,117)	114,606
	<u>\$ 97,954,581</u>	<u>\$ 16,232,775</u>	<u>\$ 706,700</u>	<u>\$ 14,696</u>	<u>\$ 496,503</u>	<u>\$ 115,405,255</u>

For the year ended December 31, 2018

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Financial liabilities designated as at fair value through profit or loss - bank debentures	\$ 11,688,291	\$ -	\$ (13,252)	\$ (191,084)	\$ 11,483,955
Commercial paper issued	25,657,429	440,000	-	(5,906)	26,091,523
Bonds payable	64,610,000	(9,610,000)	-	-	55,000,000
Other borrowings	800,027	1,637,704	-	(12,326)	2,425,405
Guarantee deposits received	1,605,813	(267,911)	-	(3,498)	1,334,404
Other liabilities - other	90,048	6,609	-	(5,502)	91,155
	<u>\$ 104,451,608</u>	<u>\$ (7,793,598)</u>	<u>\$ (13,252)</u>	<u>\$ (218,316)</u>	<u>\$ 96,426,442</u>

## 52. ADDITIONAL DISCLOSURES

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

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

c. Investment in Mainland China:

Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 14 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 15 (attached).

### 53. OPERATING SEGMENTS

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

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

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

The revenue, expenses and related information of the Company’s reportable segments for the years ended December 31, 2019 and 2018 are as follows:

	<b>For the Year Ended December 31, 2019</b>				
	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 34,158,074	\$ 1,181,002	\$ 35,339,076	\$ 6,723	\$ 35,345,799
Net revenues and gains other than interest	<u>12,393,781</u>	<u>19,299,248</u>	<u>31,693,029</u>	<u>(17,942,703)</u>	<u>13,750,326</u>
Net revenues	46,551,855	20,480,250	67,032,105	(17,935,980)	49,096,125
Bad-debt expenses and provision for losses on commitment and guarantees	(4,120,709)	2,754	(4,117,955)	-	(4,117,955)
Net change in reserves for insurance liabilities	-	1,531,720	1,531,720	-	1,531,720
Operating expenses	<u>(23,527,903)</u>	<u>(2,528,793)</u>	<u>(26,056,696)</u>	<u>270,450</u>	<u>(25,786,246)</u>
Income before income tax	<u>\$ 18,903,243</u>	<u>\$ 19,485,931</u>	<u>\$ 38,389,174</u>	<u>\$(17,665,530)</u>	<u>\$ 20,723,644</u>

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

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



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

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

Subsidiaries included in the consolidated financial statements

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

Subsidiaries not included in the consolidated financial statements

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

**TABLE 2**

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

### CAPITAL ADEQUACY RATIO DECEMBER 31, 2019 AND 2018

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

Unit: In Thousands of New Taiwan Dollars, %

Items  Company	December 31, 2019			December 31, 2018		
	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
Taiwan Cooperative Financial Holding Co., Ltd.		\$ 221,419,322	\$ 248,941,707		\$ 208,273,676	\$ 229,358,179
Taiwan Cooperative Bank, Ltd.	100	267,394,120	206,793,061	100	249,973,633	181,705,128
Taiwan Cooperative Bills Finance Co., Ltd.	100	6,679,900	3,906,255	100	6,166,389	3,250,494
Taiwan Cooperative Securities Co., Ltd.	100	4,916,421	1,443,593	100	4,470,084	2,066,295
Co-operative Assets Management Co., Ltd.	100	3,318,101	3,761,003	100	3,381,451	3,333,610
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51	4,643,791	808,918	51	4,431,770	807,459
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100	416,716	245,524	100	382,201	208,217
Taiwan Cooperative Venture Capital Co., Ltd.	100	1,028,960	524,028	100	952,982	479,898
Deduction		(259,598,181)	(248,842,057)		(243,504,400)	(229,324,491)
Total		250,219,150	217,582,032		234,527,786	191,884,789
Group capital adequacy ratio		115.00%			122.22%	

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

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

(Continued)

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

**Unit: In Thousands of New Taiwan Dollars**

Items	December 31, 2019
Common stock	\$ 129,458,483
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,973,141
Legal reserve	7,927,632
Special reserve	996,026
Cumulative earnings	16,952,318
Equity adjustments	8,112,324
Less: Capital deduction	602
Total eligible capital	221,419,322

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

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

(Continued)

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

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

Items		Year	December 31, 2019		
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 207,137,752	\$ 207,708,378	
	Other Tier 1 capital		12,649,848	13,145,766	
	Tier 2 capital		47,606,520	48,633,541	
	Eligible capital		267,394,120	269,487,685	
Risk-weighted assets	Credit risk	Standardized approach	1,867,445,189	1,870,260,070	
		Internal ratings based approach	-	-	
		Securitization	4,596,941	4,596,941	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	76,432,794	76,647,358	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	20,982,800	20,997,238	
		Internal model approach	-	-	
	Risk-weighted assets			1,969,457,724	1,972,501,607
	Capital adequacy ratio			13.58	13.66
Ratio of the common equity to risk-weighted assets			10.52	10.53	
Ratio of Tier 1 capital to risk-weighted assets			11.16	11.20	
Ratio of leverage			5.95	5.97	

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

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

(Continued)

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

Note 2: Formulas used were as follows:

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

(Concluded)

## TAIWAN COOPERATIVE BANK, LTD.

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

Period		December 31, 2019					December 31, 2018				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 3,048,070	\$ 722,831,247	0.42	\$ 8,588,521	281.77	\$ 2,722,745	\$ 683,915,923	0.40	\$ 8,618,399	316.53
	Unsecured	498,900	640,600,556	0.08	7,142,283	1,431.61	626,102	573,650,166	0.11	6,032,215	963.46
Consumer banking	Housing mortgage (Note 4)	1,098,488	535,702,909	0.21	8,140,185	741.04	1,380,856	522,178,512	0.26	7,927,892	574.13
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	9,104	12,151,396	0.07	130,664	1,435.24	16,848	12,430,337	0.14	163,431	970.03
	Other (Note 6)	Secured	783,052	288,756,524	0.27	3,056,605	390.35	1,076,250	275,504,816	0.39	3,333,725
Unsecured		15,611	9,933,460	0.16	142,907	915.43	27,428	9,082,963	0.30	155,531	567.05
Loan		5,453,225	2,209,976,092	0.25	27,201,165	498.81	5,850,229	2,076,762,717	0.28	26,231,193	448.38
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards		8,132	4,406,057	0.18	59,661	733.66	6,983	3,662,097	0.19	59,173	847.39
Accounts receivable factored without recourse (Note 7)		-	246,992	-	9,175	-	-	456,346	-	10,988	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		555			946						
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		5,137			7,008						
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		8,450			12,478						
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		45,263			46,043						

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

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

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

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

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

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

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

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

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

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

### TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES DECEMBER 31, 2019 AND 2018

#### 1. TCFHC's financial statements

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

##### Balance Sheets December 31, 2019 and 2018 (In Thousands of New Taiwan Dollars)

Assets	2019	2018	Liabilities and Equity	2019	2018
Cash and cash equivalents	\$ 47,435	\$ 25,293	<u>Liabilities</u>		
Financial assets at fair value through other comprehensive income	21,275	22,500	Commercial paper issued, net	\$ 27,190,483	\$ 20,854,385
Receivables	148	146	Payables	287,565	240,318
Current tax assets	2,747,921	1,817,239	Current tax liabilities	2,762,192	1,823,604
Investments accounted for using equity method	248,842,057	229,324,491	Other financial liabilities	2,865	1,756
Properties and equipment, net	6,378	2,593	Lease liabilities	64,540	-
Right-of-use assets, net	63,710	-	Other liabilities	10,096	6,972
Intangible assets	268	193	Total liabilities	<u>30,317,741</u>	<u>22,927,035</u>
Deferred tax assets	334	335	<u>Equity</u>		
Other assets	<u>8,139</u>	<u>8,449</u>	Capital stock	129,458,483	125,687,847
			Capital surplus	57,973,141	57,964,343
			Retained earnings	25,875,976	22,209,318
			Other equity	<u>8,112,324</u>	<u>2,412,696</u>
			Total equity	<u>221,419,924</u>	<u>208,274,204</u>
Total	<u>\$ 251,737,665</u>	<u>\$ 231,201,239</u>	Total	<u>\$ 251,737,665</u>	<u>\$ 231,201,239</u>

(Continued)

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

**Statements of Comprehensive Income**  
**For the Years Ended December 31, 2019 and 2018**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2019</b>	<b>2018</b>
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 17,526,060	\$ 15,959,322
Other revenues and gains	<u>2,822</u>	<u>2,983</u>
Total revenues and gains	<u>17,528,882</u>	<u>15,962,305</u>
Expenses and losses		
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	-	98,662
Operating expenses	230,117	207,040
Other expenses and losses	<u>140,534</u>	<u>89,665</u>
Total expenses and losses	<u>370,651</u>	<u>395,367</u>
Income before income tax	17,158,231	15,566,938
Income tax benefit	<u>77,728</u>	<u>51,305</u>
Net income	17,235,959	15,618,243
Other comprehensive income (losses)	<u>5,327,552</u>	<u>(1,873,215)</u>
Total comprehensive income	<u>\$ 22,563,511</u>	<u>\$ 13,745,028</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$1.33</u>	<u>\$1.21</u>
Diluted	<u>\$1.33</u>	<u>\$1.21</u>

(Continued)



Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity  
For the Years Ended December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings			Other Equity					Total Equity
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for- sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	
BALANCE AT JANUARY 1, 2018	12,202,704	\$ 122,027,036	\$ 57,964,343	\$ 5,019,668	\$ 996,026	\$ 14,377,752	\$ (1,177,934)	\$ -	\$ 1,942,735	\$ 2,414	\$ -	\$ 201,152,040
Effect of retrospective application	-	-	-	-	-	(374,852)	-	4,663,892	(1,942,735)	-	182,859	2,529,164
BALANCE AT JANUARY 1, 2018 AS RESTATED	12,202,704	122,027,036	57,964,343	5,019,668	996,026	14,002,900	(1,177,934)	4,663,892	-	2,414	182,859	203,681,204
Appropriation of the 2017 earnings												
Legal reserve	-	-	-	1,431,780	-	(1,431,780)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,152,028)	-	-	-	-	-	(9,152,028)
Stock dividends	366,081	3,660,811	-	-	-	(3,660,811)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(337,291)	-	337,291	-	-	-	-
Total comprehensive income												
Net income for the year ended December 31, 2018	-	-	-	-	-	15,618,243	-	-	-	-	-	15,618,243
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	(277,389)	895,595	(2,311,151)	-	13,252	(193,522)	(1,873,215)
Total comprehensive income for 2018	-	-	-	-	-	15,340,854	895,595	(2,311,151)	-	13,252	(193,522)	13,745,028
BALANCE AT DECEMBER 31, 2018	12,568,785	125,687,847	57,964,343	6,451,448	996,026	14,761,844	(282,339)	2,690,032	-	15,666	(10,663)	208,274,204
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	-	8,798
Appropriation of the 2018 earnings												
Legal reserve	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,426,589)	-	-	-	-	-	(9,426,589)
Stock dividends	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(40,742)	-	40,742	-	-	-	-
Total comprehensive income												
Net income for the year ended December 31, 2019	-	-	-	-	-	17,235,959	-	-	-	-	-	17,235,959
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(331,334)	(960,479)	6,269,497	-	(14,696)	364,564	5,327,552
Total comprehensive income for 2019	-	-	-	-	-	16,904,625	(960,479)	6,269,497	-	(14,696)	364,564	22,563,511
BALANCE AT DECEMBER 31, 2019	12,945,848	\$ 129,458,483	\$ 57,973,141	\$ 7,927,632	\$ 996,026	\$ 16,952,318	\$ (1,242,818)	\$ 9,000,271	\$ -	\$ 970	\$ 353,901	\$ 221,419,924

(Continued)

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

**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**  
(In Thousands of New Taiwan Dollars)

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities		
Income before income tax	\$ 17,158,231	\$ 15,566,938
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(17,526,060)	(15,860,660)
Depreciation and amortization expenses	24,921	887
Interest expense	140,534	89,665
Interest revenue	(81)	(104)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through other comprehensive income	-	(25,000)
Decrease (increase) in receivables	(2)	4
Decrease (increase) in other assets	310	(664)
Increase in payables	56,045	41,489
Increase (decrease) in other liabilities	<u>3,124</u>	<u>(133)</u>
Cash used in operations	(142,978)	(187,578)
Interest received	81	104
Dividends received	3,337,271	7,521,856
Interest paid	(142,460)	(94,321)
Income tax refunded	<u>85,635</u>	<u>37,687</u>
Net cash generated from operating activities	<u>3,137,549</u>	<u>7,277,748</u>
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	-	(1,000,000)
Acquisition of properties and equipment	(4,719)	(1,065)
Acquisition of intangible assets	<u>(170)</u>	<u>(80)</u>
Net cash used in investing activities	<u>(4,889)</u>	<u>(1,001,145)</u>
Cash flows from financing activities		
Increase in commercial paper issued	6,340,000	2,840,000
Increase in other borrowings	-	1,000,000
Decrease in other borrowings	-	(1,000,000)
Repayments of the principal portion of lease liabilities	(25,038)	-
Increase in other financial liabilities	1,109	1,403
Dividends paid	<u>(9,426,589)</u>	<u>(9,152,028)</u>
Net cash used in financing activities	<u>(3,110,518)</u>	<u>(6,310,625)</u>
Net increase (decrease) in cash and cash equivalents	22,142	(34,022)
Cash and cash equivalents, beginning of the year	<u>25,293</u>	<u>59,315</u>
Cash and cash equivalents, end of the year	<u>\$ 47,435</u>	<u>\$ 25,293</u>

(Continued)

## 2. Subsidiaries' condensed balance sheets

### Taiwan Cooperative Bank, Ltd.

#### Condensed Balance Sheets December 31, 2019 and 2018 (In Thousands of New Taiwan Dollars)

Assets	2019	2018	Liabilities and Equity	2019	2018
Cash and cash equivalents	\$ 57,939,887	\$ 53,883,846	<u>Liabilities</u>		
Due from the Central Bank and call loans to other banks	275,152,522	271,883,276	Due to the Central Bank and other banks	\$ 230,034,229	\$ 211,479,593
Financial assets at fair value through profit or loss	13,105,474	9,490,716	Financial liabilities at fair value through profit or loss	16,021,128	12,953,221
Financial assets at fair value through other comprehensive income	329,128,892	256,663,367	Securities sold under repurchase agreements	7,976,909	9,602,141
Investments in debt instruments at amortized cost	554,148,605	554,882,807	Payables	37,869,519	43,885,780
Securities purchased under resell agreements	-	3,521,000	Current tax liabilities	2,131,559	1,120,604
Receivables, net	18,796,079	18,429,376	Deposits and remittances	2,898,402,875	2,728,608,123
Current tax assets	1,182,787	1,509,126	Bank debentures	65,000,000	55,000,000
Discounts and loans, net	2,182,264,644	2,050,071,547	Other financial liabilities	4,137,499	3,166,974
Investments accounted for using equity method	2,115,170	2,116,666	Provisions	8,221,785	8,022,491
Other financial assets, net	18,843,570	18,727,650	Lease liabilities	1,614,958	-
Properties and equipment, net	33,521,394	33,630,953	Deferred tax liabilities	3,216,996	3,292,854
Right-of-use assets, net	1,687,382	-	Other liabilities	1,191,720	1,137,459
Investment properties, net	7,443,865	7,151,574	Total liabilities	<u>3,275,819,177</u>	<u>3,078,269,240</u>
Intangible assets	3,635,766	3,551,969	<u>Equity</u>		
Deferred tax assets	2,221,537	1,388,293	Capital stock	96,765,300	90,310,300
Other assets	<u>1,661,390</u>	<u>1,101,315</u>	Capital surplus	58,767,245	58,767,245
			Retained earnings	64,412,169	58,153,358
			Other equity	<u>7,085,073</u>	<u>2,503,338</u>
			Total equity	<u>227,029,787</u>	<u>209,734,241</u>
Total	<u>\$ 3,502,848,964</u>	<u>\$ 3,288,003,481</u>	Total	<u>\$ 3,502,848,964</u>	<u>\$ 3,288,003,481</u>

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

#### Condensed Balance Sheets December 31, 2019 and 2018 (In Thousands of New Taiwan Dollars)

Assets	2019	2018	Liabilities and Equity	2019	2018
Cash and cash equivalents	\$ 49,845	\$ 93,142	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	35,154,903	34,216,145	Call loans from banks	\$ 13,650,000	\$ 12,180,000
Financial assets at fair value through other comprehensive income	15,775,179	12,770,749	Securities sold under repurchase agreements	31,755,956	29,930,007
Investments in debt instruments at amortized cost	1,254,086	1,056,082	Payables	319,575	68,063
Receivables, net	296,356	185,888	Provisions	408,722	433,422
Current tax assets	38,977	83,662	Lease liabilities	29,258	-
Other financial assets, net	120,200	240,200	Other liabilities	<u>80,482</u>	<u>50,999</u>
Properties and equipment, net	12,203	13,246	Total liabilities	<u>46,243,993</u>	<u>42,662,491</u>
Right-of-use assets, net	28,896	-	<u>Equity</u>		
Intangible assets, net	6,881	5,644	Capital stock	4,560,710	4,237,877
Other assets, net	<u>266,344</u>	<u>253,159</u>	Capital surplus	312,633	312,633
			Retained earnings	1,790,303	1,654,006
			Other equity	<u>96,231</u>	<u>50,910</u>
			Total equity	<u>6,759,877</u>	<u>6,255,426</u>
Total	<u>\$ 53,003,870</u>	<u>\$ 48,917,917</u>	Total	<u>\$ 53,003,870</u>	<u>\$ 48,917,917</u>

(Continued)

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

**Condensed Balance Sheets  
December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Equity</b>	<b>2019</b>	<b>2018</b>
Current assets	\$ 21,963,088	\$ 24,471,823	<u>Liabilities</u>		
Financial assets at fair value through other comprehensive income - non-current	52,948	48,037	Current liabilities	\$ 17,165,289	\$ 20,027,942
Properties and equipment, net	59,128	69,725	Lease liabilities	152,502	-
Right-of-use assets, net	151,382	-	Deferred tax liabilities	2,553	8,162
Intangible assets	51,253	55,077	Other liabilities	4,725	3,311
Deferred tax assets	4,683	14,294	Total liabilities	<u>17,325,069</u>	<u>20,039,415</u>
Other non-current assets	<u>426,267</u>	<u>437,309</u>	<u>Equity</u>		
			Capital stock	4,724,200	4,724,200
			Capital surplus	294,440	294,440
			Retained earnings	363,647	80,317
			Other equity	1,393	(42,107)
			Total equity	<u>5,383,680</u>	<u>5,056,850</u>
Total	<u>\$ 22,708,749</u>	<u>\$ 25,096,265</u>	Total	<u>\$ 22,708,749</u>	<u>\$ 25,096,265</u>

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

**Condensed Balance Sheets  
December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Equity</b>	<b>2019</b>	<b>2018</b>
Current assets	\$ 66,811	\$ 38,250	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	303,195	491,655	Current liabilities	\$ 4,035,123	\$ 3,161,262
Financial assets at fair value through other comprehensive income			Lease liabilities	18,534	-
acquired loans, net	21,275	22,500	Deferred tax liabilities	47,930	33,431
Receivables, net	1,551,127	1,634,426	Other liabilities	102,317	91,076
Investments accounted for using the equity method	962,512	942,715	Total liabilities	<u>4,203,904</u>	<u>3,285,769</u>
Properties and equipment, net	14,405	3,113	<u>Equity</u>		
Investment properties, net	3,962,999	2,925,388	Capital stock	2,825,280	2,825,280
Intangible assets	18,314	-	Capital surplus	2,553	2,553
Right-of-use assets, net	7,223	10,294	Retained earnings	593,972	624,912
Deferred tax assets	221,546	205,473	Other equity	(103,704)	(71,294)
Long-term lease payment receivable	260,534	134,064	Total equity	<u>3,318,101</u>	<u>3,381,451</u>
Other assets	<u>132,064</u>	<u>259,342</u>			
Total	<u>\$ 7,522,005</u>	<u>\$ 6,667,220</u>	Total	<u>\$ 7,522,005</u>	<u>\$ 6,667,220</u>

(Continued)

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

**Condensed Balance Sheets  
December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Equity</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 9,434,455	\$ 5,766,662	<u>Liabilities</u>		
Receivables	470,732	772,571	Payables	\$ 5,432,756	\$ 704,485
Current tax assets	99,428	104,219	Current tax liabilities	50,492	-
Investments	40,081,922	43,168,078	Financial assets at fair value through profit or loss	-	15,308
Reinsurance assets	84,674	46,975	Lease liabilities	26,530	-
Equipment, net	143,190	93,605	Insurance liabilities	28,026,195	29,698,376
Right-of-use assets, net	26,246	-	Reserve for insurance contracts with financial instruments features	6,068,784	10,434,066
Deferred tax assets	13,977	145,620	Reserve of foreign exchange variation	230,520	239,440
Other assets	1,152,976	1,115,764	Deferred tax liabilities	185,626	-
Separate-account assets	<u>109,228,185</u>	<u>91,245,818</u>	Other liabilities	736,556	2,000,717
			Separate-account liabilities	<u>109,228,185</u>	<u>91,245,818</u>
			<u>Total liabilities</u>	<u>149,985,644</u>	<u>134,338,210</u>
			<u>Equity</u>		
			Capital stock	6,719,466	6,719,466
			Capital surplus	9,310	9,310
			Retained earnings	1,931,380	1,390,281
			Other equity	<u>2,089,985</u>	<u>2,045</u>
			<u>Total equity</u>	<u>10,750,141</u>	<u>8,121,102</u>
<b>Total</b>	<u>\$ 160,735,785</u>	<u>\$ 142,459,312</u>	<b>Total</b>	<u>\$ 160,735,785</u>	<u>\$ 142,459,312</u>

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

**Condensed Balance Sheets  
December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Equity</b>	<b>2019</b>	<b>2018</b>
Current assets	\$ 419,658	\$ 382,541	<u>Liabilities</u>		
Financial assets at fair value through profit or loss - non-current	1,899	1,938	Current liabilities	\$ 68,366	\$ 33,987
Properties and equipment, net	3,380	3,734	Lease liabilities	4,913	-
Right-of-use assets, net	4,607	-	Other liabilities	<u>1,053</u>	<u>245</u>
Intangible assets	5,265	1,982	<u>Total liabilities</u>	<u>74,332</u>	<u>34,232</u>
Other assets	<u>56,239</u>	<u>26,238</u>	<u>Equity</u>		
			Capital stock	303,000	303,000
			Capital surplus	72,860	72,860
			Retained earnings	41,231	6,677
			Other equity	<u>(375)</u>	<u>(336)</u>
			<u>Total equity</u>	<u>416,716</u>	<u>382,201</u>
<b>Total</b>	<u>\$ 491,048</u>	<u>\$ 416,433</u>	<b>Total</b>	<u>\$ 491,048</u>	<u>\$ 416,433</u>

(Continued)

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

**Condensed Balance Sheets  
December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and Equity</b>	<b>2019</b>	<b>2018</b>
Current assets	\$ 716,326	\$ 806,575	<u>Liabilities</u>		
Financial assets at fair value through profit or loss - non-current	318,001	151,506	Current liabilities	\$ 9,561	\$ 6,654
Investments accounted for using equity method	3,294	-	Lease liabilities	9,376	-
Properties and equipment, net	655	1,223	Other liabilities	<u>159</u>	<u>159</u>
Right-of-use assets, net	9,302	-	Total liabilities	<u>19,096</u>	<u>6,813</u>
Intangible assets	4	17	<u>Equity</u>		
Other assets	<u>474</u>	<u>474</u>	Capital stock	1,000,000	1,000,000
			Retained earnings (accumulated deficit)	57,421	(20,660)
			Other equity	<u>(28,461)</u>	<u>(26,358)</u>
			Total equity	<u>1,028,960</u>	<u>952,982</u>
Total	<u>\$ 1,048,056</u>	<u>\$ 959,795</u>	Total	<u>\$ 1,048,056</u>	<u>\$ 959,795</u>

3. Subsidiaries' condensed statements of comprehensive income

**Taiwan Cooperative Bank, Ltd.**

**Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2019 and 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>	<b>2018</b>
Interest revenues	\$ 58,628,871	\$ 55,336,641
Less: Interest expenses	<u>(24,470,797)</u>	<u>(21,511,337)</u>
Net interest	34,158,074	33,825,304
Net revenues and gains other than interest	<u>12,393,781</u>	<u>10,503,148</u>
Total net revenues	46,551,855	44,328,452
Bad-debt expenses and provision for losses on commitment and guarantees	(4,120,709)	(4,403,869)
Operating expenses	<u>(23,527,903)</u>	<u>(22,971,602)</u>
Income before income tax	18,903,243	16,952,981
Income tax expense	<u>(2,907,587)</u>	<u>(2,190,615)</u>
Net income	15,995,656	14,762,366
Other comprehensive income (loss)	<u>4,252,890</u>	<u>(1,181,122)</u>
Total comprehensive income	<u>\$ 20,248,546</u>	<u>\$ 13,581,244</u>
Earnings per share (NT\$)		
Basic	<u>\$1.65</u>	<u>\$1.53</u>

(Continued)

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

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

	<b>2019</b>	<b>2018</b>
Net interest	\$ 248,691	\$ 221,618
Net revenues and gains other than interest	<u>365,949</u>	<u>216,398</u>
Total net revenues	614,640	438,016
Reversal of allowance for credit losses and provision	28,946	171,050
Operating expenses	<u>(147,771)</u>	<u>(143,962)</u>
Income before income tax	495,815	465,104
Income tax expense	<u>(21,893)</u>	<u>(1,559)</u>
Net income	473,922	463,545
Other comprehensive income (loss)	<u>30,606</u>	<u>(56,363)</u>
 Total comprehensive income	 <u>\$ 504,528</u>	 <u>\$ 407,182</u>
 Earnings per share (NT\$)		
Basic	<u>\$1.04</u>	<u>\$1.11</u>

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

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

	<b>2019</b>	<b>2018</b>
Revenues	\$ 1,291,022	\$ 849,450
Service charge	(40,656)	(43,183)
Other operating costs	(172,872)	(203,339)
Employee benefits	(419,992)	(384,671)
Other operating expenses	(320,890)	(304,376)
Other gains	<u>27,850</u>	<u>1,385</u>
Income (loss) before income tax	364,462	(84,734)
Income tax expense	<u>(42,922)</u>	<u>(13,928)</u>
Net income (loss)	321,540	(98,662)
Other comprehensive income (loss)	<u>5,290</u>	<u>(65,919)</u>
 Total comprehensive income (loss)	 <u>\$ 326,830</u>	 <u>\$ (164,581)</u>
 Earnings (loss) per share (NT\$)		
Basic	<u>\$0.68</u>	<u>\$(0.21)</u>

(Continued)

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

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 500,896	\$ 556,616
Operating expenses	<u>(225,468)</u>	<u>(235,453)</u>
Operating benefits	275,428	321,163
Non-operating gains and losses	<u>26,504</u>	<u>28,295</u>
Income before income tax	301,932	349,458
Income tax expense	<u>(60,362)</u>	<u>(46,669)</u>
Net income	241,570	302,789
Other comprehensive loss	<u>(32,410)</u>	<u>(13,997)</u>
Total comprehensive income	<u>\$ 209,160</u>	<u>\$ 288,792</u>
Earnings per share (NT\$)		
Basic	<u>\$0.86</u>	<u>\$1.07</u>

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

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 18,978,777	\$ 4,695,739
Operating costs	(17,379,321)	(3,009,977)
Operating expenses	(719,258)	(745,868)
Non-operating income and expenses	<u>-</u>	<u>(2)</u>
Income before income tax	880,198	939,892
Income tax expenses	<u>(130,796)</u>	<u>(140,210)</u>
Net income	749,402	799,682
Other comprehensive income (loss)	<u>2,087,940</u>	<u>(1,064,179)</u>
Total comprehensive income (loss)	<u>\$ 2,837,342</u>	<u>\$ (264,497)</u>
Earnings per share (NT\$)		
Basic	<u>\$1.12</u>	<u>\$1.19</u>

(Continued)



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

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 370,823	\$ 195,358
Operating expenses	<u>(333,624)</u>	<u>(192,651)</u>
Operating gain	37,199	2,707
Non-operating gains and losses	<u>2,803</u>	<u>3,793</u>
Income before income tax	40,002	6,500
Income tax expenses	<u>-</u>	<u>-</u>
Net income	40,002	6,500
Other comprehensive income	<u>(39)</u>	<u>(497)</u>
Total comprehensive income	<u>\$ 39,963</u>	<u>\$ 6,003</u>
Earnings per share (NT\$)		
Basic	<u>\$1.32</u>	<u>\$0.21</u>

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

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

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 102,137	\$ 44,253
Operating expenses	<u>(34,378)</u>	<u>(28,810)</u>
Operating gain	67,759	15,443
Non-operating gains and losses	<u>777</u>	<u>1,018</u>
Income before income tax	68,536	16,461
Income tax expenses	<u>(148)</u>	<u>(177)</u>
Net income	68,388	16,284
Other comprehensive income (loss)	<u>7,590</u>	<u>(10,086)</u>
Total comprehensive income	<u>\$ 75,978</u>	<u>\$ 6,198</u>
Earnings per share (NT\$)		
Basic	<u>\$0.68</u>	<u>\$0.16</u>

(Concluded)

**TABLE 5**

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

**BUSINESS SEGMENT FINANCIAL INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

Business Segment Items	For the Year Ended December 31, 2019				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 34,302,224	\$ (79,505)	\$ 957,452	\$ 165,628	\$ 35,345,799
Net revenues and gains other than interest	10,904,805	722,496	231,699	1,891,326	13,750,326
Total net revenues	45,207,029	642,991	1,189,151	2,056,954	49,096,125
Bad-debt expenses and provision for losses on commitment and guarantees	(4,131,094)	28,946	-	(15,807)	(4,117,955)
Net change in reserves for insurance liabilities	-	-	1,531,720	-	1,531,720
Operating expenses	(23,586,516)	(138,804)	(664,364)	(1,396,562)	(25,786,246)
Income before income tax	17,489,419	533,133	2,056,507	644,585	20,723,644
Income tax expenses	(2,911,685)	(21,893)	(130,796)	(46,854)	(3,111,228)
Net income	14,577,734	511,240	1,925,711	597,731	17,612,416

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

**TABLE 6****TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT  
DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, %)**

December 31, 2019

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 389,860,000	176.07
National Treasury Administration, ROC	267,855,413	120.97
Tai Power Co., Ltd.	118,431,298	53.49
Kaohsiung Financial Bureau	80,082,342	36.17
Taiwan High Speed Rail Corp.	41,018,293	18.53
CPC Corporation, Taiwan	26,236,298	11.85
Kaohsiung Rapid Transit Corp.	17,350,000	7.84
Taiwan Railways Administration	16,000,000	7.23
Central Taiwan Science Park	15,000,000	6.77
Clevo Corp.	9,411,970	4.25
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	8,584,423	3.88
Highwealth Construction Co., Ltd.	8,371,453	3.78
Yang Ming Marine Transport Corp.	8,309,840	3.75
Da-Li Development Co, Ltd.	8,240,193	3.72
Yilan County Government	7,797,667	3.52
Federal Home Loan Mortgage Corp.	7,591,615	3.43
Taoyuan City Government	7,000,000	3.16
Hon Hai Precision Co., Ltd.	6,241,975	2.82
Federal National Mortgage Association	6,054,943	2.73
AUO Co., Ltd.	5,774,406	2.61
Chiayi County Government	5,435,000	2.45
Taiwan Semiconductor Manufacturing Co., Ltd.	4,933,098	2.23
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.17
China Steel Corp.	4,784,445	2.16
Johnson Health Tech. Co., Ltd.)	4,728,736	2.14
Winbond Electronics Corp.	4,345,784	1.96
Chailease Finance Co., Ltd.	4,292,945	1.94
CSBC CORPORATION, TAIWAN	4,122,402	1.86
Kindom Construction Corp.	3,944,404	1.78
US TREASURY NOTE	3,928,092	1.77
Radium Life Tech. Co., Ltd.	3,912,740	1.77

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Aerospace Industrial Development Corp.	\$ 3,895,932	1.76
Yien United Steel Corp.	3,820,233	1.73
Evergreen Marine Corp. (Taiwan) Ltd.	3,799,506	1.72
Formosa Ha Tinh (Cayman) Limited	3,748,750	1.69
Run Long Construction Co., Ltd.	3,737,972	1.69
Taiwan Land Development Corp.	3,701,954	1.67
Chungwha Construction Corp.	3,645,550	1.65
Powerchip Semiconductor Manufacturing Corporation	3,539,701	1.60
PROSPERITY TIEH ENTERPRISE CO., LTD.	3,539,184	1.60
Client A	3,526,617	1.59
Yi Tai Fund Corp.	3,249,510	1.47
Eva Airways Corp.	3,116,681	1.41
Tatung Co., Ltd.	3,092,052	1.40
BPCE	3,086,732	1.39
Nan Ya Plastics Corporation	3,077,160	1.39
China Man-Made Fiber Corporation	3,072,671	1.39
Mandarin Oriental, Taipei	3,047,290	1.38
Unimicron Technology Corp.	3,045,700	1.38
EVERGREEN MARINE (SINGAPORE) PTE. LTD.	3,045,343	1.38
CHANG HWA COMMERCIAL BANK, LTD.	3,020,169	1.36
Tainan City Government	3,000,000	1.35
2. Same related parties		
Client B	9,551,939	4.31
Client C	9,510,053	4.30
Client D	5,185,739	2.34
Client E	4,354,146	1.97
Client F	4,275,127	1.93
Client G	3,790,983	1.71
Client H	3,786,592	1.71
Client I	3,786,592	1.71
Client J	3,786,592	1.71
Client K	3,629,515	1.64
Client L	3,593,000	1.62
Client M	3,496,415	1.58
3. Same affiliate		
Han Jyun Construction Corp.	15,534,682	7.02
EverFun Travel Services Corp.	15,117,592	6.83
Evergreen Marine (Hong Kong) Limited	15,117,592	6.83
Yi Tai Fund Corp.	14,396,339	6.50
Clevo Corp.	14,283,100	6.45
Bing Han Construction Corp.	14,120,268	6.38
SUNNY FRIEND ENVIRONMENTAL TECHNOLOGY CO., LTD.	13,834,174	6.25

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Yi Jhan Construction Corp.	\$ 13,615,268	6.15
Highwealth Construction Co., Ltd.	13,450,777	6.07
QiYu Construction Co., Ltd.	13,449,777	6.07
Run Long Construction Co., Ltd.	13,449,777	6.07
Formosa Ha Tinh (Cayman) Limited	12,799,190	5.78
Gogoro Network (Cayman), Taiwan Branch	12,781,340	5.77
Buynow (Anshan) Corp.	12,695,588	5.73
Ruentex Development Co., Ltd.	12,290,249	5.55
Reunited Industries Ltd.	12,290,249	5.55
Hui Hong Investment Management Co., Ltd.	12,170,342	5.50
Ren Ying Enterprise Co., Ltd.	12,170,342	5.50
Evergreen Marine Corp. (Taiwan) Ltd.	12,057,249	5.45
GENERAL INTERFACE SOLUTION (GIS) HOLDING GENERAL INTERFACE SOLUTION LIMITED	11,760,053	5.31
Kings Garden International Co., Ltd.	11,126,378	5.03
Great Emperor Hotel Co., Ltd.	11,126,378	5.03
Buynow (Texas) Corp.	10,936,695	4.94
Shantou Buynow Mall Co., Ltd.	10,606,073	4.79
EDA Hua Yue Hotel Corp.	10,605,478	4.79
Nan Shan Life Insurance Company, Ltd.	10,575,524	4.78
FORMOSA PLASTICS CORPORATION	10,484,537	4.74
Evergreen Marine (UK) Ltd.	10,285,399	4.65
Yien United Steel Corp.	10,197,319	4.61
Yieh Phui (Hong Kong) Holdings Ltd.	10,165,758	4.59
Chaico Investment Corporation	10,121,159	4.57
Buynow (Wuhan) Corp.	10,088,432	4.56
Jhong-An Investment Co., Ltd.	10,056,159	4.54
CECIC Blue-Sky Investment Consulting & Management Co., Ltd	10,013,270	4.52
Hon Hai Precision Co., Ltd.	10,003,442	4.52
Eva Airways Corp.	9,973,418	4.50
Chailease International Finance Corp.	9,925,252	4.48
Buynow (Chengdu) Corp.	9,764,160	4.41
Chailease Rental Corp.	9,741,756	4.40
CHAILEASE CONSUMER FINANCE CO., LTD.	9,686,159	4.37
Chailease Holding Co., Ltd.	9,485,252	4.28
Yang Ming Marine Transport Corp.	9,449,441	4.27
Far Eastern New Century Corp.	9,359,235	4.23
FORMOSA CHEMICALS & FIBRE CORP.	9,265,740	4.18
Chailease Finance Co., Ltd.	9,244,844	4.18
Ya Su Development Corp.	9,113,321	4.12
Chailease International Finance Corp.	9,020,535	4.07
Da-Li Development Co, Ltd.	8,849,481	4.00
Da-Li Development LLC	8,849,481	4.00
Da Li International LLC	8,849,481	4.00
Ya Tung Ready Mixed Concrete Co., Ltd	8,807,710	3.98
Kao Ming Container Terminal Corp.	8,707,029	3.93

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
All Oceans Transportation Inc.	\$ 8,682,652	3.92
Kuang Ming Shipping Corp.	8,679,440	3.92
Kuang Ming (Liberia) Corp.	8,679,440	3.92
Innolux Corp.	8,623,446	3.89
DA LI PROPERTIES LLC	8,618,067	3.89
Shinshunshin Investment Co., Ltd.	8,520,141	3.85
Sin He Sing Investment Corp.	8,430,154	3.81
Jhao Fong Investment	8,410,128	3.80
Yieh Hsing Enterprise Co., Ltd.	8,288,362	3.74
Dali Development Co., Ltd.	8,270,193	3.74
EVERGREEN AVIATION TECHNOLOGIES CORPORATION	8,057,128	3.64
FU-DA TRANSPORT CORPORATION	7,762,815	3.51
Yuan Ding Investment Corp.	7,324,506	3.31
Far EasTone Telecommunications Co., Ltd.	7,324,506	3.31
Radium Life Tech. Co., Ltd.	7,269,988	3.28
EVER ECOVE CORPORATION	7,190,425	3.25
Chung Hung Steel Corp.	7,160,790	3.23
China Steel Corp.	7,160,790	3.23
C.S. Aluminium Corporation	7,160,790	3.23
Ji Shun Life Tech Co., Ltd.	7,130,264	3.22
Ruen Chen Investment Holding Co., Ltd.	7,108,834	3.21
Chailease Holding Co., Ltd.	7,051,441	3.18
BenQ Materials Corp.	6,830,555	3.08
Visco Vision Inc.	6,830,555	3.08
G-Tech Optoelectronics Corp.	6,660,731	3.01
AUO Co., Ltd.	6,642,947	3.00
Fina Finance & Trading Co., Ltd.	6,575,770	2.97
FOXCONN INTERCONNECT TECHNOLOGY LIMITED TAIWAN BRANCH (CAYMAN)	6,511,885	2.94
Foxconn Technology Co., Ltd.	6,353,125	2.87
World Peace Industrial Co., Ltd.	6,311,941	2.85
WPG Holdings Limited	6,310,304	2.85
Asia Cement Corp.	6,268,046	2.83
Ennoconn Corporation	6,263,435	2.83
FOXSEMICON INTEGRATED TECHNOLOGY INC.	6,245,879	2.82
BREAKTIME INC.	6,242,975	2.82
Nan Chung Petrochemical Corp.	6,186,531	2.79
AUO (Kunshan) Co., Ltd.	6,158,278	2.78
Everwiner Enterprise Co., Ltd.	6,010,404	2.71
Frontek Technology Corporation	5,863,404	2.65
Dragon Steel Corp.	5,860,511	2.65
Capital Machinery Corp.	5,813,958	2.63
Genuine Crop.	5,563,742	2.51
Li Jiang Development Corp.	5,552,298	2.51
FORMOSA INDUSTRIES CORP	5,527,081	2.50

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
China Man-Made Fiber Corporation	\$ 5,510,312	2.49
Taiwan Semiconductor Manufacturing Co., Ltd.	5,446,958	2.46
CHIAHUI POWER CORPORATION	5,425,713	2.45
MOTECH INDUSTRIES INC.	5,421,256	2.45
China Steel Machinery Corp.	5,339,561	2.41
GREENCOMPASS MARINE S.A.	5,205,880	2.35
Chungwha Construction Corp.	5,135,922	2.32
China Steel Chemical Corp.	5,128,575	2.32
Nan Ya Plastics Corporation	5,095,837	2.30
Taiwan Land Development Corp.	5,095,739	2.30
Taiwan Innovation Development Corp.	5,095,739	2.30
Taiwan Commercial Development Corp.	5,095,739	2.30
Fubon Financial Holding Co, Ltd.	5,073,005	2.29
Rih Ding Water Enterprise Co., Ltd.	5,063,900	2.29
Farglory Dome Co., Ltd.	5,051,273	2.28
Tayu - Taiwanglass Corp.	5,044,450	2.28
TG Tianjin Glass Co., Ltd.	5,044,450	2.28
Yu Yuan Investment Co., Ltd.	5,002,583	2.26
China Steel Structure Co., Ltd.	5,000,434	2.26
United Steel Engineering & Construction Corporation	5,000,434	2.26
Vanguard International Semiconductor Corporation	4,989,718	2.25
Pan Asia Chemical Co.	4,913,034	2.22
Li Sheng Corporation	4,865,651	2.20
FARGLORY HOTEL	4,864,927	2.20
Taiwan Cement Corporation	4,843,837	2.19
CSRC China (Maanshan) Corporation P.R.C	4,843,837	2.19
Silicon Application Corp	4,836,858	2.18
JEAN CO., LTD	4,798,964	2.17
Jean Pacific Development Co., Ltd.	4,798,964	2.17
JOHNSON HEALTH TECH CO., LTD.	4,768,296	2.15
JOHNSON HEALTH TECH. GMBH	4,768,296	2.15
Asia Cement (China) Holdings Corporation	4,721,547	2.13
Fubon Life Insurance Co., Ltd.	4,699,749	2.12
Nan Ya Technology Corp.	4,649,165	2.10
Taichung Bank Leasing Corporation Limited	4,565,312	2.06
FENG SHEHG ENTERPRISE COMPANY	4,548,824	2.05
United Microelectronics Corp.	4,430,067	2.00
Grand Pacific Financing Corporation	4,423,851	2.00
CMI Credit LTD.	4,412,958	1.99
Kuan-Ho Refractories Corp.	4,411,176	1.99
ASIAN INFORMATION TECHNOLOGY INC.	4,409,220	1.99
TITAN DEVELOPMENT AND CONSTRUCTION CO., LTD.	4,350,134	1.96
Prince Housing & Development Corp.	4,350,094	1.96
Winbond Electronics Corp.	4,345,784	1.96
Yieh Phui Enterprise Co., Ltd.	4,296,085	1.94
Hanshin Mall	4,286,023	1.94

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Tatung Co., Ltd.	\$ 4,186,610	1.89
TATUNG CONSUMER PRODUCTS (TAIWAN) CO., LTD.	4,186,610	1.89
E-DA Healthcare Group	4,176,450	1.89
Fujian Lian Wwi Logistics Co., Ltd.	4,172,650	1.88
Wan Da Tong Co., Ltd.	4,141,710	1.87
CSBC CORPORATION, TAIWAN	4,122,402	1.86
Zhong Tai Hotel Co., Ltd.	4,106,828	1.85
Mandarin Oriental, Taipei	4,106,828	1.85
Chunghwa Picture Tubes, Ltd.	4,082,135	1.84
Unimicron Technology Corp.	4,065,702	1.84
Kindom Construction Corp.	3,944,404	1.78
Taiwan Mobile Corp.	3,921,113	1.77
Aerospace Industrial Development Corp.	3,895,932	1.76
TAIWAN GLASS IND. CORP.	3,874,647	1.75
Shih Wei Navigation Co., Ltd.	3,870,558	1.75
Advance Material Co., Ltd.	3,847,720	1.74
Farglory Land Development Co., Ltd.	3,764,879	1.70
Uni-President Enterprises Corporation	3,701,441	1.67
Long Chen Paper Co., Ltd.	3,698,681	1.67
HANSHIN DEPARTMENT STORE CO., LTD.	3,692,111	1.67
TTET Union Corporation	3,660,054	1.65
TCC INTERNATIONAL HOLDING LT	3,597,811	1.62
Tcc International Ltd.	3,597,811	1.62
LUILANG WISDOM S.A.	3,596,986	1.62
PROSPERITY TIEH ENTERPRISE CO., LTD.	3,569,184	1.61
Powerchip Semiconductor Manufacturing Corporation	3,539,701	1.60
Central Investment Corp.	3,538,732	1.60
RUEN TEX Group	3,507,649	1.58
FAR EASTERN DEPT. STORE, LTD.	3,493,124	1.58
Pfg Fiber Glass Corporation	3,487,131	1.57
Taipei Fubon Commercial Bank Co., Ltd. (Taipei Fubon Bank)	3,486,927	1.57
UNISENSE TECHNOLOGY CO., LTD.	3,473,875	1.57
UNI-SPLENDOR CORP.	3,468,408	1.57
Spinnaker Pescadores S.A. Panama	3,465,460	1.57
LUNG HWA ELECTRONICS CO., LTD.	3,427,166	1.55
Taiwan Finance Corporation	3,344,164	1.51
Dong Lien Maritime S.A. Panama	3,308,801	1.49
Taiwan Prosperity Chemical Corporation	3,292,870	1.49
CHAILEASE INTERNATIONAL FINANCIAL	3,275,575	1.48
Qun Hong Technology Inc.	3,264,226	1.47
Grand Bills Finance Corp.	3,223,267	1.46
FU CHAN HIGH PILE CO., LTD.	3,220,760	1.45
United Renewable Energy Co., Ltd.	3,215,375	1.45
GINTUNG ENERGY CORPORATION	3,181,948	1.44
Wuxi Longchen Greentech Co., Ltd.	3,178,906	1.44
Pinghu Longchen Greentech Co., Ltd.	3,178,906	1.44

(Continued)



Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Suzhou Long Chen Paper Co., Ltd.	\$ 3,178,906	1.44
Lian Jing Investment Corp.	3,166,615	1.43
WISDOM MARINE LINES S.A.	3,160,327	1.43
Continental Carbon Company	3,149,822	1.42
Fubon Real Estate Management Co., Ltd.	3,091,461	1.40
Jingzhou Longchen Greentech Co., Ltd.	3,090,704	1.40
EVERGREEN MARINE (SINGAPORE) PTE. LTD.	3,045,343	1.38
KRATON FORMOSA POLYMERS CORPORATION	3,041,540	1.37
Formosa Petrochemical Corporation	3,041,120	1.37
LONG BON INTERNATIONAL CO., LTD.	3,037,753	1.37
CHANG HWA COMMERCIAL BANK, LTD.	3,020,169	1.36
YIEH MAU CORP.	3,007,606	1.36

December 31, 2018

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 403,680,000	193.82
National Treasury Administration, ROC	229,217,995	110.06
Tai Power Co., Ltd.	95,621,752	45.91
Kaohsiung Financial Bureau	72,609,363	34.86
Taiwan High Speed Rail Corp.	41,297,705	19.83
CPC Corporation, Taiwan	22,281,543	10.70
Kaohsiung Rapid Transit Corp.	16,866,098	8.10
Highwealth Construction Co., Ltd.	9,235,726	4.43
Clevo Corp.	9,138,590	4.39
Government National Mortgage Association	8,986,885	4.31
Federal Home Loan Mortgage Corp.	8,510,217	4.09
Federal National Mortgage Association	7,907,323	3.80
Yilan County Government	7,871,648	3.78
Hon Hai Precision Co., Ltd.	7,722,641	3.71
Yang Ming Marine Transport Corp.	7,003,593	3.36
Chiayi County Government	6,335,000	3.04
Aerospace Industrial Development Corp.	6,095,005	2.93
Taiwan Semiconductor Manufacturing Co., Ltd.	6,059,100	2.91
Da-Li Development Co, Ltd.	5,757,175	2.76

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Eva Airways Corp.	\$ 4,974,557	2.39
China Steel Corp.	4,936,284	2.37
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.31
AUO Co., Ltd.	4,604,015	2.21
Chungwha Construction Corp.	4,566,208	2.19
Kindom Construction Corp.	4,367,074	2.10
Taiwan Railways Administration	4,360,000	2.09
Evergreen Marine Corp. (Taiwan) Ltd.	4,320,538	2.07
Winbond Electronics Corp.	4,014,254	1.93
Yien United Steel Corp.	3,945,634	1.89
Taiwan Land Development Corp.	3,852,031	1.85
Formosa Ha Tinh (Cayman) Limited	3,841,875	1.84
Innolux Corp.	3,800,000	1.82
Nan Ya Plastics Corporation	3,786,563	1.82
Formosa Group (Cayman) Ltd.	3,688,200	1.77
Client A	3,528,880	1.69
Evergreen Marine (Singapore) Pte. Ltd.	3,491,998	1.68
China Man-Made Fiber Corporation	3,438,671	1.65
Yi Tai Fund Corp.	3,419,525	1.64
Formosa Plastics Corporation	3,341,501	1.60
Tatung Co., Ltd.	3,176,954	1.53
Chailease Finance Co., Ltd.	3,135,027	1.51
Nantou County Government	3,026,675	1.45
Tainan City Government	3,000,000	1.44
2. Same related parties		
Client B	10,150,331	4.87
Client C	9,206,131	4.42
Client D	5,761,369	2.77
Client E	4,220,207	2.03
Client F	4,023,236	1.93
Client G	3,994,531	1.92
Client H	3,826,191	1.84
Client I	3,821,469	1.83
Client J	3,821,469	1.83
Client K	3,821,469	1.83
Client L	3,690,680	1.77
Client M	3,325,626	1.60
Client N	3,013,217	1.45

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
3. Same affiliate		
EverFun Travel Services Corp.	\$ 18,061,083	8.67
Evergreen Marine (Hong Kong) Limited	18,061,083	8.67
Ruentex Development Co., Ltd.	15,245,061	7.32
Yi Tai Investment Co., Ltd.	14,885,358	7.15
Evergreen Marine Corp. (Taiwan) Ltd.	14,554,085	6.99
Clevo (Cayman Islands) Holding Company	13,723,144	6.59
Formosa Ha Tinh (Cayman) Limited	13,716,230	6.59
Clevo Corp.	13,431,161	6.45
Gogoro Energy Network (Cayman), Taiwan Branch	13,292,555	6.38
General Interface Solution Limited	13,047,082	6.26
Reunited Industries Ltd.	13,037,500	6.26
Ren Ying Enterprise Co., Ltd.	12,996,555	6.24
Eva Airways Corp.	12,298,247	5.90
Eva Cosmonautic Flight Precision Corp.	12,298,247	5.90
Buynow (Anshan) Corp.	12,296,039	5.90
Hon Hai Precision Co., Ltd.	12,283,443	5.90
Nan Shan Life Insurance Company, Ltd.	11,356,747	5.45
Highwealth Construction Co., Ltd.	11,249,457	5.40
QiYu Construction Co., Ltd.	11,249,457	5.40
Run Long Construction Co., Ltd.	11,249,457	5.40
Evergreen Marine (UK) Ltd.	11,209,267	5.38
Buynow (Texas) Corp.	11,039,412	5.30
Formosa Plastics Corp.	10,979,077	5.27
Shantou Buynow Mall Co., Ltd.	10,699,865	5.14
Buynow (Wuhan) Corp.	10,174,661	4.89
Mai-Liao Power Corporation	10,136,577	4.87
Pacific Sogo Department Stores Co., Ltd.	10,128,740	4.86
CECIC Blue-Sky Investment Consulting & Management Co., Ltd	10,100,922	4.85
Formosa Chemical & Fibre Corp.	10,080,152	4.84
Nan Ya Plastic Corporation	9,909,907	4.76
Formosa Petrochemical Corporation	9,807,679	4.71
Kings Garden International Co., Ltd.	9,464,607	4.54
Great Emperor Hotel Co., Ltd.	9,464,607	4.54
EDA Hua Yue Hotel Corp.	9,065,967	4.35
Yieh Phui (Hong Kong) Holdings Ltd.	8,926,069	4.29
Far Eastern New Century Corp.	8,893,655	4.27
Ya Tung Ready Mixed Concrete Co., Ltd	8,702,887	4.18
Yang Ming Marine Transport Corp.	8,499,683	4.08
Yien United Steel Corp.	8,307,012	3.99
G-Tech Optoelectronics Corporation	8,165,053	3.92
China Steel Corp.	7,929,968	3.81
China Steel Express Corporation	7,929,968	3.81
CSEI Transport (Panama) Corp.	7,929,968	3.81

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Chung Hung Steel Corp.	\$ 7,909,320	3.80
Ruen Chen Investment Holding Co., Ltd.	7,723,990	3.71
Yieh Hsing Enterprise Co., Ltd.	7,678,766	3.69
All Oceans Transportation Inc.	7,640,382	3.67
Kao Ming Container Terminal Corp.	7,456,759	3.58
Kuang Ming Shipping Corp.	7,379,729	3.54
Kuang Ming (Liberia) Corp.	7,379,729	3.54
Dragon Steel Corp.	7,234,414	3.47
Nan Chung Petrochemical Corp.	7,225,834	3.47
Yuan Ding Investment Corp.	7,060,826	3.39
Far EastOne Telecommunications Co., Ltd.	7,060,826	3.39
Yes Logistics Corp.	7,033,593	3.38
Taiwan Semiconductor Manufacturing Co., Ltd.	6,547,170	3.14
Mercedes-Benz Taiwan Ltd.	6,413,832	3.08
Capital Machinery Corp.	6,413,832	3.08
WPG Holdings Limited	6,186,109	2.97
Genuine Crop.	6,176,408	2.97
Aerospace Industrial Development Corp.	6,095,005	2.93
Da-Li Development Co, Ltd.	5,997,519	2.88
Da-Li Development LLC	5,967,519	2.87
Everwiner Enterprise Co., Ltd.	5,848,024	2.81
Chaico Investment Corporation	5,830,052	2.80
Shinshunshin Investment Co., Ltd.	5,817,120	2.79
Chungwha Construction Corp.	5,813,832	2.79
Dali Development Co., Ltd.	5,787,175	2.78
Li Sheng Corporation	5,712,833	2.74
Frontek Technology Corporation	5,692,024	2.73
Jhong-An Investment Co., Ltd.	5,690,052	2.73
AUO Co., Ltd.	5,657,090	2.72
BenQ Materials Corp.	5,586,057	2.68
Visco Vision Inc.	5,586,057	2.68
Chailease International Finance Corp.	5,575,533	2.68
Chailease Holding Co., Ltd.	5,531,533	2.66
China Steel Chemical Corp.	5,292,714	2.54
Feng Sheng Enterprise Co., Ltd.	5,249,691	2.52
Chailease Rental Corp.	5,198,211	2.50
AUO (Kunshan) Co., Ltd.	5,095,775	2.45
China Steel Machinery Corp.	5,083,051	2.44
Kuan-Ho Refractories Corp.	5,050,652	2.43
CSRC China (Maanshan) Corporation P.R.C	5,050,652	2.43
China Steel Structure Co., Ltd.	5,036,217	2.42
Taichung Bank Leasing Corporation Limited	5,004,014	2.40
Far Eastern Big City Department Stores Ltd.	4,979,375	2.39
CHC Resources Corporation	4,956,933	2.38
Fubon Financial Holding Co, Ltd.	4,938,881	2.37

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Chailease Finance Co., Ltd.	\$ 4,855,412	2.33
Chailease Energy Corp.	4,855,412	2.33
Apex Credit Solutions Inc	4,753,576	2.28
Tatung Co., Ltd.	4,731,182	2.27
China Man-Made Fiber Corp.	4,680,453	2.25
Farglory Dome Co., Ltd.	4,647,160	2.23
Auo Crystal Corp.	4,626,285	2.22
Chunghwa Picture Tubes, Ltd.	4,540,619	2.18
Radium Life Tech. Co., Ltd.	4,431,222	2.13
Taiwan Mobile Corp.	4,389,321	2.11
Fina Finance & Trading Co., Ltd.	4,386,121	2.11
Kindom Construction Corp.	4,367,074	2.10
Nan Ya Technology Corp.	4,353,762	2.09
Pan Asia Chemical Co.	4,200,319	2.02
Formosa Industries (Ninbo) Co., Ltd.	4,136,844	1.99
Fujian Lian Wwi Logistics Co., Ltd.	4,124,973	1.98
ASE Technology Holding Co., Ltd.	4,096,388	1.97
Shih Wei Navigation Co., Ltd.	4,053,737	1.95
Prince Housing & Development Corp.	4,032,773	1.94
Winbond Electronics Corp.	4,014,254	1.93
United Microelectronics Corp.	3,973,016	1.91
Zhong Tai Hotel Co., Ltd.	3,947,183	1.90
Mandarin Oriental, Taipei	3,947,183	1.90
Taiwan Land Development Corp.	3,902,031	1.87
Taiwan Innovation Development Corp.	3,902,031	1.87
Taiwan Commercial Development Corp.	3,902,031	1.87
Farglory Land Development Co., Ltd.	3,882,308	1.86
Yieh Phui Enterprise Co., Ltd.	3,855,250	1.85
Pfg Fiber Glass Corporation	3,800,209	1.82
Innolux Corp.	3,800,000	1.82
Taiwan Cement Co., Ltd.	3,790,517	1.82
Asia Cement Corp.	3,778,580	1.81
Uni-President Enterprises Corporation	3,734,102	1.79
Unimicron Technology Corp.	3,724,045	1.79
Inteplast Group Corporation	3,704,174	1.78
TTET Union Corporation	3,634,012	1.74
Spinnaker Pescadores S.A. Panama	3,622,954	1.74
Universal Cement Corporation	3,587,374	1.72
Evergreen Marine (Singapore) Pte. Ltd.	3,491,998	1.68
Dong Lien Maritime S.A. Panama	3,484,026	1.67
Tcc International Holdings Ltd.	3,458,967	1.66
Tcc International Ltd.	3,458,967	1.66
Central Investment Corp.	3,439,047	1.65
Fubon Insurance Co., Ltd.	3,419,717	1.64
Long Chen Paper Co., Ltd.	3,408,603	1.64

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Rih Ding Water Enterprise Co., Ltd.	\$ 3,394,772	1.63
Coreasia Co., Ltd.	3,371,428	1.62
Shan Chih Asset Development Co., Ltd.	3,302,504	1.59
Oriental Petrochemical (Taiwan) Corp.	3,280,624	1.58
Advance Material Co., Ltd.	3,251,084	1.56
Grand Pacific Financing Corporation	3,249,545	1.56
Taiwan Prosperity Chemical Corporation	3,225,849	1.55
Fubon Securities Co., Ltd.	3,210,709	1.54
Jingzhou Longchen Greentech Co., Ltd.	3,208,805	1.54
Shinkong Synthetic Fibers Corporation	3,155,645	1.52
Jayshelyn Construction Co., Ltd.	3,153,786	1.51
Longlin Construction Co., Ltd.	3,145,414	1.51
Bes Engineering Corporation	3,115,353	1.50
Chung Kung Management Consulting Corp.	3,108,429	1.49
World Peace Industrial Co., Ltd.	3,100,727	1.49
Shanyuan Construction Co., Ltd.	3,084,095	1.48
Supreme Electronics Co., Ltd.	3,034,356	1.46

(Concluded)

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

FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Note 2)	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
1	Co-operative Assets Management Co., Ltd.	Tai-Hwei Trade Co., Ltd.	Receivables on lending funds	No	\$ 190,000	\$ 189,880	\$ 189,880	3-8	Short-term financing	\$ -	Operating use	\$ 1,899	Real estate	\$ 390,927	\$ 331,810 (Note 3)	\$ 1,327,240 (Note 3)
		Hanky&Partners (Taiwan) Ltd.	Receivables on lending funds	No	220,000	214,432	214,432	3-8	Short-term financing	-	Operating use	2,144	Real estate	334,042	331,810 (Note 3)	1,327,240 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	35,000	35,000	35,000	3-8	Short-term financing	-	Operating use	350	Real estate	48,769	331,810 (Note 3)	1,327,240 (Note 3)
		Kuang Ming Shipping Co., Ltd.	Receivables on lending funds	No	200,000	149,640	149,640	3-8	Short-term financing	-	Operating use	1,496	Guarantee	40,000	331,810 (Note 3)	1,327,240 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	50,000	50,000	3-8	Short-term financing	-	Operating use	500	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Shinex Machinery Engineering Inc.	Receivables on lending funds	No	50,000	44,680	44,680	3-8	Short-term financing	-	Operating use	447	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	50,000	40,000	40,000	3-8	Short-term financing	-	Operating use	400	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	100,000	88,980	88,980	3-8	Short-term financing	-	Operating use	890	Stocks	70,300	331,810 (Note 3)	1,327,240 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	40,000	38,602	38,602	3-8	Short-term financing	-	Operating use	386	Real estate	56,073	331,810 (Note 3)	1,327,240 (Note 3)
		Shih Wei Navigation Co., Ltd.	Receivables on lending funds	No	50,000	50,000	-	3-8	Short-term financing	-	Operating use	-	-	-	331,810 (Note 3)	1,327,240 (Note 3)
2	Cooperative Financial International Lease Co., Ltd.	Makor Investment Group (Tianjin) Co., Ltd.	Entrusted loan	No	8,161	662	662	10.61	Short-term financing	-	Operating use	10	Real estate	47,653	144,377 (Note 4)	385,005 (Note 4)
		Shanghai Weishi Mechanical Co., Ltd.	Entrusted loan	No	23,623	8,590	8,590	8	Business relationship	393,504	Operating use	129	Real estate	44,711	144,377 (Note 4)	385,005 (Note 4)

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

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

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

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on December 31, 2019 was \$3,318,101 thousand.

Note 4: Each financing limit for the borrowing company and the total financing amount limit of Cooperative Financial International Lease Co., Ltd. are 15% and 40% of its equity of the latest financial report, respectively. The equity of Cooperative Financial International Lease Co., Ltd. on December 31, 2019 was \$962,512 thousand.

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Taiwan Cooperative Venture Capital Co., Ltd.	<u>Beneficial certificate</u> TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	4,821	\$ 49,163	-	\$ 49,163	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	962,512	100.00	962,512	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	21,275	5.00	21,275	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,899	0.38	1,899	
Taiwan Cooperative Venture Capital Co., Ltd.	Lin BioScience, Inc.	-	Financial assets at fair value through profit or loss	443	13,981	0.74	13,981	
	GEOSAT Aerospace & Technology Inc.	-	Financial assets at fair value through profit or loss	1,764	31,929	5.02	31,929	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	26,050	2.38	26,050	
	ACMEPOINT Energy Services Co., Ltd.	-	Financial assets at fair value through profit or loss	900	47,160	2.78	47,160	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	117,759	2.82	117,759	
	Lung Teh Shipbuilding Co., Ltd	-	Financial assets at fair value through profit or loss	2,000	36,000	2.86	36,000	
	Fu Rong Development Co., Ltd.	-	Financial assets at fair value through profit or loss	2,000	62,124	12.50	62,124	
	Hoytek Precision Company	-	Financial assets at fair value through profit or loss	495	9,900	19.84	9,900	
	eLand Information Co., Ltd.	-	Financial assets at fair value through profit or loss	550	33,963	3.38	33,963	
	M2 Communication Inc.	-	Financial assets at fair value through profit or loss	250	3,815	0.99	3,815	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	20,120	2.50	20,120	
	Taiwan Intelligent Robotics Company, Ltd.	-	Financial assets at fair value through profit or loss	95	1,246	2.95	1,246	

(Continued)



Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	ULSee Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	651	\$ 38,074	0.45	\$ 38,074	
	Enrestec Inc.	-	Financial assets at fair value through profit or loss	2,000	36,000	2.10	36,000	
	CloudMile Ltd.	-	Financial assets at fair value through profit or loss	838	31,000	4.55	31,000	
	Ta Chen Stainless Pipe Company Limited	-	Financial assets at fair value through other comprehensive income	1,080	34,614	0.09	34,614	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	22,440	2.45	22,440	
	Mesh Cooperative Ventures, Inc.	Associate	Investments accounted for using equity method	330	3,294	33.00	3,294	

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

(Concluded)

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

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

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

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

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

<b>Securities Firms</b>	<b>Counter-party</b>	<b>Nature of Relationship</b>	<b>Total Amounts of Brokerage Service Revenue</b>	<b>Total Allowance of Brokerage Service Revenue</b>	<b>Service Revenue From Related Party</b>	<b>Allowance of Service Revenue for Related Party</b>	<b>Percentage of Service Revenue From Related Party to Total Amounts</b>	<b>Percentage of Allowance of Service Revenue for Related Party to Total Allowance</b>
Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Same parent company	\$ 860,223	\$ 452,292	\$ 44,134	\$ 31,572	5.13	6.98

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

**SALE OF NONPERFORMING LOANS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2019.6.12	Eudaimonia Limited	Midterm unsecured loan for enterprise (International syndicated loans)	\$ - (Note 1)	\$ 22,720 (US\$ 733)	\$ 22,720 (US\$ 733)	None	None
2019.11.7	The HongKong and Shanghai Banking Corporation Limited (HSBC)	Midterm unsecured loan for enterprise (International syndicated loans)	- (Note 2)	47,322 (US\$ 1,528)	47,322 (US\$ 1,528)	None	None
2019.12.5	The HongKong and Shanghai Banking Corporation Limited (HSBC)	Midterm unsecured loan for enterprise (International syndicated loans)	- (Note 3)	132,048 (US\$ 4,272)	132,048 (US\$ 4,272)	None	None

Note 1: Book value equals the amount of the original loan of US\$7,445 thousand minus the allowance for bad debts of US\$7,445 thousand.

Note 2: Book value equals the amount of the original loan of US\$10,268 thousand minus the allowance for bad debts of US\$10,268 thousand.

Note 3: Book value equals the amount of the original loan of US\$20,461 thousand minus the allowance for bad debts of US\$20,461 thousand.

(Continued)

Co-operative Assets Management Co., Ltd.

<b>Trade Date</b>	<b>Counterparty</b>	<b>Form of Nonperforming Loan</b>	<b>Book Value (Note 4)</b>	<b>Selling Price</b>	<b>Gain (Loss)</b>	<b>Terms</b>	<b>Relationship Between the Counterparty and the Company</b>
2019.12.13	Client	Land mortgage	\$ 14,243	\$ 14,800	\$ 557	None	None

Note 4: Book value equals the amount of the original loan minus the allowance for bad debts.

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

(Concluded)

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

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

**DECEMBER 31, 2019**

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

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Company, Ltd.	Parent company	\$ 1,080,183	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	1,639,593	-	-	-	-	-

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

## TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

## PERCENTAGE SHARE IN INVESTEEES AND RELATED INFORMATION

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei	Banking	100.00	\$ 226,450,149	\$ 15,996,441	9,676,530	-	9,676,530	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,384,796	322,656	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	6,760,230	474,275	456,071	-	456,071	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,318,315	241,784	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	416,757	40,043	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	5,482,850	382,473	342,693	-	342,693	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	1,028,960	68,388	100,000	-	100,000	100.00	Note 3

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

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

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

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

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

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

INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

## Taiwan Cooperative Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Taiwan Cooperative Bank Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	\$ 4,547,235 (US\$ 154,395) (Note 1)	Direct	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ -	\$ -	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ 282,463	100	\$ 282,463	\$ 5,801,679	\$ -
Taiwan Cooperative Bank Tianjin Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,947,314 (US\$ 97,387) (Note 1)	Direct	2,947,314 (US\$ 97,387) (Note 1)	-	-	2,947,314 (US\$ 97,387) (Note 1)	(157,473)	100	(157,473)	2,838,954	-
Taiwan Cooperative Bank Fuzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,950,882 (US\$ 97,549) (Note 1)	Direct	2,950,882 (US\$ 97,549) (Note 1)	-	-	2,950,882 (US\$ 97,549) (Note 1)	129,170	100	129,170	3,180,260	-
Taiwan Cooperative Bank Changsha Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,630,485 (US\$ 87,232) (Note 1)	Direct	2,630,485 (US\$ 87,232) (Note 1)	-	-	2,630,485 (US\$ 87,232) (Note 1)	(288,189)	100	(288,189)	2,371,521	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 136,349,759 (Note 2)

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Taiwan Cooperative International Leasing Co., Ltd.	Financial leasing	\$ 910,980 (RMB 185,460) (Note 1)	Direct	\$ 910,980 (RMB 185,460) (Note 1)	\$ -	\$ -	\$ 910,980 (RMB 185,460) (Note 1)	\$ 58,778	100	\$ 58,778	\$ 962,512	\$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 910,980 (RMB 185,460) (Note 1)	\$ 910,980 (RMB 185,460) (Note 1)	\$ 1,990,861 (Note 3)

(Continued)



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

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

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

(Concluded)

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

## BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax receivables - consolidated tax return	\$ 1,639,593	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	1,639,593	Note 4	0.04
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	1,080,183	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,080,183	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	539,932	Note 4	0.01
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	539,932	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	8,025,216	Note 4	0.21
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	8,025,216	Note 4	0.21
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	6,361,719	Note 4	0.17
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	6,361,719	Note 4	0.17
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	1,194,682	Note 4	2.43
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	1,194,682	Note 4	2.43
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	118,535	Note 4	-
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	118,535	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	245,966	Note 4	0.50

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	\$ 245,966	Note 4	0.50
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	1,055,364	Note 4	0.03
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Security sold under repurchased agreements	1,055,364	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	3,310,000	Note 4	0.09
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	3,310,000	Note 4	0.09
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	1.18
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Call loans to securities firms	179,940	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other borrowings	179,940	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	138,642	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Payable on securities	57,919	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Settlement receivable	19,260	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Settlement payable	99,983	Note 4	-
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	119,225	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Settlement payable	119,225	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	150,717	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	151,834	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	2,643	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	40,878	Note 4	0.08

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	\$ 42,404	Note 4	0.09
7	Taiwan Cooperative Venture Capital Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents	133,939	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Venture Capital Co., Ltd.	c	Deposits and remittances	133,939	Note 4	-

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

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

Note 2: Transaction flows are as follows:

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

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

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

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

(Concluded)

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

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

**DECEMBER 31, 2019**

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

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment Date	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations	Note
							Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)		
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>										
Commercial paper										
TCBF (Note 1)						\$ 29,941,254		\$ 29,954,089		
TCB (Note 1)						7,193,768		7,193,761		
TCS (Note 1)						372,974		372,974		
						<u>37,507,996</u>		<u>37,520,824</u>		
Negotiable certificates of deposit										
TCBF (Note 1)						<u>5,000,000</u>		<u>4,999,773</u>		Among the negotiable certificates of deposit, face value of \$300,000 thousand had been provided as collaterals for domestic overdraft.
Beneficial certificates										
TCS (Note 1)						406,048		407,530		
TCB (Note 1)						219,960		220,034		
TCVC (Note 1)						49,000		49,163		
BPCTLI (Note 1)						<u>4,065,843</u>		<u>4,745,682</u>		
						<u>4,740,851</u>		<u>5,422,409</u>		
Corporate bonds										
TCS (Note 1)			2020/09/27- 2024/12/24			2,608,681		2,607,679		
TCB (Note 1)			2021/08/10- 2029/04/26			<u>1,800,097</u>		<u>1,803,150</u>		
						<u>4,408,778</u>		<u>4,410,829</u>		
Bank debentures										
TCS (Note 1)			2020/08/31- 2024/10/09			<u>864,529</u>		<u>873,028</u>		
Government bonds										
TCB (Note 1)			2029/08/15- 2029/11/15			<u>147,795</u>		<u>147,338</u>		

(Continued)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment Date	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations	Note
							Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)		
Stocks										
TCBF (Note 1)						\$ 11,138		\$ 11,198		
BPCTLI (Note 1)						562,012		579,428		
TCS (Note 1)						147,671		151,631		
TCVC (Note 1)						423,203		509,121		
TCB (Note 1)						<u>1,879,978</u>		<u>2,034,296</u>		
						<u>3,024,002</u>		<u>3,285,674</u>		
Convertible bonds										
TCS (Note 1)			2020/05/14- 2020/10/30			<u>1,057,927</u>		<u>1,088,914</u>		
Acquired loans										
CAM						<u>764,742</u>		<u>303,196</u>		
Commercial paper contracts with reference rate										
TCBF (Note 1)						-		<u>4,349</u>		
Convertible bonds assets swap contracts										
TCBF (Note 1)						<u>180,200</u>		<u>181,040</u>		
Currency swap contracts										
TCB						-		967,953		
BPCTLI						-		404,454		
TCS						-		<u>331</u>		
						-		<u>1,372,738</u>		
Futures exchange margins										
TCS						105,946		105,514		
TCB						32,393		32,101		
TCBF						4,454		4,454		
BPCTLI						<u>15,017</u>		<u>15,017</u>		
						<u>157,810</u>		<u>157,086</u>		
Foreign - currency margin contracts										
TCB						-		<u>119,049</u>		
Currency option contracts - buy										
TCB						<u>27,859</u>		<u>28,094</u>		
Forward contracts										
TCB						-		<u>53,994</u>		
Interest rate swap contracts										
TCB						-		495,038		
TCS						-		<u>1,779</u>		
						-		<u>496,817</u>		
Cross-currency swap contracts										
TCB						-		<u>10,666</u>		
						<u>\$ 57,882,489</u>		<u>\$ 60,475,818</u>		

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

Note 2: The book value which amounted to \$28,594,352 thousand had been sold under repurchase agreements.

(Concluded)

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

**DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME**

**DECEMBER 31, 2019**

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

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Allowance for Accumulated Losses	Fair Value		Note
								Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)	
Government bonds										
TCB (Note 1)			2020/03/10- 2045/08/12			\$ 162,458,737	\$ (37,918)		\$ 165,618,283	
BPCTLI (Note 1)			2020/03/10- 2037/08/18			13,657,194	(3,959)		14,331,717	
TCBF (Note 1)			2021/02/13- 2039/09/06			7,027,593	(1,769)		7,067,671	
TCS (Note 1)			2027/09/20- 2029/05/25			<u>1,037,362</u>	<u>(309)</u>		<u>1,037,120</u>	
						<u>184,180,886</u>	<u>(43,955)</u>		<u>188,054,791</u>	
Corporate bonds										
TCB (Note 1)			2020/01/04- 2059/05/16			94,628,723	(27,024)		95,427,644	
BPCTLI (Note 1)			2020/07/22- 2031/01/16			5,385,601	(2,032)		5,646,527	
TCBF (Note 1)			2020/02/25- 2028/10/09			7,458,466	(6,105)		7,466,272	
TCS (Note 1)			2023/05/08- 2029/08/08			<u>1,556,200</u>	<u>(811)</u>		<u>1,554,871</u>	
						<u>109,028,990</u>	<u>(35,972)</u>		<u>110,095,314</u>	

(Continued)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Allowance for Accumulated Losses	Fair Value		Note
								Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)	
Bank debentures										
TCB (Note 1)			2020/02/05- 2049/09/20			\$ 50,463,901	\$ (18,829)		\$ 50,924,768	
BPCTLI (Note 1)			2020/06/30- 2034/06/26			11,880,154	(4,450)		12,512,629	
TCS (Note 1)			2022/04/19- 2030/08/13			1,759,469	(769)		1,744,695	
TCBF (Note 1)			2022/03/26- 2029/03/20			<u>1,000,060</u>	<u>(453)</u>		<u>998,080</u>	
						<u>65,103,584</u>	<u>(24,501)</u>		<u>66,180,172</u>	
Listed shares and emerging market shares										
TCB (Note 1)						9,704,092	-		11,873,370	
TCBF (Note 1)						192,134	-		178,540	
TCVC (Note 1)						<u>85,515</u>	<u>-</u>		<u>57,054</u>	
						<u>9,981,741</u>	<u>-</u>		<u>12,108,964</u>	
Unlisted shares										
CAM (Note 1)						25,000	-		21,275	
TCB (Note 1)						3,678,937	-		5,284,827	
TCS (Note 1)						16,845	-		22,466	
TCBF (Note 1)						9,277	-		64,617	
TCSIT (Note 1)						2,274	-		1,899	
TCFHC (Note 1)						<u>25,000</u>	<u>-</u>		<u>21,275</u>	
						<u>3,757,333</u>	<u>-</u>		<u>5,416,359</u>	
						<u>\$ 372,052,534</u>	<u>\$ (104,428)</u>		<u>\$ 381,855,600</u>	

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

Note 2: The book value which amounted to \$16,124,558 thousand had been sold under repurchase agreements.

(Concluded)



TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2019

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

Bond Items	Institution	Interest Payment Date	Maturity Date	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value	Note
Negotiable certificates of deposit in the Central Bank									
C81200012	Central Bank of the ROC	2020/01/06	2020/01/06	37,600,000	0.5867	\$ -	\$ -	\$ 37,600,000	
C81200021	Central Bank of the ROC	2020/01/13	2020/01/13	34,100,000	0.6063	-	-	34,113,890	
C81200022	Central Bank of the ROC	2020/01/14	2020/01/14	60,300,000	0.6063	-	-	60,300,000	
C81200028	Central Bank of the ROC	2020/01/17	2020/01/17	30,000,000	0.6063	-	-	30,000,000	Among the negotiable certificates of deposit in the Central Bank, face value of \$30,000,000 thousand had been provided as collaterals for domestic overdraft.
	Other (Note)					-	-	224,246,110	Among the negotiable certificates of deposit in the Central Bank, face value of \$11,000,000 thousand had been provided as collaterals for overdraft of domestic U.S. dollar settlement; face value of \$500,000 thousand had been provided as collaterals for overdraft of domestic JPY settlement; face value of \$40,000,000 thousand had been provided as collaterals for call loans of foreign currency.
						-	-	386,260,000	
Government bonds									
TCB (Note)			2020/01/18-2043/08/02			(25,114)	4,877,925	105,540,881	Among the government bonds, face value of \$1,171,100 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others; face value of \$260,000 thousand had been provided as guarantee deposits for the trust business compensation reserve; face value of \$50,000 thousand provided as the guarantee deposits for the bills finance business; face value of \$50,000 thousand had been provided as guarantee deposits for the securities operation.

(Continued)

Bond Items	Institution	Interest Payment Date	Maturity Date	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value	Note
TCBF (Note)			2033/01/28-2038/03/13			\$ (325)	\$ 55,761	\$ 1,254,086	Among the government bonds, face value of \$980,000 thousand had been provided as collaterals for domestic overdraft; face value of \$50,000 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others; face value of \$90,000 thousand had been provided as the bond payment settlement reserves for the Electronic Bond Trading System
BPCTLI (Note)			2028/04/17-2048/04/23			(257)	3,063	958,311	
Corporate bonds						(25,696)	4,936,749	107,753,278	
TCB (Note)			2020/03/30-2048/06/25			(17,131)	36,076	43,355,198	
Bank debentures									
TCB (Note)			2020/01/06-2047/04/11			(5,556)	(39,137)	18,713,619	
UTB (Note)			2020/01/15-2022/07/15			(96)	895	1,482,107	
BPCTLI (Note)			2028/03/22			(2)	(264)	5,835	
Certificates of deposit						(5,654)	(38,506)	20,201,561	
TCB (Note)						-	-	278,907	The certificates of deposit had been provided as overseas branches' capital adequate reserve and guarantee deposits for operation.
						\$ (48,481)	\$ 4,934,319	\$ 557,848,944	

Note: The book value of each individual item does not exceed 5% of the account balance.

(Concluded)

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF DISCOUNTS AND LOANS  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>
Bills discounts	\$ 1,958,364
Unsecured overdrafts	<u>76,441</u>
Secured overdrafts	<u>33,123</u>
Import and export negotiations	<u>593,669</u>
Loans	
Short-term unsecured loans	303,476,993
Accounts receivable financing	417,844
Short-term secured loans	215,171,974
Medium-term unsecured loans	337,513,275
Medium-term secured loans	308,947,041
Long-term unsecured loans	30,990,954
Long-term secured loans	<u>1,015,513,426</u>
	<u>2,212,031,507</u>
Overdue loans	<u>5,847,989</u>
Life insurance loan	<u>713,885</u>
Temporary insurance paid	<u>49,902</u>
Total amount (Note)	2,221,304,880
Less: Allowance for possible losses	27,376,392
Less: Adjustment of discount	<u>511,471</u>
Net amount	<u>\$ 2,193,417,017</u>

Note: The amount of US\$320,289 thousand had been provided as collaterals at the Discount Window Account of the Federal Reserve Bank.

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

**DETAILED SCHEDULE OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars, Except Face Value and Unit Price)**

Investee Company	Type of Shares	Fact Value (NT\$)	Balance, January 1		Increase in the Current Year		Decrease in the Current Year		Balance, December 31			Market Value or Equity		Note
			Shares	Amount	Shares	Amount	Shares	Amount	Shares (Note)	Percentage of Ownership	Amount	Unit Price (NT\$)	Amount	
United Real Estate Management Co., Ltd.	Common stock	10	10,116	\$ 127,094	-	\$ 10,475	-	\$ 6,069	10,116	30.00	\$ 131,500	13.00	\$ 131,500	Note 2
Mesh Cooperative Ventures, Inc.	Common stock	10	-	-	330	3,300	-	6	330	33.00	3,294	9.98	3,294	Note 3
				<u>\$ 127,094</u>		<u>\$ 13,775</u>		<u>\$ 6,075</u>			<u>\$ 134,794</u>		<u>\$ 134,794</u>	

Note 1: The investments accounted for using equity method had not provide for collaterals or settle for pledge.

Note 2: The balance increasing in the current year was due to share of gains of associates accounted for using equity method; the balance decreasing in the current year was due to payment of cash dividends.

Note 3: The balance increasing in the current year was due to initial investment cost; the balance decreasing in the current year was due to share of losses of associates accounted for using equity method.

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

**DETAILED SCHEDULE OF OTHER FINANCIAL ASSETS**  
**DECEMBER 31, 2019**

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

Items	Payback Date/ Maturity Date	Face Value/ In Thousands of Shares	Amount	Note
Overdue receivables, net				
TCB				
Exchange bills negotiated			\$ 3,260	
Secured trade finance advance			2,278	
Trade finance advance - credit cards			<u>8,551</u>	
			14,089	
Less: Allowance for possible losses			<u>10,989</u>	
			<u>3,100</u>	
TCS				
Overdue receivables			84,934	
Less: Allowance for possible losses			<u>80,259</u>	
			<u>4,675</u>	
			<u>7,775</u>	
Due from banks (Note)				
TCB			18,660,530	Among the due from banks, face value of RMB550,000 thousand had provided as collaterals for overdraft of domestic RMB settlement; face value of US\$3,898 thousand had been provided as overseas branches' capital adequate reserve.
TCBF			120,000	
TCVC			100,000	
TCSIT			<u>270,250</u>	The face value of \$120,000 thousand had been provided as collaterals for domestic overdraft.
			<u>19,150,780</u>	
Security borrowing margin				
TCS			<u>209,516</u>	
Separate - account assets				
BPCTLI				
Demand deposits			963,032	
Financial assets at FVTPL			103,107,687	
Other receivables			<u>5,157,466</u>	
			<u>109,228,185</u>	
			<u>\$ 128,596,256</u>	

Note: Due from banks held by the Company were demand deposits and time deposits could not be withdrawn and time deposits had maturity periods of more than three months and could not be used before maturity.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****DETAILED SCHEDULE OF INVESTMENT PROPERTIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase	Balance, December 31
Cost					
Land	\$ 7,207,192	\$ 695,274	\$ (9,600)	\$ 256,239	\$ 8,149,105
Buildings	<u>3,106,817</u>	<u>445,558</u>	<u>(5,051)</u>	<u>85,292</u>	<u>3,632,616</u>
Total cost	10,314,009	<u>\$ 1,140,832</u>	<u>\$ (14,651)</u>	<u>\$ 341,531</u>	11,781,721
Less: Accumulated depreciation					
Buildings	<u>817,470</u>	<u>\$ 85,191</u>	<u>\$ (654)</u>	<u>\$ 53,273</u>	<u>955,280</u>
Property and equipment, net	<u>\$ 9,496,539</u>				<u>\$ 10,826,441</u>

Note 1: Investment properties had not been provided as collaterals.

Note 2: Investment properties (except for land) are depreciated on the straight-line method over service lives estimated as follows:  
Main buildings, 5 to 50 years; Equipment installed in building, 5 to 15 years.

Note 3: As of December 31, 2019, the fair value of investment properties was \$25,209,392 thousand. The fair value was determined through calculations using the market value method and estimates based on market quotes.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF PROPERTIES AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Items	Balance, January 1	Effect of IFRS 16 Retrospective Application	Balance at January 1, 2019 as Restated	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase (Decrease)	Effects of Exchange Rate Changes	Balance, December 31
Cost								
Land	\$ 20,948,845	\$ -	\$ 20,948,845	\$ 430	\$ -	\$ (218,685)	\$ (63)	\$ 20,730,527
Buildings	19,063,052	-	19,063,052	253,798	(5,284)	(25,320)	(135)	19,286,111
Machinery and Equipment	4,307,593	-	4,307,593	478,220	(368,298)	333,515	(3,634)	4,747,396
Transportation equipment	623,596	-	623,596	44,352	(34,227)	3,951	(642)	637,030
Other equipment	1,360,114	-	1,360,114	77,131	(39,194)	7,697	(1,352)	1,404,396
Leasehold improvements	953,168	-	953,168	53,710	(10,290)	23,891	(2,562)	1,017,917
Leased assets	26,125	(26,125)	-	-	-	-	-	-
Total cost	<u>47,282,493</u>	<u>\$ (26,125)</u>	<u>\$ 47,256,368</u>	<u>\$ 907,641</u>	<u>\$ (457,293)</u>	<u>\$ 125,049</u>	<u>\$ (8,388)</u>	<u>47,823,377</u>
Less: Accumulated depreciation								
Buildings	7,400,984	\$ -	\$ 7,400,984	\$ 662,562	\$ (5,284)	\$ (53,273)	\$ (120)	8,004,869
Machinery and Equipment	3,866,741	-	3,866,741	227,169	(365,567)	-	(3,128)	3,725,215
Transportation equipment	544,213	-	544,213	23,581	(34,214)	-	334	533,914
Other equipment	1,126,513	-	1,126,513	81,689	(39,175)	-	(2,985)	1,166,042
Leasehold improvements	816,165	-	816,165	57,543	(10,290)	-	(2,070)	861,348
Leased assets	4,827	(4,827)	-	-	-	-	-	-
Total accumulated depreciation and impairment	<u>13,759,443</u>	<u>\$ (4,827)</u>	<u>\$ 13,754,616</u>	<u>\$ 1,052,544</u>	<u>\$ (454,530)</u>	<u>\$ (53,273)</u>	<u>\$ (7,969)</u>	<u>14,291,388</u>
Less: Accumulated impairment								
Land	15,177	-	-	\$ -	\$ -	\$ -	\$ -	15,177
Prepayments for equipment, land and buildings and construction in progress								
Construction in progress	26,659	-	-	\$ 95,277	\$ -	\$ (94,926)	\$ -	27,010
Prepayments for land and buildings	7,506	-	-	30,048	-	(37,554)	-	-
Prepayments for equipment	282,469	-	-	313,119	-	(367,845)	(72)	227,671
	<u>316,634</u>	-	-	<u>\$ 438,444</u>	<u>\$ -</u>	<u>\$ (500,325)</u>	<u>\$ (72)</u>	<u>254,681</u>
	<u>\$ 33,824,507</u>							<u>\$ 33,771,493</u>

Note 1: Property and equipment had not been provided as collaterals.

Note 2: Properties and equipment are depreciated on the straight-line method over service lives estimated as follows: Buildings-main buildings, 37 to 50 years; Buildings-equipment installed in buildings, 10 to 15 years; Machinery and equipment, 3 to 10 years; Transportation equipment, 4 to 10 years; Other equipment, 2 to 20 years; Leasehold improvements, 2 to 10 years; Leased assets, 7 to 10 years.

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

**DETAIL SCHEDULE OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Effects of Exchange Rate Changes and Others	Balance, December 31
Cost					
Land	\$ 2,334	\$ 15,129	\$ -	\$ -	\$ 17,463
Buildings	1,534,087	655,547	(15,283)	(326)	2,174,025
Transportation equipment	45,114	46,603	-	(334)	91,383
Other equipment	<u>30,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,952</u>
Total cost	<u>1,612,487</u>	<u>\$ 717,279</u>	<u>\$ (15,283)</u>	<u>\$ (660)</u>	<u>2,313,823</u>
Accumulated depreciation					
Land	-	\$ 2,625	\$ -	\$ -	2,625
Buildings	-	546,802	(1,991)	5,586	550,397
Transportation equipment	-	27,848	-	16	27,864
Other equipment	<u>4,827</u>	<u>4,498</u>	<u>-</u>	<u>-</u>	<u>9,325</u>
Total accumulated depreciation	<u>4,827</u>	<u>\$ 581,773</u>	<u>\$ (1,991)</u>	<u>\$ 5,602</u>	<u>590,211</u>
	<u>\$ 1,607,660</u>				<u>\$ 1,723,612</u>



**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER ASSETS  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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	<b>Items</b>	<b>Amount</b>
Refundable deposits		<u>\$ 1,557,376</u>
Operating deposits and settlement funds		<u>721,456</u>
Prepayments		<u>1,266,353</u>
Collaterals assumed		121,247
Less: Allowance for impairment loss		<u>1,858</u>
		<u>119,389</u>
Other (Note)		<u>109,802</u>
		<u>\$ 3,774,376</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

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

**DETAILED SCHEDULE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS  
DECEMBER 31, 2019**

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

Financial Instrument Items	Summary	Face Value	Interest Rate (%)	Fair Value		Change in Fair Values Resulting from Credit Risk Variations
				Unit Price	Amount	
<b>Held-for-trading financial liabilities</b>						
Payable - security borrowing						
TCS					\$ 139,434	
Currency swap contracts						
TCB					3,796,160	
Currency option contracts - sell						
TCB					28,278	
Interest rate swap contracts						
TCB					12,265	
TCS					2,283	
					14,548	
Forward contracts						
TCB					13,462	
Asset swap options						
TCS					2,989	
					3,994,871	
<b>Financial liabilities designated as at fair value through profit or loss</b>						
Bank debentures						
Unsecured bank debentures bonds issued in 2015, Tape A.	Issued on March 30, 2015. TCB may exercise its redemption rights at an agreed price after two years, from the issue dates. If the TCB do not exercise its redemption rights during issue period, all unsecured bank debentures will be refunded on settlement date, March 30, 2045.	US\$ 300,000	0	100.4700	9,039,290	\$ 727
Unsecured bank debentures bonds issued in 2015, Tape B.	Issued on March 30, 2015. TCB may exercise its redemption rights at an agreed price after three years, from the issue dates. If the TCB do not exercise its redemption rights during issue period, all unsecured bank debentures will be refunded on settlement date, March 30, 2045.	US\$ 100,000	0	100.4715	3,013,139	243
					12,052,429	\$ 970
					\$ 16,047,300	

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

**DETAILED SCHEDULE OF COMMERCIAL PAPER ISSUED**

**DECEMBER 31, 2019**

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

Company	Guarantee or Acceptance Agency	Terms of the Contract	Interest Rate (%)	Amount		
				Issue Amount	Unamortized Discount	Book Value
TCFHC	Hua Nan Commercial Bank	2020.01.10	0.698	\$ 3,220,000	\$ 405	\$ 3,219,595
	Cathay United Bank	2020.03.11	0.688	2,000,000	2,474	1,997,526
	China Bills Finance Corp.	2020.01.10	0.698	3,000,000	481	2,999,519
	China Bills Finance Corp.	2020.02.10	0.698	2,000,000	1,425	1,998,575
	CTBC Bank Co., Ltd.	2020.02.10	0.703	1,690,000	1,194	1,688,806
	Bank Sinopac Co., Ltd.	2020.02.21	0.688	3,000,000	2,704	2,997,296
	Ta Ching Bills Finance Corp.	2020.02.21	0.688	2,000,000	1,788	1,998,212
	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2020.01.10 to 2020.03.11	0.678-0.703	<u>10,300,000</u>	<u>9,046</u>	<u>10,290,954</u>
			<u>27,210,000</u>	<u>19,517</u>	<u>27,190,483</u>	
CAM	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2020.01.02 to 2020.01.16	0.958-1.008	<u>1,935,000</u>	<u>482</u>	<u>1,934,518</u>
TCS	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2020.01.06 to 2020.01.20	0.668-0.708	<u>1,980,000</u>	<u>363</u>	<u>1,979,637</u>
			<u>\$ 31,125,000</u>	<u>\$ 20,362</u>	<u>\$ 31,104,638</u>	

Note: The book value of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF DEPOSITS AND REMITTANCES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Checking deposits	
Checking deposits	\$ 38,648,575
Cashier's checks	6,482,549
Accepted checks	<u>15,443</u>
	<u>45,146,567</u>
Demand deposits	
Demand deposits	408,517,946
Foreign currency demand deposits	<u>143,799,638</u>
	<u>552,317,584</u>
Savings - demand deposits	
Savings - demand deposits	872,122,736
Bank employee demand savings deposits	<u>20,527,479</u>
	<u>892,650,215</u>
Time deposits	
Time deposits	336,758,016
Foreign currency time deposits	<u>279,789,224</u>
	<u>616,547,240</u>
Negotiable certificates of deposits	<u>43,230,113</u>
Savings - time deposits	
Withdrawals of interest savings	487,420,491
Round-amount savings	126,853,081
Bank employee time savings deposits	11,108,851
Regular deposits	<u>713,156</u>
	<u>626,095,579</u>
Treasury deposits	
Time deposits	40,026,064
Demand deposits	<u>75,351,227</u>
	<u>115,377,291</u>
Remittances	
Remittances outstanding	70,397
Outward remittances	<u>370,156</u>
	<u>440,553</u>
	<u>\$ 2,891,805,142</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF BOND PAYABLES  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Name	Trust Institutions	Issue Date	Interest Payment Date	Annual Interest Rate	Amount			Repayment Method	Types of Collateral	Note
					Total Issued Amount	Repaid Amount	Carrying Amount			
First subordinated bonds in 2012 (10 years after the issue date)	None	2012/06/28	June 28 in each year	Fixed interest rate 1.65%	\$ 11,650,000	\$ -	\$ 11,650,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2012 (10 years after the issue date), Type B	None	2012/12/25	December 25 in each year	Fixed interest rate 1.55%	7,350,000	-	7,350,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2013 (7 years after the issue date), Type A	None	2013/03/28	March 28 in each year	Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%	4,000,000	-	4,000,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2013 (7 years after the issue date), Type B	None	2013/03/28	March 28 in each year	Fixed interest rate 1.48%	3,500,000	-	3,500,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2013 (7 years after the issue date), Type A	None	2013/12/25	December 25 in each year	Fixed interest rate 1.72%	900,000	-	900,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2013 (10 years after the issue date), Type B	None	2013/12/25	December 25 in each year	Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%	4,600,000	-	4,600,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (7 years after the issue date), Type A	None	2014/05/26	May 26 in each year	Fixed interest rate 1.70%	1,500,000	-	1,500,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (10 years after the issue date), Type B	None	2014/05/26	May 26 in each year	Fixed interest rate 1.85%	2,700,000	-	2,700,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (10 years after the issue date), Type C	None	2014/05/26	May 26 in each year	Fixed rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index rate 02 plus 0.43%	5,800,000	-	5,800,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2016 (7 years after the issue date), Type A	None	2016/09/26	September 26 in each year	Fixed interest rate 1.09%	950,000	-	950,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2016 (10 years after the issue date), Type B	None	2016/09/26	September 26 in each year	Fixed interest rate 1.20%	4,050,000	-	4,050,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2017 (7 years after the issue date), Type A	None	2017/09/26	September 26 in each year	Fixed interest rate 1.32%	600,000	-	600,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2017 (10 years after the issue date), Type B	None	2017/09/26	September 26 in each year	Fixed interest rate 1.56%	1,400,000	-	1,400,000	Repay on the maturity date	Unsecured	
First non-cumulative perpetual subordinated bonds in 2018	None	2018/11/26	November 26 in each year	Fixed interest rate 2.28%	5,000,000	-	5,000,000	TCB may exercise its redemption right after 5 years and 2 months	Unsecured	
First non-cumulative perpetual subordinated bonds in 2019	None	2019/06/26	July 26 in each year	Fixed interest rate 1.90%	5,000,000	-	5,000,000	TCB may exercise its redemption right after 5 years and 1 month	Unsecured	
Second unsecured bank debentures bonds in 2019	None	2019/11/28	November 28 in each year	Fixed interest rate 0.69%	1,000,000	-	1,000,000	Repay on the maturity date	Unsecured	
Third non-cumulative perpetual subordinated bonds in 2019	None	2019/12/31	December 31 in each year	Fixed interest rate 1.45%	5,000,000	-	5,000,000	TCB may exercise its redemption right after 5 years and 1 month	Unsecured	
					<u>\$ 65,000,000</u>	<u>\$ -</u>	<u>\$ 65,000,000</u>			

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****DETAILED SCHEDULE OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance, End of Year</b>
Land	Branch lands	2019.01.01-2039.08.05	1.617-1.627	\$ 13,269
Buildings	Branch buildings	2019.01.01-2029.10.31	1.615-9.800	1,549,548
Transportation equipment	Business cars	2019.01.01-2024.08.02	1.040-8.880	65,824
Other equipment	Telephone switchboard systems	2019.01.01-2028.01.31	2.445-4.000	<u>22,750</u>
				<u>\$ 1,651,391</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF INTEREST REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Interest revenue from discounts and loans	
Discounts and overdraft	\$ 65,718
Short-term loans	8,919,439
Medium-term loans	16,799,629
Long-term loans	19,613,511
Overdue interest	14,663
Others	<u>271,156</u>
	<u>45,684,116</u>
Interest revenue from investments	
Financial assets at fair value through other comprehensive income	6,190,885
Investments in debt instruments at amortized cost	<u>4,862,521</u>
	<u>11,053,406</u>
Interest revenue from due from banks and call loans to banks	
Due from the Central Bank	626,520
Due from banks	860,830
Call loans to banks	<u>1,051,571</u>
	<u>2,538,921</u>
Interest revenue from financing	<u>395,521</u>
Others	<u>788,068</u>
	<u>\$ 60,460,032</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF INTEREST EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>
Interest expenses from deposits	
Foreign currency deposits	\$ 7,466,261
Withdrawals of interest savings	5,280,175
Time deposits	2,586,431
Savings - demand deposits	1,689,836
Round-amount savings	1,295,445
Employee deposits	718,483
Treasury deposits	653,040
Negotiable certificates of deposit	350,488
Demand deposits	299,354
Others	7,555
	<u>20,347,068</u>
Interest expenses from funds borrowing from the Central Bank and other banks	
Call loans from other banks	2,626,782
Borrowed from other banks	188,707
	<u>2,815,489</u>
Interest expenses from bank debentures	
Subordinated bank debentures	875,833
Priority bank debentures	641
	<u>876,474</u>
Interest expenses from the Central Bank and other banks	<u>612,383</u>
Interest expenses from securities sold under repurchase agreements	<u>293,718</u>
Others	<u>169,100</u>
	<u>\$ 25,114,232</u>



**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF SERVICE FEE AND COMMISSION INCOME, NET  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Service fee and commission income	
Trust business	\$ 1,446,916
Insurance service	1,087,787
Guarantees	905,407
Loans	838,256
Investment-linked products	642,132
Credit cards	590,251
Brokerage service	407,651
Management fees	369,827
Remittance	309,681
Management fees of investment-linked products	301,716
Trust affiliated business	293,445
Cross-bank transactions	289,054
Underwriting	147,270
Import/export service	111,598
Others (Note)	<u>592,515</u>
	<u>8,333,506</u>
Service charge and commission expenses	
Cross-bank transactions	338,809
Insurance commission	349,451
Credit cards	274,083
Credit cards billing collections	126,499
Custody	92,199
Others (Note)	<u>203,409</u>
	<u>1,384,450</u>
	<u>\$ 6,949,056</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF PREMIUM INCOME (LOSSES), NET  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Premium income	
Separate-account revenue	\$ 13,250,614
Premium income	<u>3,819,775</u>
	<u>17,070,389</u>
Premium losses	
Separate-account expense	(13,250,614)
Insurance claims and benefits	(3,954,770)
Reinsurance premium ceded	(192,442)
Others	<u>(27,192)</u>
	<u>(17,425,018)</u>
	<u>\$ (354,629)</u>

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

**DETAILED SCHEDULE OF GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT  
FAIR VALUE THROUGH PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Realized Gains (Losses)	Unrealized Gains (Losses)	Total
Financial assets at fair value through profit or loss			
Financial assets mandatorily classified as at fair value through profit or loss			
Acquired loans	\$ 263,754	\$ 50,296	\$ 314,050
Commercial paper (including interest revenue)	447,654	5,945	453,599
Bank debentures (including interest revenue)	63,192	41,821	105,013
Negotiable certificates of deposit (including interest revenue)	31,620	506	32,126
Corporate bonds (including interest revenue)	71,407	(1,228)	70,179
Stocks (including cash dividends)	340,890	272,267	613,157
Government bonds (including interest revenue)	69,047	(10,382)	58,665
Convertible bonds	44,101	35,822	79,923
Beneficial certificates	41,044	665,227	706,271
Currency swap contracts	12,599,671	(292,301)	12,307,370
Interest rate swap contracts	792,621	488,826	1,281,447
Forward contracts	176,856	42,485	219,341
Convertible bonds assets swap contracts	8,751	(5,765)	2,986
Asset swap options	4,954	(8,257)	(3,303)
Cross-currency swap contracts	30,798	1,070	31,868
Taiwan stock option contracts - buy	(98)	-	(98)
Futures contracts	(64,723)	9,145	(55,578)
Currency option contracts - buy	(96,097)	12,019	(84,078)
	<u>14,825,442</u>	<u>1,307,496</u>	<u>16,132,938</u>
Financial liabilities at fair value through profit or loss			
Held-for-trading financial liabilities			
Security borrowing	(18,433)	(2,751)	(21,184)
Currency option contracts - sell	99,628	(11,743)	87,885
Asset swap options	6,248	8,137	14,385
Cross-currency swap contracts	(56,397)	7,989	(48,408)
Forward contracts	(409,362)	113,973	(295,389)
Interest rate swap contracts	(612,982)	401,486	(211,496)
Currency swap contracts	(8,003,751)	(2,883,231)	(10,886,982)
Others	1,196	-	1,196
	<u>(8,993,853)</u>	<u>(2,366,140)</u>	<u>(11,359,993)</u>
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (including interest expense)	(602,324)	(851,778)	(1,454,102)
	<u>(9,596,177)</u>	<u>(3,217,918)</u>	<u>(12,814,095)</u>
	<u>\$ 5,229,265</u>	<u>\$ (1,910,422)</u>	<u>\$ 3,318,843</u>

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

**DETAILED SCHEDULE OF REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE  
THROUGH OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Government bonds	\$ 1,235,402
Dividend income of listed and emerging market shares	822,433
Dividend income of unlisted shares	242,303
Corporate bonds	125,525
Bank debentures	<u>57,932</u>
	<u>\$ 2,483,595</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF FOREIGN EXCHANGE GAINS (LOSSES)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Foreign exchange - current swap, net asset	\$ 1,303,392
Foreign exchange - spot	1,127,891
Foreign exchange - swap, spot	(95,481)
Foreign exchange - internal exchange rate	(69,309)
Foreign exchange - net asset	(528,321)
Foreign exchange - others	<u>1,139</u>
	<u>\$ 1,739,311</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF IMPAIRMENT LOSSES (REVERSAL OF IMPAIRMENT LOSS) ON  
ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Impairment Loss</b>	<b>Reversal of Impairment Loss</b>	<b>Net Amount</b>
Investments in debt instruments measured at amortized cost	\$ (33)	\$ 119	\$ 86
Investments in debt instruments at fair value through other comprehensive income	<u>(22,633)</u>	<u>3,777</u>	<u>(18,856)</u>
	<u>\$ (22,666)</u>	<u>\$ 3,896</u>	<u>\$ (18,770)</u>

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

**DETAILED SCHEDULE OF OTHER NONINTEREST GAINS, NET  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Rental revenue	\$ 504,944
Donation	(273,790)
Others (Note)	<u>88,959</u>
	<u>\$ 320,113</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

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

**DETAILED SCHEDULE OF BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON  
COMMITMENTS AND GUARANTEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Provision for possible losses on discounts and loans	\$ 3,829,320
Provision for possible losses on receivables	141,641
Provision for possible losses on overdue receivables	41,042
Reversal of provision for possible losses on guarantees	54,961
Reversal of provision for possible losses on financing commitments	42,487
Provision for possible losses on others	<u>8,504</u>
	<u>\$ 4,117,955</u>



**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF NET CHANGES IN RESERVES FOR INSURANCE LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Life policy reserve, net of release	\$ (1,735,005)
Reserve for insurance contract with financial instrument features, net of release	156,586
Deficiency reserve, net of release	(5,710)
Claim reserve, net of release	25,278
Unearned premium reserve, net of release	36,051
Reserve for foreign exchange variation, net of release	<u>(8,920)</u>
	<u>\$ (1,531,720)</u>

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

**DETAILED SCHEDULE OF EMPLOYEE BENEFITS EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Employee Benefits Expenses	Other Noninterest Gains, Net	Other Operating and Administrative Expenses	Total
Salary expense				
Salaries	\$ 8,721,423	\$ -	\$ -	\$ 8,721,423
Bonuses	3,283,017	-	-	3,283,017
Subsidies	705,088	-	-	705,088
Overtime	<u>426,829</u>	<u>-</u>	<u>-</u>	<u>426,829</u>
	13,136,357	-	-	13,136,357
Post-employment benefits, termination benefits and compensation	1,026,730	-	-	1,026,730
Excessive interest from preferential interest deposits	1,196,971	-	-	1,196,971
Insurance	837,932	-	-	837,932
Meal allowance	252,458	-	-	252,458
Employee benefits	173,514	-	-	173,514
Remuneration of directors	146,268	-	-	146,268
Others	<u>17,297</u>	<u>-</u>	<u>-</u>	<u>17,297</u>
	<u>\$ 16,787,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,787,527</u>

Note 1: For the years ended December 31, 2019 and 2018, the average number of employees of the Company was 9,430 and 9,140, of which the average number of directors who was not concurrently was 37 and 36, respectively.

Note 2: For the year ended December 31, 2019 and 2018, the average amount of employee benefits expenses of the Company was \$1,772 thousand and \$1,779 thousand, respectively.

Note 3: For the year ended December 31, 2019 and 2018, the average amount of salary expenses of the Company was \$1,399 thousand and \$1,373 thousand, respectively.

Note 4: The average salary expenses adjustment was 1.89%.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF DEPRECIATION AND AMORTIZATION  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Depreciation expense	
Property and equipment	
Building	\$ 662,562
Machinery and equipment	227,169
Transportation equipment	23,581
Other equipment	81,689
Leasehold improvements	<u>57,543</u>
	<u>1,052,544</u>
Investment properties	
Building	<u>85,191</u>
Right-of-use assets	
Land	2,625
Building	546,802
Transportation equipment	27,848
Others	<u>4,498</u>
	<u>581,773</u>
	<u>1,719,508</u>
Amortization expense	
Computer software	184,837
Others	<u>21</u>
	<u>184,858</u>
	<u>\$ 1,904,366</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND  
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Amount</b>
Tax	\$ 2,789,660
Insurance	668,313
Computer software services	582,726
Professional services	324,370
Repair and maintenance	320,497
Postage	304,910
Building management	251,470
Entertainment	225,485
Employee training	202,063
Utilities	196,227
Membership and registration	172,533
Outsourcing	161,140
Printing	144,223
Advertisement	126,086
Supplies	123,450
Others (Note)	<u>501,200</u>
	<u>\$ 7,094,353</u>

Note: The amount of each individual item does not exceed 5% of the account balance.