

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

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

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

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

	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 42,532,862	1	\$ 60,006,782	2	\$ 58,266,596	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 40 and 41)	263,143,677	7	263,817,306	7	267,077,688	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 40 and 41)	75,121,419	2	60,475,818	2	76,371,652	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	420,847,584	11	381,855,600	10	328,618,289	9
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 41)	544,220,670	15	557,848,944	15	553,171,349	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	3,010,005	-	1,436,329	-	2,549,890	-
RECEIVABLES, NET (Notes 12 and 40)	31,190,061	1	34,284,712	1	34,190,561	1
CURRENT TAX ASSETS	1,484,818	-	1,231,624	-	1,539,813	-
DISCOUNTS AND LOANS, NET (Notes 13, 40 and 41)	2,238,706,166	59	2,193,417,017	59	2,113,305,170	59
REINSURANCE ASSETS, NET	112,074	-	84,674	-	55,441	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14)	133,890	-	134,794	-	130,338	-
OTHER FINANCIAL ASSETS, NET (Notes 15, 30 and 41)	102,345,892	3	128,596,256	3	124,889,496	4
INVESTMENT PROPERTIES, NET (Note 16)	11,011,486	-	10,826,441	-	9,602,203	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	33,650,097	1	33,771,493	1	33,671,923	1
RIGHT-OF-USE ASSETS, NET (Note 18)	1,679,549	-	1,723,612	-	1,624,862	-
INTANGIBLE ASSETS (Note 19)	3,776,694	-	3,711,718	-	3,620,517	-
DEFERRED TAX ASSETS (Note 37)	2,001,424	-	2,491,061	-	1,668,406	-
OTHER ASSETS, NET (Notes 18 and 20)	4,171,996	-	3,774,376	-	3,338,347	-
TOTAL	\$ 3,779,140,364	100	\$ 3,739,488,557	100	\$ 3,613,692,541	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 40)	\$ 266,494,938	7	\$ 242,966,181	7	\$ 247,299,755	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 26 and 40)	1,022,010	-	16,047,300	1	13,683,312	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 11 and 22)	44,053,880	1	45,554,849	1	50,385,270	1
COMMERCIAL PAPER ISSUED, NET (Note 23)	32,470,820	1	31,104,638	1	25,495,904	1
PAYABLES (Notes 24 and 40)	41,306,602	1	50,852,309	1	51,160,454	2
CURRENT TAX LIABILITIES	2,355,696	-	2,185,489	-	1,205,327	-
DEPOSITS AND REMITTANCES (Notes 25 and 40)	2,967,845,100	79	2,891,805,142	77	2,788,195,411	77
BONDS PAYABLE (Note 26)	57,500,000	2	65,000,000	2	55,000,000	2
OTHER BORROWINGS (Notes 23 and 27)	2,481,626	-	3,432,028	-	2,383,891	-
PROVISIONS (Notes 28 and 29)	41,197,854	1	42,956,006	1	47,291,772	1
OTHER FINANCIAL LIABILITIES (Notes 16 and 30)	88,899,762	2	113,837,618	3	104,466,612	3
LEASE LIABILITIES (Note 18)	1,630,256	-	1,651,391	-	1,560,208	-
DEFERRED TAX LIABILITIES (Notes 17 and 37)	3,312,615	-	3,453,105	-	3,436,656	-
OTHER LIABILITIES (Note 31)	1,387,421	-	1,735,197	-	1,368,328	-
Total liabilities	3,551,958,580	94	3,512,581,253	94	3,392,932,900	94
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	129,458,483	3	129,458,483	3	125,687,847	3
Capital surplus	57,973,141	2	57,973,141	2	57,973,141	2
Retained earnings						
Legal reserve	7,927,632	-	7,927,632	-	6,451,448	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	20,922,033	1	16,952,318	1	18,606,657	1
Total retained earnings	29,845,691	1	25,875,976	1	26,054,131	1
Other equity	4,718,737	-	8,112,324	-	6,205,054	-
Total equity attributable to owners of TCFHC	221,996,052	6	221,419,924	6	215,920,173	6
NON-CONTROLLING INTERESTS	5,185,732	-	5,487,380	-	4,839,468	-
Total equity	227,181,784	6	226,907,304	6	220,759,641	6
TOTAL	\$ 3,779,140,364	100	\$ 3,739,488,557	100	\$ 3,613,692,541	100

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 40)	\$ 14,793,369	131	\$ 14,914,444	122
INTEREST EXPENSE (Notes 32 and 40)	<u>(5,893,514)</u>	<u>(52)</u>	<u>(6,238,682)</u>	<u>(51)</u>
NET INTEREST	<u>8,899,855</u>	<u>79</u>	<u>8,675,762</u>	<u>71</u>
NET REVENUES AND GAINS OTHER THAN INTEREST				
Service fee and commission income, net (Notes 33 and 40)	1,839,076	16	1,607,556	13
Premium income, net (Notes 30 and 34)	(422,140)	(4)	23,584	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 35 and 40)	(391,851)	(3)	2,163,961	18
Realized gains on financial assets at fair value through other comprehensive income (Note 9)	672,777	6	323,230	3
Gains on derecognition of financial assets at amortized cost, net (Note 10)	-	-	857	-
Foreign exchange losses, net	(22,883)	-	(285,973)	(2)
Reversal of impairment losses (impairment losses) on assets (Notes 9 and 10)	(15,777)	-	3,632	-
Share of gains (losses) of associates and joint ventures accounted for using the equity method (Note 14)	(904)	-	3,244	-
Gains (losses) on reclassification of overlay approach (Note 8)	699,142	6	(350,339)	(3)
Other noninterest gains, net (Notes 16 and 40)	<u>56,457</u>	<u>-</u>	<u>44,511</u>	<u>-</u>
Total net revenues and gains other than interest	<u>2,413,897</u>	<u>21</u>	<u>3,534,263</u>	<u>29</u>
TOTAL NET REVENUES	<u>11,313,752</u>	<u>100</u>	<u>12,210,025</u>	<u>100</u>
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Note 13)	<u>(910,156)</u>	<u>(8)</u>	<u>(1,575,242)</u>	<u>(13)</u>
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 28)	<u>674,600</u>	<u>6</u>	<u>202,627</u>	<u>1</u>
OPERATING EXPENSES (Notes 4, 16, 17, 18, 29 and 36)				
Employee benefits	(4,021,685)	(36)	(3,982,583)	(32)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
Depreciation and amortization	\$ (529,605)	(5)	\$ (449,026)	(4)
General and administrative	<u>(1,629,152)</u>	<u>(14)</u>	<u>(1,590,058)</u>	<u>(13)</u>
Total operating expenses	<u>(6,180,442)</u>	<u>(55)</u>	<u>(6,021,667)</u>	<u>(49)</u>
INCOME BEFORE INCOME TAX	4,897,754	43	4,815,743	39
INCOME TAX EXPENSE (Notes 4 and 37)	<u>(793,342)</u>	<u>(7)</u>	<u>(749,750)</u>	<u>(6)</u>
NET INCOME	<u>4,104,412</u>	<u>36</u>	<u>4,065,993</u>	<u>33</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss				
	(669)	-	(11,549)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income				
	<u>(4,206,467)</u>	<u>(37)</u>	<u>1,394,295</u>	<u>12</u>
Items that will not be reclassified subsequently to profit or loss, net of income tax				
	<u>(4,207,136)</u>	<u>(37)</u>	<u>1,382,746</u>	<u>12</u>
Items that may be reclassified subsequently to profit or loss (Notes 8 and 37):				
Exchange differences on the translation of financial statements of foreign operations				
	179,578	1	45,803	-
Unrealized gains on investments in debt instruments at fair value through other comprehensive income				
	715,823	6	2,613,652	21
Other comprehensive income (losses) on reclassification of overlay approach				
	(699,142)	(6)	350,339	3
Income tax attributable to other comprehensive income				
	<u>180,945</u>	<u>2</u>	<u>(181,699)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss, net of income tax				
	<u>377,204</u>	<u>3</u>	<u>2,828,095</u>	<u>23</u>
Other comprehensive income (losses) , net of income tax				
	<u>(3,829,932)</u>	<u>(34)</u>	<u>4,210,841</u>	<u>35</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 274,480</u>	<u>2</u>	<u>\$ 8,276,834</u>	<u>68</u>

(Continued)

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

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of TCFHC	\$ 3,937,225	35	\$ 3,933,739	32
Non-controlling interests	<u>167,187</u>	<u>1</u>	<u>132,254</u>	<u>1</u>
	<u>\$ 4,104,412</u>	<u>36</u>	<u>\$ 4,065,993</u>	<u>33</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of TCFHC	\$ 576,128	5	\$ 7,637,171	63
Non-controlling interests	<u>(301,648)</u>	<u>(3)</u>	<u>639,663</u>	<u>5</u>
	<u>\$ 274,480</u>	<u>2</u>	<u>\$ 8,276,834</u>	<u>68</u>
EARNINGS PER SHARE (NEW TAIWAN				
DOLLARS; Note 38)				
Basic	<u>\$0.30</u>		<u>\$0.30</u>	
Diluted	<u>\$0.30</u>		<u>\$0.30</u>	

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of TCFHC						Other Equity					Total Equity
	Capital Stock (Note 39)		Capital Surplus (Note 39)	Retained Earnings (Notes 9 and 39)			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 9)	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 AT JANUARY 1, 2020	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
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	32,189	-	(32,189)	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	301	-	-	(301)	-	-	-
Total comprehensive income												
Net income for the three months ended March 31, 2020	-	-	-	-	-	3,937,225	-	-	-	-	167,187	4,104,412
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	145,540	(3,151,461)	(669)	(354,507)	(468,835)	(3,829,932)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	3,937,225	145,540	(3,151,461)	(669)	(354,507)	(301,648)	274,480
BALANCE AT MARCH 31, 2020	<u>12,945,848</u>	<u>\$ 129,458,483</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 20,922,033</u>	<u>\$ (1,097,278)</u>	<u>\$ 5,816,621</u>	<u>\$ -</u>	<u>\$ (606)</u>	<u>\$ 5,185,732</u>	<u>\$ 227,181,784</u>
BALANCE AT JANUARY 1, 2019	12,568,785	\$ 125,687,847	\$ 57,964,343	\$ 6,451,448	\$ 996,026	\$ 14,761,844	\$ (282,339)	\$ 2,690,032	\$ 15,666	\$ (10,663)	\$ 4,199,805	\$ 212,474,009
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	-	8,798
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(88,926)	-	88,926	-	-	-	-
Total comprehensive income												
Net income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	-	-	-	-	132,254	4,065,993
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	39,413	3,498,051	(11,549)	177,517	507,409	4,210,841
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	39,413	3,498,051	(11,549)	177,517	639,663	8,276,834
BALANCE AT MARCH 31, 2019	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,973,141</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 18,606,657</u>	<u>\$ (242,926)</u>	<u>\$ 6,277,009</u>	<u>\$ 4,117</u>	<u>\$ 166,854</u>	<u>\$ 4,839,468</u>	<u>\$ 220,759,641</u>

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,897,754	\$ 4,815,743
Adjustments for:		
Depreciation expenses	477,044	405,123
Amortization expenses	52,561	43,903
Expected credit losses/bad-debt expenses	1,005,548	1,657,603
Losses (gains) on financial assets and liabilities at fair value through profit or loss	391,851	(2,163,961)
Interest expense	5,893,514	6,238,682
Interest revenue	(14,793,369)	(14,914,444)
Dividend income	(23,074)	-
Net changes in reserves for insurance liabilities	(674,600)	(202,627)
Reversal of provision for losses on guarantees	(78,033)	(93,746)
Net changes in reserves for other liabilities	(17,359)	11,385
Share of losses (gains) of associates and joint ventures accounted for using equity method	904	(3,244)
Losses (gains) on reclassification of overlay approach	(699,142)	350,339
Losses on disposal of properties and equipment	24	1,336
Gains on disposal of investments	(649,703)	(323,230)
Impairment losses on financial assets	15,777	736
Reversal of impairment losses on financial assets	-	(4,368)
Unrealized gains on foreign exchange	(66,615)	(78,430)
Gains on disposal of collaterals assumed	(20,358)	-
Other lease losses (gains)	(78)	565
Net changes in operating assets and liabilities		
Decrease in due from the Central Bank and call loans to other banks	1,022,658	2,629,217
Increase in financial assets at fair value through profit or loss	(14,855,585)	(14,753,097)
Increase in financial assets at fair value through other comprehensive income	(42,360,616)	(12,155,483)
Decrease in investments in debt instruments at amortized cost	13,340,678	5,211,194
Decrease (increase) in receivables	2,388,919	(3,905,271)
Increase in discounts and loans	(46,103,015)	(54,389,919)
Increase in reinsurance assets	(17,274)	(13,015)
Decrease (increase) in other financial assets	3,095,601	(6,863,339)
Increase in other assets	(351,962)	(360,766)
Increase in due to the Central Bank and other banks	23,528,757	21,034,949
Decrease in financial liabilities at fair value through profit or loss	(3,271,867)	(546,579)
Increase (decrease) in securities sold under repurchase agreements	(1,501,682)	6,015,977
Decrease in payables	(7,652,698)	(513,412)
Increase in deposits and remittances	76,039,958	61,721,062
Decrease in provision for employee benefits	(184,265)	(57,246)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2020	2019
Decrease in provisions	\$ (814,580)	\$ (1,192,941)
Increase (decrease) in other financial liabilities	(1,037,081)	1,912,582
Decrease in other liabilities	<u>(324,442)</u>	<u>(1,862,006)</u>
Cash used in operations	(3,345,850)	(2,346,728)
Interest received	16,002,224	15,913,300
Dividends received	71,651	59,945
Interest paid	(7,967,191)	(5,315,885)
Income tax paid	<u>(23,851)</u>	<u>(499,265)</u>
Net cash generated from operating activities	<u>4,736,983</u>	<u>7,811,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	(186,409)	(126,175)
Increase in refundable deposits	(1,659,205)	(248,045)
Decrease in refundable deposits	1,507,460	482,592
Payments for intangible assets	(106,182)	(33,173)
Proceeds of the disposal of collaterals assumed	139,748	-
Payments for investment properties	(210,688)	(128,062)
Increase in other assets	(9)	(29,238)
Decrease in other assets	<u>16,864</u>	<u>12,026</u>
Net cash used in investing activities	<u>(498,421)</u>	<u>(70,075)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	1,370,000	-
Decrease in commercial paper issued	-	(600,000)
Repayments of bank debentures	(7,500,000)	-
Decrease in financial liabilities designated as at fair value through profit or loss	(12,096,000)	-
Increase in other borrowings	11,443,247	8,813,179
Decrease in other borrowings	(12,386,960)	(8,870,657)
Increase in guarantee deposits received	751,950	344,769
Decrease in guarantee deposits received	(1,205,816)	(3,740)
Repayments of the principal portion of lease liabilities	(140,336)	(117,573)
Decrease in other liabilities	<u>(26,891)</u>	<u>(19,192)</u>
Net cash used in financing activities	<u>(19,790,806)</u>	<u>(453,214)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>272,874</u>	<u>(325,151)</u>

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (15,279,370)	\$ 6,962,927
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>90,305,606</u>	<u>73,678,540</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 75,026,236</u>	<u>\$ 80,641,467</u>
Cash and cash equivalents reconciliations:		(Continued)
	March 31	
	2020	2019
Cash and cash equivalents in consolidated balance sheets	\$ 42,532,862	\$ 58,266,596
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”	29,211,524	19,824,981
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	3,010,005	2,549,890
Others in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>271,845</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 75,026,236</u>	<u>\$ 80,641,467</u>

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) was established by Taiwan Cooperative Bank, Ltd. (TCB), Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) and Co-operative Assets Management Co., Ltd. (CAM) through a share swap on December 1, 2011 under the Financial Holding Companies Act and related regulations in the Republic of China (ROC). The TCFHC's shares have been listed on the Taiwan Stock Exchange (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 March 31, 2020.

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

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

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

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

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

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

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

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

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

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

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

As of March 31, 2020 and 2019, TCFHC and its subsidiaries (the Company) had 9,388 and 9,102 employees, respectively.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by TCFHC's board of directors on May 25, 2020.

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

Impact of the New IFRSs Announced by IASB But Not Yet Endorsed and Issued into Effect by the FSC and Not Yet Applied by the Company

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 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:

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

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

Recognition

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

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

Measurement

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

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

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

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

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

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

Investment contracts with discretionary participation features

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

Modification and derecognition

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

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

Transition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Other Major Accounting Policies

In addition to the following, refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2019.

a. Employee benefits

Retirement benefits

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

b. Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 5 to the consolidated financial statements as of December 31, 2019 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 24,185,540	\$ 38,837,415	\$ 24,197,966
Notes and checks in clearing	4,332,787	6,067,358	19,260,484
Due from banks	<u>14,018,208</u>	<u>15,105,656</u>	<u>14,811,896</u>
	42,536,535	60,010,429	58,270,346
Less: Allowance for possible losses	<u>3,673</u>	<u>3,647</u>	<u>3,750</u>
	<u>\$ 42,532,862</u>	<u>\$ 60,006,782</u>	<u>\$ 58,266,596</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2020 and 2019 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2019 are stated below:

	December 31, 2019
Cash and cash equivalent in the consolidated balance sheet	\$ 60,006,782
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
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>
Cash and cash equivalents, end of the year	<u>\$ 90,305,606</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Reserves for deposits - account A	\$ 30,789,389	\$ 22,529,019	\$ 45,819,951
Reserves for deposits - account B	75,907,705	74,559,407	73,838,862
Reserves for deposits - community financial institutions	61,524,360	60,777,063	58,910,717
Reserves for deposits - foreign-currency deposits	517,607	408,912	395,043
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Due from the Central Bank - others	15,428,765	22,485,951	12,232,319
Due from the Central Bank - central government agencies’ deposits	1,995,732	5,641,409	3,720,176
Call loans to banks	<u>37,780,119</u>	<u>38,215,545</u>	<u>32,960,620</u>
	<u>\$ 263,143,677</u>	<u>\$ 263,817,306</u>	<u>\$ 267,077,688</u>

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

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets mandatorily classified as at <u>fair value through profit or loss</u>			
Commercial paper	\$ 53,106,833	\$ 37,520,824	\$ 49,331,027
Negotiable certificates of deposit	4,800,037	4,999,773	6,099,291
Beneficial certificates	4,434,499	5,422,409	4,973,050

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Government bonds	\$ 3,824,396	\$ 147,338	\$ 3,048,651
Corporate bonds	3,615,006	4,410,829	3,447,133
Investment in equity instruments	1,886,506	3,285,674	2,401,645
Convertible bonds	924,151	1,088,914	1,167,035
Bank debentures	438,806	873,028	1,612,868
Acquired loans	274,429	303,196	444,116
Commercial paper contracts with reference rate	6,681	4,349	1,913
Currency swap contracts	1,174,739	1,372,738	2,200,871
Futures exchange margins	364,870	157,086	235,688
Convertible bond asset swap contracts	173,371	181,040	1,263,634
Currency option contracts - buy	48,564	28,094	12,161
Forward contracts	31,833	53,994	6,491
Foreign-currency margin contracts	8,242	119,049	101,293
Cross-currency swap contracts	5,579	10,666	15,515
Interest rate swap contracts	<u>2,877</u>	<u>496,817</u>	<u>9,270</u>
Financial assets at fair value through profit or loss	<u>\$ 75,121,419</u>	<u>\$ 60,475,818</u>	<u>\$ 76,371,652</u>
<u>Held-for-trading financial liabilities</u>			
Payable - security borrowing	\$ 131,460	\$ 139,434	\$ 153,798
Securities purchased under resell agreements - short sale	-	-	249,986
Currency swap contracts	795,507	3,796,160	697,017
Currency option contracts - sell	48,777	28,278	12,264
Interest rate swap contracts	22,240	14,548	262,746
Forward contracts	21,503	13,462	140,199
Asset swap options contracts	1,617	2,989	26,193
Cross-currency swap contracts	906	-	23,981
Foreign-currency margin contracts	-	-	195
	<u>1,022,010</u>	<u>3,994,871</u>	<u>1,566,379</u>
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 26)	<u>-</u>	<u>12,052,429</u>	<u>12,116,933</u>
Financial liabilities at fair value through profit or loss	<u>\$ 1,022,010</u>	<u>\$ 16,047,300</u>	<u>\$ 13,683,312</u> (Concluded)

As of March 31, 2020, December 31, 2019 and March 31, 2019, financial assets at fair value through profit or loss amounting to \$23,083,424 thousand, \$28,594,352 thousand and \$30,441,094 thousand, respectively, had been sold under repurchase agreements.

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

As of March 31, 2020, December 31, 2019 and March 31, 2019, the contract (notional) amounts of derivative transactions of TCB were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Currency swap contracts	\$ 323,062,546	\$ 344,693,125	\$ 439,281,940
Forward contracts	6,736,946	6,701,883	11,136,840
Currency option contracts - sell	4,467,337	5,016,696	6,416,487
Currency option contracts - buy	4,467,337	5,016,696	6,416,487
Interest rate swap contracts	1,700,000	15,836,460	16,237,127
Cross-currency swap contracts	1,272,251	605,798	2,463,707
Foreign-currency margin contracts	55,935	644,945	669,795

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

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

		March 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Stock index futures	Sell	20	\$ 41,970	\$ 42,370

As of March 31, 2020, December 31, 2019 and March 31, 2019, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		March 31, 2020			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Stock index futures	Buy	2	\$ 7,766	\$ 7,767
	Single-stock futures	Buy	624	138,856	139,371
	Commodity futures	Buy	20	12,875	12,380
	Interest rate futures	Sell	13	61,096	61,992
	Stock index futures	Sell	318	290,614	278,860
	Single-stock futures	Sell	187	47,311	47,121
	Commodity futures	Sell	65	75,413	73,750
	Foreign exchange futures	Sell	7	25,379	24,647

		December 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
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

		March 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Single-stock futures	Buy	124	\$ 10,919	\$ 10,978
	Stock index futures	Buy	13	37,442	37,568
	Foreign exchange futures	Buy	7	24,636	24,482
	Interest rate futures	Buy	41	158,832	158,315
	Commodity futures	Buy	1	3,994	4,002
	Single-stock futures	Sell	130	30,754	31,322
	Stock index futures	Sell	170	212,433	212,792
	Commodity futures	Sell	38	69,192	70,359
	Interest rate futures	Sell	56	367,699	367,783

As of March 31, 2020 and December 31, 2019 and March 31, 2019, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Asset swap contracts	\$ 146,200	\$ 124,200	\$ 335,000

As of March 31, 2020, December 31, 2019 and March 31, 2019, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Interest rate swap contracts	\$ 600,000	\$ 600,000	\$ 67,800,000
Currency swap contracts	-	104,930	48,081

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

As of March 31, 2020, December 31, 2019 and March 31, 2019, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Currency swap contracts	\$ 12,009,933	\$ 11,971,264	\$ 13,425,955

BPCTLI has applied IFRS 9 since 2018, and at the same time choose 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:

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets at FVTPL</u>			
Beneficial certificates	\$ 3,789,754	\$ 4,745,210	\$ 4,202,405
Investment in equity instruments	333,678	579,428	548,877

For the three months ended March 31, 2020 and 2019, for the financial assets designated for the overlay approach, the amount reclassified between profit or loss and other comprehensive income were as follows:

	For the Three Months Ended March 31	
	2020	2019
Profit or loss on application of IFRS 9	\$ (571,208)	\$ 473,237
Less: Profit or loss had IAS 39 been applied	<u>127,934</u>	<u>122,898</u>
Gain or loss on reclassification by overlay approach	<u>\$ (699,142)</u>	<u>\$ 350,339</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Investment in equity instruments at FVTOCI</u>			
Listed shares and emerging market shares	\$ 17,436,431	\$ 12,108,964	\$ 8,396,685
Unlisted shares	<u>4,371,919</u>	<u>5,416,359</u>	<u>5,083,222</u>
	<u>21,808,350</u>	<u>17,525,323</u>	<u>13,479,907</u>
<u>Investments in debt instruments at FVTOCI</u>			
Government bonds	215,652,938	188,054,791	153,249,765
Corporate bonds	108,001,470	110,095,314	100,509,342
Bank debentures	<u>75,384,826</u>	<u>66,180,172</u>	<u>61,379,275</u>
	<u>399,039,234</u>	<u>364,330,277</u>	<u>315,138,382</u>
	<u>\$ 420,847,584</u>	<u>\$ 381,855,600</u>	<u>\$ 328,618,289</u>

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

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments in the amounts of \$1,264,510 thousand and \$1,171,820 thousand for the three months ended March 31, 2020 and 2019, respectively. The accumulated unrealized valuation gain or loss of financial assets at FVTOCI under other equity in the amount of \$32,189 thousand gains and \$88,926 thousand losses have been transferred to retained earnings, respectively.

For the three months ended March 31, 2020, the Company recognized dividends revenue \$23,074 thousand, compared to the amounts held on March 31, 2020 which was \$23,074 thousand.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$117,309 thousand, \$104,428 thousand and \$90,552 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the three months ended March 31, 2020 was \$14,457 thousand. A reversal of impairment loss recognized in profit or loss for the three months ended March 31, 2019 was \$367 thousand.

As of March 31, 2020, December 31, 2019 and March 31, 2019, financial assets at fair value through other comprehensive income amounting to \$20,756,028 thousand, \$16,124,558 thousand and \$19,675,119 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2020	December 31, 2019	March 31, 2019
Negotiable certificates of deposit in the Central Bank	\$ 370,760,000	\$ 386,260,000	\$ 388,180,000
Government bonds	107,827,841	107,778,975	103,286,875
Corporate bonds	42,851,464	43,372,329	37,180,872
Bank debentures	22,550,003	20,207,214	24,282,590
Certificates of deposit	<u>280,906</u>	<u>278,907</u>	<u>286,812</u>
	544,270,214	557,897,425	553,217,149
Less: Allowance for possible loss	<u>49,544</u>	<u>48,481</u>	<u>45,800</u>
	<u>\$ 544,220,670</u>	<u>\$ 557,848,944</u>	<u>\$ 553,171,349</u>

Impairment loss recognized in profit or loss for the three months ended March 31, 2020 and 2019 were \$1,020 thousand losses and \$3,265 thousand gains, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$3,010,005 thousand, \$1,436,329 thousand and \$2,549,890 thousand under resell agreements as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, will subsequently be sold for \$3,017,728 thousand, \$1,437,169 thousand and \$2,550,916 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

	March 31, 2020	December 31, 2019	March 31, 2019
Accrued interest	\$ 8,975,576	\$ 9,704,380	\$ 9,124,050
Acceptances	4,267,813	3,139,891	3,419,410
Credit cards	3,292,826	4,397,510	3,652,513
Lease payment receivable	2,721,804	2,793,859	2,381,714
Settlement receivable	2,712,728	2,678,150	2,525,167
Margin loans receivable	2,627,875	4,298,212	4,020,912
Settlement consideration	2,669,996	3,155,981	2,626,659
Receivables on merchant accounts in the credit card business	1,094,347	1,051,907	819,868
Receivables on lending funds	837,826	860,467	1,002,163
Receivable - separated account	490,909	-	519,962
Receivable on securities	483,597	1,189,001	2,691,157
Credits receivable	414,785	456,459	458,612
Accounts receivable	363,900	578,130	403,141
Refundable deposits receivable in leasehold agreements	183,993	183,993	183,993
Accounts receivable factored without recourse	125,694	246,992	349,376
Others	<u>1,010,227</u>	<u>623,479</u>	<u>991,843</u>
	32,273,896	35,358,411	35,170,540
Less: Allowance for possible losses	914,965	881,849	813,236
Less: Unrealized interest revenue	<u>168,870</u>	<u>191,850</u>	<u>166,743</u>
	<u>\$ 31,190,061</u>	<u>\$ 34,284,712</u>	<u>\$ 34,190,561</u>

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

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

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 20,762,410	\$ 48,850	\$ 185,004	\$ 20,996,264
Transfers to				
Lifetime ECL	(25,159)	25,245	(86)	-
Credit-impaired financial assets	(8,286)	(3,782)	12,068	-
12-month ECL	10,999	(10,944)	(55)	-
New financial assets purchased or originated	22,328,947	81,181	114,403	22,524,531
Write-offs	-	(56,506)	(5,487)	(61,993)

(Continued)

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Derecognition of financial assets in the current reporting period	\$ (24,475,131)	\$ (34,291)	\$ (46,959)	\$ (24,556,381)
Changes in exchange rates and other changes	<u>(252,014)</u>	<u>-</u>	<u>14</u>	<u>(252,000)</u>
Balance at March 31, 2020	<u>\$ 18,341,766</u>	<u>\$ 49,753</u>	<u>\$ 258,902</u>	<u>\$ 18,650,421</u>
Balance at January 1, 2019	\$ 20,357,759	\$ 44,951	\$ 154,180	\$ 20,556,890
Transfers to				
Lifetime ECL	(14,890)	15,039	(149)	-
Credit-impaired financial assets	(6,929)	(3,517)	10,446	-
12-month ECL	11,852	(11,047)	(805)	-
New financial assets purchased or originated	14,144,916	19,097	61,566	14,225,579
Write-offs	-	-	(6,961)	(6,961)
Derecognition of financial assets in the current reporting period	(14,427,678)	(26,405)	(41,013)	(14,495,096)
Changes in exchange rates and other changes	<u>(473,139)</u>	<u>-</u>	<u>6</u>	<u>(473,133)</u>
Balance at March 31, 2019	<u>\$ 19,591,891</u>	<u>\$ 38,118</u>	<u>\$ 177,270</u>	<u>\$ 19,807,279</u>

(Concluded)

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 49,498	\$ 13,869	\$ 77,288	\$ 140,655	\$ 149,395	\$ 290,050
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(489)	495	(6)	-	-	-
Credit-impaired financial assets	(392)	(811)	1,203	-	-	-
12-month ECL	2,860	(2,854)	(6)	-	-	-
Derecognition of financial assets in the current reporting period	(26,816)	(8,972)	(14,674)	(50,462)	-	(50,462)
Reversal from financial instruments recognized at the beginning of the current reporting period	(3,175)	4,403	1,181	2,409	-	2,409
New financial assets purchased or originated	28,821	63,150	69,226	161,197	-	161,197
Difference of impairment loss under regulations	-	-	-	-	7,648	7,648
Write-offs	-	(56,506)	(5,487)	(61,993)	-	(61,993)
Recovery of written-off receivables	-	-	129	129	-	129
Change in exchange rates and other changes	<u>(6,426)</u>	<u>-</u>	<u>6,527</u>	<u>101</u>	<u>-</u>	<u>101</u>
Balance at March 31, 2020	<u>\$ 43,881</u>	<u>\$ 12,774</u>	<u>\$ 135,381</u>	<u>\$ 192,036</u>	<u>\$ 157,043</u>	<u>\$ 349,079</u>
Balance at January 1, 2019	\$ 47,086	\$ 11,458	\$ 36,154	\$ 94,698	\$ 105,414	\$ 200,112
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(197)	221	(24)	-	-	-
Credit-impaired financial assets	(314)	(1,030)	1,344	-	-	-
12-month ECL	3,141	(2,933)	(208)	-	-	-

(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
Derecognition of financial assets in the current reporting period	\$ (27,962)	\$ (6,620)	\$ (17,071)	\$ (51,653)	\$ -	\$ (51,653)
Reversal from financial instruments recognized at the beginning of the current reporting period	(3,003)	2,665	26,998	26,660	-	26,660
New financial assets purchased or originated	29,120	5,045	17,620	51,785	-	51,785
Difference of impairment loss under regulations	-	-	-	-	(13,888)	(13,888)
Write-offs	-	-	(6,961)	(6,961)	-	(6,961)
Recovery of written-off receivables	-	-	2,307	2,307	-	2,307
Change in exchange rates and other changes	349	-	(311)	38	-	38
Balance at March 31, 2019	<u>\$ 48,220</u>	<u>\$ 8,806</u>	<u>\$ 59,848</u>	<u>\$ 116,874</u>	<u>\$ 91,526</u>	<u>\$ 208,400</u>

(Concluded)

Impairment assessment except the above receivables were based on expected credit losses model at the beginning of the current reporting period by simplified method. On March 31, 2020, December 31, 2019 and March 31, 2019, the amount of impairment assessment to receivables were \$13,623,475 thousand, \$14,362,147 thousand and \$15,363,261 thousands, respectively, and the amount of allowance for possible losses were \$565,886 thousand, \$591,799 thousand and \$604,836 thousand, respectively.

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

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 591,799	\$ 616,898
Reversal of provision for possible losses	(24,557)	(8,233)
Write-offs	(869)	(9,315)
Recovery of written-off receivables	(71)	4,894
Effects of exchange rate changes and other changes	<u>(416)</u>	<u>592</u>
Balance at March 31	<u>\$ 565,886</u>	<u>\$ 604,836</u>

13. DISCOUNTS AND LOANS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Bills discounted	\$ 1,794,193	\$ 1,958,364	\$ 1,754,288
Overdraft			
Unsecured	79,643	76,441	107,952
Secured	45,806	33,123	73,902
Import and export negotiations	299,906	593,669	1,256,114
Short-term loans			
Unsecured	324,520,751	303,476,993	290,565,207
Accounts receivable financing	268,196	417,844	542,459
Secured	211,718,664	215,171,974	202,329,720

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Medium-term loans			
Unsecured	\$ 345,546,564	\$ 337,513,275	\$ 333,180,754
Secured	322,517,463	308,947,041	295,324,329
Long-term loans			
Unsecured	31,913,193	30,990,954	27,783,855
Secured	1,020,256,386	1,015,513,426	981,310,327
Overdue loans	6,781,363	5,847,989	5,963,125
Life insurance loan	544,419	713,885	691,166
Temporary insurance paid	<u>52,631</u>	<u>49,902</u>	<u>43,464</u>
	2,266,339,178	2,221,304,880	2,140,926,662
Less: Allowance for possible losses	27,174,240	27,376,392	27,110,973
Less: Adjustment of discount	<u>458,772</u>	<u>511,471</u>	<u>510,519</u>
	<u>\$ 2,238,706,166</u>	<u>\$ 2,193,417,017</u>	<u>\$ 2,113,305,170</u>

(Concluded)

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

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 2,181,142,309	\$ 2,524,438	\$ 37,638,133	\$ 2,221,304,880
Transfers to				
Lifetime ECL	(3,447,681)	3,508,178	(60,497)	-
Credit-impaired financial assets	(2,130,280)	(706,296)	2,836,576	-
12-month ECL	594,302	(523,725)	(70,577)	-
New financial assets purchased or originated	325,376,275	126,091	46,562	325,548,928
Write-offs	-	-	(1,365,534)	(1,365,534)
Derecognition of financial assets in the current reporting period	(276,548,168)	(324,369)	(2,047,158)	(278,919,695)
Changes in exchange rates and other changes	<u>208,469</u>	<u>(333,287)</u>	<u>(104,583)</u>	<u>(229,401)</u>
Balance at March 31, 2020	<u>\$ 2,225,195,226</u>	<u>\$ 4,271,030</u>	<u>\$ 36,872,922</u>	<u>\$ 2,266,339,178</u>
Balance at January 1, 2019	\$ 2,051,978,195	\$ 2,960,372	\$ 32,411,101	\$ 2,087,349,668
Transfers to				
Lifetime ECL	(2,217,548)	2,263,411	(45,863)	-
Credit-impaired financial assets	(2,166,516)	(484,462)	2,650,978	-
12-month ECL	1,034,689	(741,424)	(293,265)	-
New financial assets purchased or originated	321,830,155	348,616	555,611	322,734,382
Write-offs	-	-	(1,191,861)	(1,191,861)
Derecognition of financial assets in the current reporting period	(262,683,038)	(524,825)	(1,401,476)	(264,609,339)
Changes in exchange rates and other changes	<u>(3,385,036)</u>	<u>43,613</u>	<u>(14,765)</u>	<u>(3,356,188)</u>
Balance at March 31, 2019	<u>\$ 2,104,390,901</u>	<u>\$ 3,865,301</u>	<u>\$ 32,670,460</u>	<u>\$ 2,140,926,662</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 4,383,474	\$ 15,152	\$ 5,790,070	\$ 10,188,696	\$ 17,187,696	\$ 27,376,392
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(13,605)	25,723	(12,118)	-	-	-
Credit-impaired financial assets	(45,154)	(8,961)	54,115	-	-	-
12-month ECL	8,783	(927)	(7,856)	-	-	-
Derecognition of financial assets in the current reporting period	(833,416)	(946)	(472,886)	(1,307,248)	-	(1,307,248)
Reversal from financial instruments recognized at the beginning of the current reporting period	99,336	(72,772)	1,472,257	1,498,821	-	1,498,821
New financial assets purchased or originated	874,707	615	1,456	876,778	-	876,778
Difference of impairment loss under regulations	-	-	-	-	(182,710)	(182,710)
Write-offs	-	-	(1,365,534)	(1,365,534)	-	(1,365,534)
Recovery of write-off credits	-	-	272,445	272,445	-	272,445
Change in exchange rates and other changes	(601,237)	64,864	541,669	5,296	-	5,296
Balance at March 31, 2020	<u>\$ 3,872,888</u>	<u>\$ 22,748</u>	<u>\$ 6,273,618</u>	<u>\$ 10,169,254</u>	<u>\$ 17,004,986</u>	<u>\$ 27,174,240</u>
Balance at January 1, 2019	\$ 3,785,613	\$ 9,005	\$ 4,570,540	\$ 8,365,158	\$ 18,033,152	\$ 26,398,310
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(6,749)	12,757	(6,008)	-	-	-
Credit-impaired financial assets	(5,896)	(1,697)	7,593	-	-	-
12-month ECL	66,578	(1,254)	(65,324)	-	-	-
Derecognition of financial assets in the current reporting period	(640,986)	(1,270)	(464,932)	(1,107,188)	-	(1,107,188)
Reversal from financial instruments recognized at the beginning of the current reporting period	178,039	(482)	614,119	791,676	-	791,676
New financial assets purchased or originated	943,555	546	163,547	1,107,648	-	1,107,648
Difference of impairment loss under regulations	-	-	-	-	826,910	826,910
Write-offs	-	-	(1,191,861)	(1,191,861)	-	(1,191,861)
Recovery of write-off credits	-	-	272,178	272,178	-	272,178
Change in exchange rates and other changes	(4,528)	1,450	16,378	13,300	-	13,300
Balance at March 31, 2019	<u>\$ 4,315,626</u>	<u>\$ 19,055</u>	<u>\$ 3,916,230</u>	<u>\$ 8,250,911</u>	<u>\$ 18,860,062</u>	<u>\$ 27,110,973</u>

The bad-debt expenses and provision for losses on guarantees for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31	
	2020	2019
Provision for possible losses on discounts and loans	\$ 885,641	\$ 1,619,046
Provision for possible losses on receivables	96,235	4,671
Provision for possible losses on overdue receivables	23,672	33,886
Reversal of provision for possible losses on guarantees	(78,033)	(93,746)
Provision (reversal of provision) for possible losses on loan commitment	(16,847)	8,933
Provision (reversal of provision) for other possible losses	(512)	2,452
	<u>\$ 910,156</u>	<u>\$ 1,575,242</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, TCB was in compliance with the FSC-required provision for credit assets.

As of March 31, 2020, December 31, 2019 and March 31, 2019, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$32,288 thousand and \$29,325 thousand for the three months ended March 31, 2020 and 2019, respectively, based on the average loan interest rate for the year.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Amount</u>	<u>Percentage of Ownership</u>	<u>Amount</u>	<u>Percentage of Ownership</u>	<u>Amount</u>	<u>Percentage of Ownership</u>
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	\$ 130,856	30.00	\$ 131,500	30.00	\$ 130,338	30.00
Mesh Cooperative Ventures, Inc.	<u>3,034</u>	33.00	<u>3,294</u>	33.00	<u>-</u>	-
	<u>\$ 133,890</u>		<u>\$ 134,794</u>		<u>\$ 130,338</u>	

Aggregate information of associate that is not individually material:

	For the Three Months Ended March 31	
	2020	2019
The Company's share of:		
Net income	\$ (904)	\$ 3,244
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ (904)</u>	<u>\$ 3,244</u>

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the three months ended March 31, 2020 and 2019 were based on the associate's financial statements for the same period which have not been reviewed by the auditors. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of the associate that have not been reviewed.

15. OTHER FINANCIAL ASSETS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Overdue receivables	\$ 139,372	\$ 99,024	\$ 118,723
Less: Allowance for possible losses	<u>106,239</u>	<u>91,249</u>	<u>106,417</u>
Overdue receivables, net	33,133	7,775	12,306
Due from banks	16,014,734	19,150,780	25,709,378
Security borrowing margin	200,312	209,516	219,414
Separate-account assets (Note 30)	85,825,868	109,228,185	98,948,398
Call loans to security firms	<u>271,845</u>	<u>-</u>	<u>-</u>
	<u>\$ 102,345,892</u>	<u>\$ 128,596,256</u>	<u>\$ 124,889,496</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 used before maturity.

16. INVESTMENT PROPERTIES, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 8,311,543	\$ 8,149,105	\$ 7,285,228
Buildings	<u>2,699,943</u>	<u>2,677,336</u>	<u>2,316,975</u>
	<u>\$ 11,011,486</u>	<u>\$ 10,826,441</u>	<u>\$ 9,602,203</u>
	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 8,149,105	\$ 3,632,616	\$ 11,781,721
Additions	162,438	48,250	210,688
Reclassification	<u>-</u>	<u>(1,530)</u>	<u>(1,530)</u>
Balance at March 31, 2020	<u>\$ 8,311,543</u>	<u>\$ 3,679,336</u>	<u>\$ 11,990,879</u>
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	78,036	50,026	128,062
Reclassification	<u>-</u>	<u>(2,187)</u>	<u>(2,187)</u>
Balance at March 31, 2019	<u>\$ 7,285,228</u>	<u>\$ 3,154,656</u>	<u>\$ 10,439,884</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 955,280	\$ 955,280
Depreciation expenses	<u>-</u>	<u>24,113</u>	<u>24,113</u>
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 979,393</u>	<u>\$ 979,393</u>
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Depreciation expenses	<u>-</u>	<u>20,211</u>	<u>20,211</u>
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 837,681</u>	<u>\$ 837,681</u>

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

Main buildings	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 management of the Company had assessed and determined that there was no significant changes in the fair value of investment properties for the three months ended March 31, 2020 and 2019.

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

	For the Three Months Ended March 31	
	2020	2019
Rental income from investment properties (part of other noninterest gains, net)	\$ 126,657	\$ 122,638
Direct operating expenses for investment properties that generate rental income	<u>(39,041)</u>	<u>(36,284)</u>
	<u>\$ 87,616</u>	<u>\$ 86,354</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 March 31, 2020, December 31, 2019 and March 31, 2019, guarantee deposits on these leases totaled \$97,577 thousand, \$95,043 thousand and \$84,969 thousand, respectively. Minimum future annual rentals are as follows:

	March 31, 2020	December 31, 2019	March 31, 2020
Year 1	\$ 402,740	\$ 409,542	\$ 417,744
Year 2	354,292	344,075	371,721
Year 3	308,158	316,310	327,695
Year 4	220,981	219,299	289,268
Year 5	168,494	186,163	200,889
Over five years	<u>406,749</u>	<u>415,132</u>	<u>613,572</u>
	<u>\$ 1,861,414</u>	<u>\$ 1,890,521</u>	<u>\$ 2,220,889</u>

17. PROPERTIES AND EQUIPMENT, NET

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amount</u>			
Land	\$ 20,715,368	\$ 20,715,350	\$ 20,933,677
Buildings	11,130,845	11,281,242	11,516,597
Machinery and equipment	1,164,795	1,022,181	438,776
Transportation equipment	111,088	103,116	83,546
Other equipment	227,984	238,354	229,643
Leasehold improvements	157,360	156,569	149,013
Prepayments for equipment, land and buildings and construction in progress	<u>142,657</u>	<u>254,681</u>	<u>320,671</u>
	<u>\$ 33,650,097</u>	<u>\$ 33,771,493</u>	<u>\$ 33,671,923</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
Cost								
Balance at January 1, 2020	\$ 20,730,527	\$ 19,286,111	\$ 4,747,396	\$ 637,030	\$ 1,404,396	\$ 1,017,917	\$ 254,681	\$ 48,078,058
Additions	-	15,617	84,757	13,464	12,318	12,152	48,101	186,409
Disposals	-	-	(33,642)	(8,814)	(10,096)	(4,870)	-	(57,422)
Reclassification	-	2,803	140,167	1,139	2,410	2,057	(160,032)	(11,456)
Effects of exchange rate changes	18	39	(79)	(447)	(3,806)	(1,007)	(93)	(5,375)
Balance at March 31, 2020	<u>\$ 20,730,545</u>	<u>\$ 19,304,570</u>	<u>\$ 4,938,599</u>	<u>\$ 642,372</u>	<u>\$ 1,405,222</u>	<u>\$ 1,026,249</u>	<u>\$ 142,657</u>	<u>\$ 48,190,214</u>
Balance at January 1, 2019	\$ 20,948,845	\$ 19,063,052	\$ 4,307,593	\$ 623,596	\$ 1,360,114	\$ 953,168	\$ 316,634	\$ 47,573,002
Additions	-	9,290	43,856	9,327	14,973	25,543	23,186	126,175
Disposals	-	-	(82,566)	(5,237)	(6,162)	(1,388)	-	(95,353)
Reclassification	-	11,436	6,955	-	520	130	(19,160)	(119)
Effects of exchange rate changes	9	20	839	110	131	801	11	1,921
Balance at March 31, 2019	<u>\$ 20,948,854</u>	<u>\$ 19,083,798</u>	<u>\$ 4,276,677</u>	<u>\$ 627,796</u>	<u>\$ 1,369,576</u>	<u>\$ 978,254</u>	<u>\$ 320,671</u>	<u>\$ 47,605,626</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ 15,177	\$ 8,004,869	\$ 3,725,215	\$ 533,914	\$ 1,166,042	\$ 861,348	\$ 14,306,565	
Disposals	-	-	(33,618)	(8,814)	(10,096)	(4,870)	(57,398)	
Depreciation expenses	-	168,831	82,380	6,517	21,286	13,545	292,559	
Reclassification	-	-	(94)	-	94	-	-	
Effects of exchange rate changes	-	25	(79)	(333)	(88)	(1,134)	(1,609)	
Balance at March 31, 2020	<u>\$ 15,177</u>	<u>\$ 8,173,725</u>	<u>\$ 3,773,804</u>	<u>\$ 531,284</u>	<u>\$ 1,177,238</u>	<u>\$ 868,889</u>	<u>\$ 14,540,117</u>	
Balance at January 1, 2019	\$ 15,177	\$ 7,400,984	\$ 3,866,741	\$ 544,213	\$ 1,126,513	\$ 816,165	\$ 13,769,793	
Disposals	-	-	(81,270)	(5,225)	(6,155)	(1,367)	(94,017)	
Depreciation expenses	-	166,250	52,163	5,490	20,129	13,815	257,847	
Effects of exchange rate changes	-	(33)	267	(228)	(554)	628	80	
Balance at March 31, 2019	<u>\$ 15,177</u>	<u>\$ 7,567,201</u>	<u>\$ 3,837,901</u>	<u>\$ 544,250</u>	<u>\$ 1,139,933</u>	<u>\$ 829,241</u>	<u>\$ 13,933,703</u>	

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As March 31, 2020, 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

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%, 7.54% and 8.69% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Land	\$ 15,494	\$ 14,838	\$ 3,124
Buildings	1,583,611	1,623,628	1,551,001
Transportation equipment	59,942	63,519	45,732
Other equipment	<u>20,502</u>	<u>21,627</u>	<u>25,005</u>
	<u>\$ 1,679,549</u>	<u>\$ 1,723,612</u>	<u>\$ 1,624,862</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		<u>\$ 131,224</u>	<u>\$ 145,012</u>
Depreciation charge for right-of-use assets			
Land		\$ 1,366	\$ 207
Buildings		149,759	120,225
Transportation equipment		8,122	5,513
Other equipment		<u>1,125</u>	<u>1,120</u>
		<u>\$ 160,372</u>	<u>\$ 127,065</u>

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amounts	<u>\$ 1,630,256</u>	<u>\$ 1,651,391</u>	<u>\$ 1,560,208</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Land	1.615%-1.627%	1.617%-1.627%	1.617%-1.620%
Buildings	1.615%-9.800%	1.615%-9.800%	1.617%-8.880%
Transportation equipment	1.040%-8.880%	1.040%-8.880%	1.000%-8.880%
Other equipment	2.445%-4.000%	2.445%-4.000%	2.000%-4.000%

c. Material lease-in activities

The Company signed lease agreements on office premises due to operating activities. Rentals are calculated on the basis of leased areas and are receivable monthly, quarterly or semiannually. As of March 31, 2020, December 31, 2019 and March 31, 2019, guarantee deposits on these leases totaled \$133,620 thousand, \$135,333 thousand and \$134,575 thousand, respectively.

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 1,914</u>	<u>\$ 31,363</u>
Expenses relating to low-value asset leases	<u>\$ 944</u>	<u>\$ 241</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 595</u>	<u>\$ 480</u>
Total cash outflow for leases	<u>\$ (158,361)</u>	<u>\$ (147,493)</u>

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

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

19. INTANGIBLE ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>606,689</u>	<u>541,713</u>	<u>450,512</u>
	<u>\$ 3,776,694</u>	<u>\$ 3,711,718</u>	<u>\$ 3,620,517</u>

Except for amortization expenses recognized and the reclassification of intangible assets, the Company had no significant addition, disposal and impairment on intangible assets during the three months ended March 31, 2020 and 2019.

The 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%, 7.54% and 8.69% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Goodwill resulting from merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of March 31, 2020, December 31, 2019 and March 31, 2019.

20. OTHER ASSETS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Refundable deposits	\$ 1,733,705	\$ 1,557,376	\$ 1,642,568
Prepaid expenses	1,616,536	1,266,353	578,784
Operating deposits and settlement funds	714,738	721,456	712,545
Collaterals assumed, net	-	119,389	255,144
Others	<u>107,017</u>	<u>109,802</u>	<u>149,306</u>
	<u>\$ 4,171,996</u>	<u>\$ 3,774,376</u>	<u>\$ 3,338,347</u>

As of March 31, 2020 and December 31, 2019, prepaid expenses included that TCB invested in overseas branch in the amounts of \$1,081,825 thousand and \$1,038,095 thousand, respectively.

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2020	December 31, 2019	March 31, 2019
Due to banks	\$ 126,205,530	\$ 142,115,517	\$ 132,700,456
Call loans from banks	137,934,561	98,312,219	110,604,172
Bank overdraft	1,328,321	1,523,969	2,115,200
Deposits from Chunghwa Post Co., Ltd.	589,604	589,604	1,455,762
Due to the Central Bank	<u>436,922</u>	<u>424,872</u>	<u>424,165</u>
	<u>\$ 266,494,938</u>	<u>\$ 242,966,181</u>	<u>\$ 247,299,755</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$44,053,880 thousand, \$45,554,849 thousand and \$50,385,270 thousand under repurchase agreements as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, would subsequently be purchased for \$44,075,392 thousand, \$45,574,470 thousand and \$50,403,155 thousand respectively.

23. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$32,495,000 thousand, \$31,125,000 thousand and \$25,510,000 thousand and the annual discount rates were from 0.598%-0.838%, from 0.668%-1.008% and from 0.628%-1.028% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, and the commercial paper will mature by June 29, 2020, March 11, 2020 and June 5, 2019, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of March 31, 2020, the Company had not used the amount of \$65,980,624 thousand, the sum of the amount of the commercial paper issued and the credit.

24. PAYABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Collections payable	\$ 6,230,297	\$ 4,868,304	\$ 4,350,036
Accrued expenses	6,134,548	5,850,263	5,610,790
Collections of notes and checks for various financial institutions in other cities	4,622,428	4,661,873	496,070
Acceptances	4,517,522	3,408,518	3,543,875
Accrued interest	4,376,539	6,302,176	6,402,051
Checks for clearing	4,332,787	6,067,358	19,260,484
Settlement consideration	2,978,753	2,900,712	2,919,860
Settlement payable	2,458,445	3,019,195	2,853,168
Payables on notes and checks collected for others	1,432,203	1,493,452	309,238
Payable on securities	516,071	3,422,615	1,745,570
Tax payable	428,340	510,791	420,590
Dividends payable	340,992	339,653	307,777
Payables for short-sale transactions	226,272	501,921	257,625
Deposits on short-sale transactions	206,280	460,612	236,218
Insurance claims and benefits payable	192,481	154,881	88,294
Factored accounts payable	68,240	85,645	107,334
Separate account payable	-	4,599,943	-
Others	<u>2,244,404</u>	<u>2,204,397</u>	<u>2,251,474</u>
	<u>\$ 41,306,602</u>	<u>\$ 50,852,309</u>	<u>\$ 51,160,454</u>

25. DEPOSITS AND REMITTANCES

	March 31, 2020	December 31, 2019	March 31, 2019
Deposits			
Checking	\$ 40,406,434	\$ 45,146,567	\$ 44,356,988
Demand	557,282,775	552,317,584	511,571,061
Savings - demand	893,083,132	892,650,215	865,446,415
Time	695,486,452	616,547,240	601,445,481
Negotiable certificates of deposit	44,880,371	43,230,113	48,391,899
Savings - time	624,178,077	626,095,579	627,985,490
Treasury	112,410,242	115,377,291	88,799,932
Remittances	<u>117,617</u>	<u>440,553</u>	<u>198,145</u>
	<u>\$ 2,967,845,100</u>	<u>\$ 2,891,805,142</u>	<u>\$ 2,788,195,411</u>

26. BONDS PAYABLE

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

	March 31, 2020	December 31, 2019	March 31, 2019
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	\$ 11,650,000	\$ 11,650,000	\$ 11,650,000
Second subordinated bonds in 2012, Type A: Fixed rate of 1.43%; maturity - December 25, 2019	-	-	1,000,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	-	4,000,000	4,000,000
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	900,000
Second subordinated bonds in 2013, Type B: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%; maturity - December 25, 2023	4,600,000	4,600,000	4,600,000
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000	600,000
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000	1,400,000
First non-cumulative perpetual subordinated bonds in 2018: Fixed rated of 2.28%; TCB may exercise its redemption rights after 5 years and 2 months	5,000,000	5,000,000	5,000,000

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
First non-cumulative perpetual subordinated bonds in 2019: Fixed rate of 1.9%; TCB may exercise its redemption rights after 5 years and 1 month	\$ 5,000,000	\$ 5,000,000	\$ -
Second unsecured bank debentures bonds in 2019: Fixed rate of 0.69%; maturity - November 28, 2022	1,000,000	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>5,000,000</u>	<u>-</u>
	<u>\$ 57,500,000</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:

	December 31, 2019	March 31, 2019
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,039,290	\$ 9,088,143
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,013,139</u>	<u>3,028,790</u>
	<u>\$ 12,052,429</u>	<u>\$ 12,116,933</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 has been approved from the authority on May 19, 2020.

TCB early exercised the redemption rights to unsecured bank debentures bonds amounting to US\$400,000 thousand in accordance with guidelines for issuance on March 30, 2020.

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 March 31, 2020, the amount of unissued unsecured bank debentures of TCB was US\$1,000,000 thousand.

To increase capital adequacy, the issuance of non-cumulative perpetual subordinated bonds amounting to \$10,000,000 thousand has been approved by the TCB's boards of directors on April 27, 2020, which is awaiting the approval of the FSC.

27. OTHER BORROWINGS

	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 23)	<u>\$ 2,481,626</u>	0.776-5.220	<u>\$ 3,432,028</u>	0.900-5.795	<u>\$ 2,383,891</u>	0.900-5.795

28. PROVISIONS

	March 31, 2020	December 31, 2019	March 31, 2019
Reserve for life insurance liabilities	\$ 26,967,266	\$ 27,679,771	\$ 29,107,181
Reserve for insurance contracts with financial instrument features	5,284,157	6,068,784	9,303,244
Provision for employee benefits	6,748,971	6,933,236	6,807,528
Provision for losses on guarantees	1,401,870	1,479,849	1,331,396
Provision for losses on loan commitment	166,090	182,585	151,996
Provision for others	34,430	34,837	29,188
Other provision for insurance	<u>595,070</u>	<u>576,944</u>	<u>561,239</u>
	<u>\$ 41,197,854</u>	<u>\$ 42,956,006</u>	<u>\$ 47,291,772</u>

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

	March 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 10,535,277	\$ 5,557,770	\$ 16,093,047
Health insurance	640,281	-	640,281
Annuity insurance	-	10,156,177	10,156,177
Investment insurance	<u>76,776</u>	<u>-</u>	<u>76,776</u>
	11,252,334	15,713,947	26,966,281
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,252,334</u>	<u>\$ 15,713,947</u>	<u>\$ 26,966,281</u>

	December 31, 2019		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts	Participation Features	Total
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>-</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>

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

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

	For the Three Months Ended March 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance at January 1	\$ 11,733,123	\$ 15,945,711	\$ 27,678,834	\$ 12,317,556	\$ 17,096,283	\$ 29,413,839
Provision	358,993	82,514	441,507	429,484	85,132	514,616
Recovery	<u>(839,782)</u>	<u>(314,278)</u>	<u>(1,154,060)</u>	<u>(466,313)</u>	<u>(355,091)</u>	<u>(821,404)</u>
Ending balance	11,252,334	15,713,947	26,966,281	12,280,727	16,826,324	29,107,051
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31	<u>\$ 11,252,334</u>	<u>\$ 15,713,947</u>	<u>\$ 26,966,281</u>	<u>\$ 12,280,727</u>	<u>\$ 16,826,324</u>	<u>\$ 29,107,051</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$26,967,266 thousand, \$27,679,771 thousand and \$29,107,181 thousand, respectively.

c. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	March 31, 2020	December 31, 2019	March 31, 2019
Life insurance liability reserve	\$ 26,966,281	\$ 27,678,834	\$ 29,107,051
Unearned premium reserve	298,512	269,630	239,427
Claims reserve	81,298	76,215	48,874
Premium deficiency reserve	<u>641</u>	<u>579</u>	<u>2,386</u>
Book value of insurance reserve	<u>\$ 27,346,732</u>	<u>\$ 28,025,258</u>	<u>\$ 29,397,738</u>
Present value of discounted cash flows	<u>\$ 24,914,707</u>	<u>\$ 25,137,472</u>	<u>\$ 26,174,150</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

March 31, 2020, December 31, 2019 and March 31, 2019	
Test method	Total premium measurement method
Tested group	All insurance contracts as a whole
Assumptions	The discount rate assumption for every year was based on the best estimate scenario as well as the rate of return on investment with current information

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

	March 31, 2020	December 31, 2019	March 31, 2019
Life insurance	<u>\$ 5,284,157</u>	<u>\$ 6,068,784</u>	<u>\$ 9,303,244</u>
		For the Three Months Ended March 31	
		2020	2019
Balance at January 1		\$ 6,068,784	\$ 10,434,066
Insurance claim payments for the period		(814,580)	(1,192,941)
Reserve for insurance contracts with financial instrument features		<u>29,953</u>	<u>62,119</u>
Balance at March 31		<u>\$ 5,284,157</u>	<u>\$ 9,303,244</u>

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve of foreign exchange variation

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 230,520	\$ 239,440
Provisions		
Compulsory provisions	4,649	3,180
Additional provisions	-	35,292
	<u>4,649</u>	<u>38,472</u>
Recovery	<u>(20,550)</u>	<u>(7,360)</u>
Balance at March 31	<u>\$ 214,619</u>	<u>\$ 270,552</u>

3) Impact of the reserve of foreign exchange variation

For the three months ended March 31, 2020

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 4,091,691	\$ 4,104,412	\$ 12,721
Earnings per share (NT\$)	0.30	0.30	-
Reserve of foreign exchange variation	-	214,619	214,619
Equity	227,382,782	227,181,784	(200,998)

For the three months ended March 31, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 4,090,883	\$ 4,065,993	\$ (24,890)
Earnings per share (NT\$)	0.30	0.30	-
Reserve of foreign exchange variation	-	270,552	270,552
Equity	221,023,972	220,759,641	(264,331)

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

	For the Three Months Ended March 31	
	2020	2019
Reserve for life insurance liabilities, net	\$ (712,553)	\$ (306,788)
Reserve for insurance contract with financial instrument features, net	29,953	62,119
Others, net	<u>8,000</u>	<u>42,042</u>
	<u>\$ (674,600)</u>	<u>\$ (202,627)</u>

g. Provisions for employee benefits are summarized below:

	March 31, 2020	December 31, 2019	March 31, 2019
Net defined benefit liabilities	\$ 2,815,817	\$ 2,961,625	\$ 2,802,084
Present value of retired employees' preferential interest deposit obligation	<u>3,933,154</u>	<u>3,971,611</u>	<u>4,005,444</u>
	<u>\$ 6,748,971</u>	<u>\$ 6,933,236</u>	<u>\$ 6,807,528</u>

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

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 899,338	\$ 104,032	\$ 75,588	\$ 1,078,958	\$ 618,313	\$ 1,697,271
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(39)	39	-	-	-	-
Credit-impaired financial assets	(62)	-	62	-	-	-
12-month ECL	1,917	-	(1,917)	-	-	-
Derecognition of financial assets in the current reporting period	(112,434)	(333)	(59,672)	(172,439)	-	(172,439)
Reversal from financial instruments recognized at the beginning of the current reporting period	(81,264)	(65,709)	7,291	(139,682)	-	(139,682)
New financial assets purchased or originated	126,232	62	-	126,294	-	126,294
Difference of impairment loss under regulations	-	-	-	-	90,435	90,435
Change in exchange rates and other changes	<u>511</u>	<u>-</u>	<u>-</u>	<u>511</u>	<u>-</u>	<u>511</u>
Balance at March 31, 2020	<u>\$ 834,199</u>	<u>\$ 38,091</u>	<u>\$ 21,352</u>	<u>\$ 893,642</u>	<u>\$ 708,748</u>	<u>\$ 1,602,390</u>
Balance at January 1, 2019	\$ 713,131	\$ 207,387	\$ 18,827	\$ 939,345	\$ 654,832	\$ 1,594,177
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(21)	21	-	-	-	-
Derecognition of financial assets in the current reporting period	(62,188)	(11)	(642)	(62,841)	-	(62,841)
Reversal from financial instruments recognized at the beginning of the current reporting period	(7,930)	(21,300)	794	(28,436)	-	(28,436)
New financial assets purchased or originated	92,144	11	-	92,155	-	92,155
Difference of impairment loss under regulations	-	-	-	-	(83,239)	(83,239)
Change in exchange rates and other changes	<u>769</u>	<u>(5)</u>	<u>-</u>	<u>764</u>	<u>-</u>	<u>764</u>
Balance at March 31, 2019	<u>\$ 735,905</u>	<u>\$ 186,103</u>	<u>\$ 18,979</u>	<u>\$ 940,987</u>	<u>\$ 571,593</u>	<u>\$ 1,512,580</u>

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 \$55,137 thousand and \$49,475 thousand in the consolidated statement of comprehensive income for the three months ended March 31, 2020 and 2019, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

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

For the three months ended March 31, 2020 and 2019, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$114,271 thousand and \$198,588 thousand, respectively. For more information about the defined benefit plan, refer to Note 29 of the consolidated financial statements for the year ended December 31, 2019.

c. Employees' preferential deposit plan

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

For the three months ended March 31, 2020 and 2019, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$174,816 thousand and \$171,979 thousand, respectively. For more information about the employee preferential deposit plan, refer to Note 29 of the consolidated financial statements for the year ended December 31, 2019.

30. OTHER FINANCIAL LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Structured products - host contracts	\$ 1,497,922	\$ 2,529,298	\$ 3,822,513
Guarantee deposits received	1,551,705	2,050,163	1,676,714
Appropriation for loans	24,267	29,972	18,987
Separate-account liabilities	<u>85,825,868</u>	<u>109,228,185</u>	<u>98,948,398</u>
	<u>\$ 88,899,762</u>	<u>\$ 113,837,618</u>	<u>\$ 104,466,612</u>

The status of the Company's investment-linked products - separate account as of March 31, 2020, December 31, 2019 and March 31, 2019, are summarized as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Separate-account assets (part of other financial assets)			
Demand deposits	\$ 1,395,552	\$ 963,032	\$ 688,280
Financial assets at FVTPL	84,107,415	103,107,687	98,078,513
Other receivables			
General accounts receivables	-	4,599,943	-
Investment settlement receivables	<u>322,901</u>	<u>557,523</u>	<u>181,605</u>
	<u>322,901</u>	<u>5,157,466</u>	<u>181,605</u>
	<u>\$ 85,825,868</u>	<u>\$ 109,228,185</u>	<u>\$ 98,948,398</u>
Separate-account liabilities (part of other financial liabilities)			
Reserve for separate account - insurance contract	\$ 65,868,861	\$ 85,224,162	\$ 85,824,176
Reserve for separate account - investment contract	19,466,098	24,004,023	12,604,260
Other payables			
General accounts payables	<u>490,909</u>	<u>-</u>	<u>519,962</u>
	<u>\$ 85,825,868</u>	<u>\$ 109,228,185</u>	<u>\$ 98,948,398</u>

	For the Three Months Ended March 31	
	2020	2019
Separate-account revenue		
Premium income	\$ 1,297,732	\$ 2,250,428
Gain (loss) on financial assets at FVTPL	(16,595,311)	4,483,098
Gain (loss) on foreign exchange	(4,852,238)	46,304
Interest revenue	<u>409</u>	<u>761</u>
	<u>\$ (20,149,408)</u>	<u>\$ 6,780,591</u>
Separate-account expense		
Insurance claims and benefits	\$ 1,998,966	\$ 1,587,528
Reserves for separate accounts, net of releases - insurance contract	(22,408,560)	4,976,886
Administrative expenses	<u>260,186</u>	<u>216,177</u>
	<u>\$ (20,149,408)</u>	<u>\$ 6,780,591</u>

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

31. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Advance receipts	\$ 1,300,837	\$ 1,620,591	\$ 1,296,764
Others	<u>86,584</u>	<u>114,606</u>	<u>71,564</u>
	<u>\$ 1,387,421</u>	<u>\$ 1,735,197</u>	<u>\$ 1,368,328</u>

32. NET INTEREST

	For the Three Months Ended March 31	
	2020	2019
Interest revenue		
From discounts and loans	\$ 11,289,460	\$ 11,291,486
From investments	2,716,607	2,746,707
From due from banks and call loans to other banks	552,036	637,344
Others	<u>235,266</u>	<u>238,907</u>
	<u>14,793,369</u>	<u>14,914,444</u>
Interest expense		
From deposits	(4,891,681)	(5,011,000)
From funds borrowing from the Central Bank and other banks	(527,590)	(727,409)
From bank debentures	(244,536)	(203,602)
From due to the Central Bank and other banks	(132,153)	(167,335)
From securities sold under repurchase agreements	(63,454)	(84,703)
Others	<u>(34,100)</u>	<u>(44,633)</u>
	<u>(5,893,514)</u>	<u>(6,238,682)</u>
	<u>\$ 8,899,855</u>	<u>\$ 8,675,762</u>

33. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended March 31	
	2020	2019
Service fee and commission revenues		
From trust business	\$ 522,187	\$ 363,448
From guarantee	251,571	209,952
From loans	227,196	199,864
From insurance service	189,531	298,415
From management fees of investment-linked products	175,442	150,647
From credit cards	125,534	145,289
From brokerage service	135,774	80,468
Others	<u>542,128</u>	<u>492,677</u>
	<u>2,169,363</u>	<u>1,940,760</u>
Service charge and commission expenses		
From cross-bank transactions	(85,935)	(84,638)
From insurance business	(72,600)	(97,297)
From credit cards	(64,171)	(58,329)
From credit cards acquiring	(33,365)	(31,224)
From custody	(23,668)	(17,687)
Others	<u>(50,548)</u>	<u>(44,029)</u>
	<u>(330,287)</u>	<u>(333,204)</u>
	<u>\$ 1,839,076</u>	<u>\$ 1,607,556</u>

34. PREMIUM INCOME, NET

	For the Three Months Ended March 31	
	2020	2019
Premium income		
Separate-account revenue (Note 30)	\$ (20,149,408)	\$ 6,780,591
Premium income	<u>928,496</u>	<u>954,438</u>
	<u>(19,220,912)</u>	<u>7,735,029</u>
Premium losses		
Separate-account expense (Note 30)	20,149,408	(6,780,591)
Insurance claims and benefits	(1,287,562)	(882,353)
Reinsurance premium ceded	(55,235)	(43,663)
Others	<u>(7,839)</u>	<u>(4,838)</u>
	<u>18,798,772</u>	<u>(7,711,445)</u>
	<u>\$ (422,140)</u>	<u>\$ 23,584</u>

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

	For the Three Months Ended March 31, 2020				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 133,853	\$ 1,360,204	\$ (1,631,892)	\$ 71,538	\$ (66,297)
Held-for-trading financial liabilities	-	(3,322,465)	3,085,140	-	(237,325)
Financial liabilities designated as at fair value through profit or loss	<u>(145,326)</u>	<u>-</u>	<u>57,097</u>	<u>-</u>	<u>(88,229)</u>
	<u>\$ (11,473)</u>	<u>\$ (1,962,261)</u>	<u>\$ 1,510,345</u>	<u>\$ 71,538</u>	<u>\$ (391,851)</u>
	For the Three Months Ended March 31, 2019				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 140,199	\$ 2,577,651	\$ 1,030,895	\$ 59,391	\$ 3,808,136
Held-for-trading financial liabilities	-	(1,282,323)	361,574	-	(920,749)
Financial liabilities designated as at fair value through profit or loss	<u>(143,997)</u>	<u>-</u>	<u>(579,429)</u>	<u>-</u>	<u>(723,426)</u>
	<u>\$ (3,798)</u>	<u>\$ 1,295,328</u>	<u>\$ 813,040</u>	<u>\$ 59,391</u>	<u>\$ 2,163,961</u>

36. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Three Months Ended March 31	
	2020	2019
Employee benefits expenses		
Salaries	\$ 2,206,882	\$ 2,140,520
Incentives	738,180	727,519
Excessive interest from preferential interest deposits	281,638	273,685
Post-employment benefits, termination benefits and compensation	176,373	253,567
Overtime	97,765	90,754
Others	<u>520,847</u>	<u>496,538</u>
	<u>\$ 4,021,685</u>	<u>\$ 3,982,583</u>

Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the three months ended March 31, 2020 and 2019, compensations of employees were estimated at \$681 thousand and \$672 thousand and the remuneration of directors were estimated at \$21,782 thousand and \$21,731 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:

	For the Year Ended December 31	
	2019	2018
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

	For the Three Months Ended March 31	
	2020	2019
Depreciation expenses	\$ 477,044	\$ 405,123
Amortization expenses	<u>52,561</u>	<u>43,903</u>
	<u>\$ 529,605</u>	<u>\$ 449,026</u>

37. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2020	2019
Current tax		
Current period	\$ 260,292	\$ 714,694
Land revaluation increment tax	2,794	-
Prior year's adjustments	<u>164</u>	<u>-</u>
	263,250	714,694
Deferred tax		
Current period	<u>530,092</u>	<u>35,056</u>
Income tax expense recognized in profit or loss	<u>\$ 793,342</u>	<u>\$ 749,750</u>

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

	For the Three Months Ended March 31	
	2020	2019
<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	\$ 36,385	\$ 9,853
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	(213,300)	169,582
Other comprehensive income on reclassification of overlay approach	<u>(4,030)</u>	<u>2,264</u>
Total income tax recognized in other comprehensive income	<u>\$ (180,945)</u>	<u>\$ 181,699</u>

c. Deferred tax assets and liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Deferred tax assets</u>			
Temporary differences			
Financial instruments at fair value through other comprehensive income	\$ 36,941	\$ -	\$ 740
Properties and equipment	9,021	9,182	9,665
Payable for annual leave	127,900	103,007	125,799
Employee's preferential interest deposit obligation	786,631	794,322	801,089
Other liabilities	5,783	5,783	6,051
Exchange differences on foreign operations	259,838	296,223	46,773
Allowance for possible losses	54,256	54,554	70,840
Collaterals assumed	372	372	372
Financial instruments at fair value through profit or loss	27	505,220	7,117
Pension liabilities	395	386	357
Unrealized interest expense	-	535,532	443,867
Unrealized foreign exchange losses	53,052	16,201	9,381
Revenue from disposal of acquired loans	170,279	170,279	146,355
Loss carryforwards	<u>496,929</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,001,424</u>	<u>\$ 2,491,061</u>	<u>\$ 1,668,406</u>

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 7,363	\$ 2,553	\$ 251,832
Financial instruments at fair value through other comprehensive income	58,242	238,631	37,556
Intangible assets	428,614	428,614	428,614
The reserve for land revaluation increment tax	2,596,230	2,596,230	2,596,230
Exchange differences on foreign operations	-	-	521
Defined benefit obligation	103,996	74,834	40,488
Investments accounted for using equity method	93,624	88,833	63,004
Collaterals assumed	466	466	466
Lease incentive	12,010	11,929	10,148
Others	<u>12,070</u>	<u>11,015</u>	<u>7,797</u>
	<u>\$ 3,312,615</u>	<u>\$ 3,453,105</u>	<u>\$ 3,436,656</u> (Concluded)

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

<u>TCFHC</u>	<u>TCB</u>	<u>CAM</u>	<u>TCBF</u>	<u>TCS</u>	<u>BPCTLI</u>	<u>TCSIT</u>	<u>TCVC</u>
2014	2014	2014	2014	2014	2017	2014	2015

38. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended March 31, 2020</u>			
Basic earnings per share (EPS)	\$ 3,937,225	12,945,848	<u>\$ 0.30</u>
Effect of dilutive common stock:			
Employees' compensation	-	191	
Diluted EPS	<u>\$ 3,937,225</u>	<u>12,946,039</u>	<u>\$ 0.30</u>
<u>For the three months ended March 31, 2019</u>			
Basic EPS	\$ 3,933,739	12,945,848	<u>\$ 0.30</u>
Effect of dilutive common stock:			
Employees' compensation	-	143	
Diluted EPS	<u>\$ 3,933,739</u>	<u>12,945,991</u>	<u>\$ 0.30</u>

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

	For the Three Months Ended March 31, 2019	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic EPS (NT\$)	<u>\$ 0.31</u>	<u>\$ 0.30</u>
Diluted EPS (NT\$)	<u>\$ 0.31</u>	<u>\$ 0.30</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

	March 31, 2020	December 31, 2019	March 31, 2019
Numbers of shares authorized (in thousands)	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>12,945,848</u>	<u>12,945,848</u>	<u>12,568,785</u>
Common stocks issued	<u>\$ 129,458,483</u>	<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 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 Ministry of Economic Affairs (MOEA).

b. Capital surplus

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

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

The capital surplus as of March 31, 2020 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

Sources

From subsidiaries

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

Uses

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

c. Special reserve

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

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

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

	For the Three Months Ended March 31	
	2020	2019
Balance on January 1	\$ 996,026	\$ 996,026
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	<u> -</u>	<u> -</u>
Balance on March 31	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

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

Unless otherwise restricted by related regulations, TCFHC's policy indicates that cash dividends must be 10% or above of the total dividends and 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 2019 and 2018 were approved in the board of directors' meeting on March 23, 2020 and in the stockholders' meeting on June 21, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 1,695,232	\$ 1,476,184		
Cash dividends	11,003,971	9,426,589	\$0.85	\$0.75
Stock dividends	3,883,754	3,770,636	0.30	0.30

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

e. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Balance on January 1	\$ 5,487,380	\$ 4,199,805
Attributable to non-controlling interests		
Net income	167,187	132,254
Exchange differences on the translation of financial statements of foreign operations	(2,347)	(3,463)
Unrealized valuation gain (loss) on financial assets at FVTOCI	(125,883)	340,314
Other comprehensive income reclassification of overlay approach	<u>(340,605)</u>	<u>170,558</u>
Balance on March 31	<u>\$ 5,185,732</u>	<u>\$ 4,839,468</u>

40. RELATED-PARTY TRANSACTIONS

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

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

a. Related parties

Related Party	Relationship with the Company
United Real Estate Management Co., Ltd.	Associated enterprise
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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>				
Others	\$ 500,000	\$ -	\$ 55	0.500
<u>For the three months ended March 31, 2019</u>				
Others	\$ 4,189,500	\$ 2,650,000	\$ 6,515	0.470-2.850

2) Due to banks

	For the Three Months Ended March 31			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 410,575	\$ 755	\$ 308,559	\$ 375
Others				
Tamshui First Credit				
Bank	24,043,259	55,447	24,360,035	53,613
Others	<u>32,294</u>	<u>-</u>	<u>58,167</u>	<u>-</u>
	<u>\$ 24,486,128</u>	<u>\$ 56,202</u>	<u>\$ 24,726,761</u>	<u>\$ 53,988</u>

3) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>				
Main management	\$ 256,561	\$ 231,556	\$ 1,138	0.995-1.790
Others	<u>1,120,655</u>	<u>108,042</u>	<u>1,354</u>	0.887-2.465
	<u>\$ 1,377,216</u>	<u>\$ 339,598</u>	<u>\$ 2,492</u>	
<u>For the three months ended March 31, 2019</u>				
Main management	\$ 115,435	\$ 111,566	\$ 795	1.245-1.790
Others	<u>73,131</u>	<u>64,791</u>	<u>469</u>	1.137-2.465
	<u>\$ 188,566</u>	<u>\$ 176,357</u>	<u>\$ 1,264</u>	

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.

4) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the three months ended <u>March 31, 2020</u>			
Associates	\$ 76,536	\$ 49	0-0.640
Main management	689,427	2,625	0-13.000
Others	<u>12,270,366</u>	<u>6,154</u>	0-13.000
	<u>\$ 13,036,329</u>	<u>\$ 8,828</u>	
For the three months ended <u>March 31, 2019</u>			
Associates	\$ 68,459	\$ 73	0-0.640
Main management	559,029	2,123	0-13.000
Others	<u>10,421,771</u>	<u>6,208</u>	0-13.000
	<u>\$ 11,049,259</u>	<u>\$ 8,404</u>	
	March 31, 2020	December 31, 2019	March 31, 2019
5) Accrued income (part of receivables)			
Others	<u>\$ 31,819</u>	<u>\$ 32,766</u>	<u>\$ 24,384</u>
6) Accrued interest (part of receivables)			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439</u>
7) Receivable on securities (part of receivables)			
Others	<u>\$ 2,877</u>	<u>\$ -</u>	<u>\$ 20,248</u>
8) Payable on securities (part of payables)			
Others	<u>\$ -</u>	<u>\$ 1,153</u>	<u>\$ 2,091</u>
		For the Three Months Ended March 31	
		<u>2020</u>	<u>2019</u>
9) Service fee income (part of service fee and commission income, net)			
Associated		\$ -	\$ 106
Main management		29	-
Others		<u>107,245</u>	<u>68,833</u>
		<u>\$ 107,274</u>	<u>\$ 68,939</u>

**For the Three Months Ended
March 31**

2020 **2019**

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

Main management	\$	24	\$	38
Others		<u>1</u>		<u>1</u>
		<u>\$ 25</u>		<u>\$ 39</u>

11) Other income (part of other noninterest gain, net)

Others	\$	<u>-</u>	\$	<u>3,921</u>
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Terms of other transactions with related parties were similar to those for third parties, except for the more favorable interest rate for managers' savings within a prescribed limit.

12) Derivatives

For the Three Months Ended March 31, 2020						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.02.24-2020.05.27	US\$ 61,400	\$ 19,918	Financial assets at fair value through profit or loss	\$ 19,918
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.03.26-2020.06.29	US\$ 18,000	268	Financial assets at fair value through profit or loss	268
	Currency swap	2019.10.18-2020.04.20	US\$ 550	(179)	Financial liabilities at fair value through profit or loss	(133)
Other - TCB Fund of Emerging Market Bond Fund	Currency swap	2020.03.26-2020.04.30	US\$ 6,700	(795)	Financial liabilities at fair value through profit or loss	(795)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.03.12-2020.04.13	US\$ 10,900	1,096	Financial assets at fair value through profit or loss	1,096
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2020.03.23-2020.04.23	US\$ 3,000	(735)	Financial liabilities at fair value through profit or loss	(735)
Other - TCB Mobility and Innovation Fund	Currency swap	2020.03.03-2020.04.08	US\$ 4,000	(640)	Financial liabilities at fair value through profit or loss	(640)

For the Three Months Ended March 31, 2019

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2019.03.08-2019.04.15	US\$ 18,250	\$ 767	Financial assets at fair value through profit or loss	\$ 767
Other - TCB Global High Yield Bond Fund	Currency swap	2019.03.05-2019.04.18	US\$ 7,000	231	Financial assets at fair value through profit or loss	231
	Currency swap	2019.03.12-2019.04.15	US\$ 7,250	(159)	Financial liabilities at fair value through profit or loss	(159)
Other - TCB S&P Variable Rate Preferred Stock Index Fund	Currency swap	2019.03.15-2019.09.19	US\$ 10,000	969	Financial assets at fair value through profit or loss	969
	Currency swap	2019.03.15-2019.04.19	US\$ 6,000	(256)	Financial liabilities at fair value through profit or loss	(256)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.03.14-2019.09.18	US\$ 850	10	Financial assets at fair value through profit or loss	10
Other - TCB Mobility and Innovation Fund	Currency swap	2019.03.21-2019.04.25	US\$ 8,000	344	Financial assets at fair value through profit or loss	344

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

**For the Three Months Ended
March 31**

	2020	2019
Financial assets and liabilities at fair value through profit or loss		
Others	\$ 13,205	\$ (4,930)

13) Loans

March 31, 2020

Type	Account Volume or Name	Highest Balance in the Three Months Ended March 31, 2020 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	61	\$ 129,947	\$ 116,598	\$ 116,598	\$ -	Note 2	None
Self-used housing mortgage loans	44	247,269	223,000	223,000	-	Land and buildings	None
Other loans	Others	1,000,000	-	-	-	Certificates of deposit	None

March 31, 2019

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

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

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

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

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	March 31, 2020	December 31, 2019	March 31, 2019
Subsidiary	\$ <u>544,544</u>	\$ <u>539,932</u>	\$ <u>560,076</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, <u>2020</u>				
Subsidiary	\$ 8,130,336	\$ 7,559,428	\$ 5,396	0.001-2.360
Sister companies	6,200,000	6,200,000	5,461	0.471-0.570
Others	<u>500,000</u>	<u>-</u>	<u>55</u>	0.500
	<u>\$ 14,830,336</u>	<u>\$ 13,759,428</u>	<u>\$ 10,912</u>	
For the three months ended March 31, <u>2019</u>				
Subsidiary	\$ 8,865,276	\$ 8,827,738	\$ 17,341	0.001-3.180
Sister companies	4,600,000	4,600,000	4,820	0.470-0.580
Others	<u>4,189,500</u>	<u>2,650,000</u>	<u>6,515</u>	0.470-2.850
	<u>\$ 17,654,776</u>	<u>\$ 16,077,738</u>	<u>\$ 28,676</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the three months ended March 31, <u>2020</u>				
Sister company TCS	\$ <u>304,630</u>	\$ <u>302,050</u>	\$ <u>1,271</u>	1.420-2.480
For the three months ended March 31, <u>2019</u>				
Sister company TCS	\$ <u>309,050</u>	\$ <u>308,400</u>	\$ <u>2,173</u>	2.750-3.200

d) Due to banks

	For the Three Months Ended March 31			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 1,134	\$ -	\$ 1,337	\$ -
Main management	410,575	755	308,559	375
Others				
Tamshui First Credit				
Bank	24,043,259	55,447	24,360,035	53,613
Others	<u>32,294</u>	<u>-</u>	<u>58,167</u>	<u>-</u>
	<u>\$ 24,487,262</u>	<u>\$ 56,202</u>	<u>\$ 24,728,098</u>	<u>\$ 53,988</u>

e) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>				
Sister companies	\$ 1,000,000	\$ -	\$ -	2.265
Main management	256,561	231,556	1,138	0.995-1.790
Others	<u>1,120,655</u>	<u>108,042</u>	<u>1,354</u>	0.887-2.465
	<u>\$ 2,377,216</u>	<u>\$ 339,598</u>	<u>\$ 2,492</u>	
<u>For the three months ended March 31, 2019</u>				
Sister companies	\$ 89,500	\$ -	\$ 6	2.265
Main management	115,435	111,566	795	1.245-1.790
Others	<u>73,131</u>	<u>64,791</u>	<u>469</u>	1.137-2.465
	<u>\$ 278,066</u>	<u>\$ 176,357</u>	<u>\$ 1,270</u>	

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.

f) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>			
Parent company	\$ 54,047	\$ -	-
Sister companies	4,502,362	399	0-1.065
Associates	76,536	49	0-0.640
Main management	689,427	2,625	0-13.000
Others	<u>12,270,366</u>	<u>6,154</u>	0-13.000
	<u>\$ 17,592,738</u>	<u>\$ 9,227</u>	
<u>For the three months ended March 31, 2019</u>			
Parent company	\$ 36,056	\$ -	-
Sister companies	3,526,940	3,367	0-1.065
Associates	68,459	73	0-0.640
Main management	559,029	2,123	0-13.000
Others	<u>10,421,771</u>	<u>6,208</u>	0-13.000
	<u>\$ 14,612,255</u>	<u>\$ 11,771</u>	

g) Accrued income (part of receivables)

	March 31, 2020	December 31, 2019	March 31, 2019
Sister company			
BPC TLI	\$ 41,097	\$ 203,989	\$ 33,229
Others	<u>1,589</u>	<u>2,430</u>	<u>7,128</u>
	<u>\$ 42,686</u>	<u>\$ 206,419</u>	<u>\$ 40,357</u>

h) Receivable on securities (part of receivables)

	March 31, 2020	December 31, 2019	March 31, 2019
Sister company			
TCS	<u>\$ -</u>	<u>\$ 138,642</u>	<u>\$ 134,646</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Parent company	<u>\$ 1,329,119</u>	<u>\$ 1,080,183</u>	<u>\$ 1,297,856</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Parent company	\$ <u>1,639,593</u>	\$ <u>1,639,593</u>	\$ <u>742,047</u>

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

	For the Three Months Ended March 31	
	2020	2019
Sister companies		
BPCTLI	\$ 166,481	\$ 237,850
Others	4,780	9,245
Associate	-	106
Main management	29	-
Others	<u>5,786</u>	<u>3,411</u>
	<u>\$ 177,076</u>	<u>\$ 250,612</u>

l) 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Parent company	\$ 61,489	\$ 62,992	\$ 81,028
Sister companies			
TCS	156,628	173,981	193,902
BPCTLI	38,224	26,536	37,166
Others	<u>65,302</u>	<u>48,630</u>	<u>64,945</u>
	<u>\$ 321,643</u>	<u>\$ 312,139</u>	<u>\$ 377,041</u>

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

	For the Three Months Ended March 31	
	2020	2019
Parent company	\$ 6,012	\$ 6,012
Sister companies		
TCS	10,645	10,905
Others	<u>8,477</u>	<u>9,904</u>
	<u>\$ 25,134</u>	<u>\$ 26,821</u>

m) Purchases and sales of securities

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

n) Derivatives

For the Three Months Ended March 31, 2020						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2020.02.19-2020.08.19	US\$ 9,678	\$ 2,549	Financial assets at fair value through profit or loss	\$ 2,549
	Currency swap	2019.08.19-2020.09.30	US\$ 110,677	(40,827)	Financial liabilities at fair value through profit or loss	(66,895)
	Currency swap	2020.02.27-2020.06.30	EUR 4,844	1,196	Financial assets at fair value through profit or loss	1,196
	Currency swap	2020.01.10-2020.07.10	EUR 3,012	(1,068)	Financial liabilities at fair value through profit or loss	(1,068)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.02.24-2020.05.27	US\$ 61,400	19,918	Financial assets at fair value through profit or loss	19,918
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.03.26-2020.06.29	US\$ 18,000	268	Financial assets at fair value through profit or loss	268
	Currency swap	2019.10.18-2020.04.20	US\$ 550	(179)	Financial liabilities at fair value through profit or loss	(133)
Other - TCB Fund of Emerging Market Bond Fund	Currency swap	2020.03.26-2020.04.30	US\$ 6,700	(795)	Financial liabilities at fair value through profit or loss	(795)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.03.12-2020.04.13	US\$ 10,900	1,096	Financial assets at fair value through profit or loss	1,096
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2020.03.23-2020.04.23	US\$ 3,000	(735)	Financial liabilities at fair value through profit or loss	(735)
Other - TCB Mobility and Innovation Fund	Currency swap	2020.03.03-2020.04.08	US\$ 4,000	(640)	Financial liabilities at fair value through profit or loss	(640)

For the Three Months Ended March 31, 2019						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2019.02.26-2019.05.28	US\$ 137,057	\$ 7,480	Financial assets at fair value through profit or loss	\$ 7,480
	Currency swap	2019.03.15-2019.06.28	US\$ 33,447	(422)	Financial liabilities at fair value through profit or loss	(422)
Other - TCB Global Emerging Markets Equity Fund	Currency swap	2019.03.08-2019.04.15	US\$ 18,250	767	Financial assets at fair value through profit or loss	767
Other - TCB Global High Yield Bond Fund	Currency swap	2019.03.05-2019.04.18	US\$ 7,000	231	Financial assets at fair value through profit or loss	231
	Currency swap	2019.03.12-2019.04.15	US\$ 7,250	(159)	Financial liabilities at fair value through profit or loss	(159)
Other - TCB S&P Variable Rate Preferred Stock Index Fund	Currency swap	2019.03.15-2019.09.19	US\$ 10,000	969	Financial assets at fair value through profit or loss	969
	Currency swap	2019.03.15-2019.04.19	US\$ 6,000	(256)	Financial liabilities at fair value through profit or loss	(256)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2019.03.14-2019.09.18	US\$ 850	10	Financial assets at fair value through profit or loss	10
Other - TCB Mobility and Innovation Fund	Currency swap	2019.03.21-2019.04.25	US\$ 8,000	344	Financial assets at fair value through profit or loss	344

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

	For the Three Months Ended March 31	
	2020	2019
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ (10,196)	\$ (39,290)
Others	<u>13,205</u>	<u>(4,930)</u>
	<u>\$ 3,009</u>	<u>\$ (44,220)</u>

o) Loans

March 31, 2020

Type	Account Volume or Name	Highest Balance in the Period Ended March 31, 2020 (Note 1)	Ending Balance	Loan Classification			Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans			
Consumer loans	61	\$ 129,947	\$ 116,598	\$ 116,598	\$ -	Note 2	None	
Self-used housing mortgage loans	44	247,269	223,000	223,000	-	Land and buildings	None	
Other	TCS	1,000,000	-	-	-	Bonds	None	
	Others	1,000,000	-	-	-	Certificates of deposit	None	

March 31, 2019

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

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

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

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

a) Settlement receivable (part of receivable)

	March 31, 2020	December 31, 2019	March 31, 2019
Sister companies	\$ 62,095	\$ 19,260	\$ 126,198
Others	<u>2,877</u>	<u>-</u>	<u>20,248</u>
	<u>\$ 64,972</u>	<u>\$ 19,260</u>	<u>\$ 146,446</u>

b) Settlement payable (part of payables)

	March 31, 2020	December 31, 2019	March 31, 2019
Sister companies	\$ -	\$ 276,157	\$ 27,584
Others	<u>-</u>	<u>1,153</u>	<u>2,091</u>
	<u>\$ -</u>	<u>\$ 277,310</u>	<u>\$ 29,675</u>

c) TCS applied to TCB for call loans

For the Three Months Ended March 31, 2020				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 302,250</u>	<u>\$ 302,205</u>	<u>\$ 1,269</u>	1.420-2.480
For the Three Months Ended March 31, 2019				
Related Party	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 309,000</u>	<u>\$ 308,200</u>	<u>\$ 2,175</u>	2.750-3.200

d) To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of March 31, 2020, December 31, 2019 and March 31, 2019, TCS had no borrowing and overdraft. The overdraft for the three months ended March 31, 2020 and 2019 were as follows:

For the Three Months Ended March 31, 2020				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	2.265
For the Three Months Ended March 31, 2019				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 89,500</u>	<u>\$ -</u>	<u>\$ 6</u>	2.265

e) Lease agreements - TCS is lessee

i. Right-of-use assets, net

	March 31, 2020
Sister companies	
TCB	<u>\$ 140,456</u>

ii. Lease liabilities

March 31, 2020

Sister companies \$ 141,723

iii. Interest expense

For the Three Months Ended March 31, 2020

Sister companies \$ 535

iv. Depreciation expense

For the Three Months Ended March 31, 2020

Sister companies \$ 10,258

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>				
Sister companies	<u>\$ 193,103</u>	<u>\$ 48,381</u>	<u>\$ 1</u>	0.010-1.065
<u>For the three months ended March 31, 2019</u>				
Sister companies	<u>\$ 170,423</u>	<u>\$ 45,433</u>	<u>\$ 1</u>	0.010-1.065

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>				
Sister companies	<u>\$ 6,200,000</u>	<u>\$ 6,200,000</u>	<u>\$ 5,461</u>	0.410-0.570
<u>For the three months ended March 31, 2019</u>				
Sister companies	<u>\$ 4,600,000</u>	<u>\$ 4,600,000</u>	<u>\$ 4,820</u>	0.470-0.580

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the three months ended March 31, 2020</u>			
Sister companies	\$ <u>1,286,628</u>	\$ <u>1,178</u>	0.490-0.570
<u>For the three months ended March 31, 2019</u>			
Sister companies	\$ <u>919,167</u>	\$ <u>1,220</u>	0.460-0.610

d) Receivable on securities (part of receivables)

	March 31, 2020	December 31, 2019	March 31, 2019
Sister companies	\$ _____	\$ <u>119,225</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)

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	Amount	%	Amount	%	Amount	%
Sister company TCB	\$ <u>2,932,071</u>	<u>36</u>	\$ <u>7,325,078</u>	<u>70</u>	\$ <u>1,701,255</u>	<u>34</u>

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

	<u>For the Three Months Ended March 31, 2020</u>		
	Ending Balance	<u>Securities Purchase Under Resell Agreement</u>	
		Amount (Note)	Rate (%)
Sister company TCBF	\$ 1,286,628	\$ 2,739,038	0.490-0.570
	<u>For the Three Months Ended March 31, 2019</u>		
	Ending Balance	<u>Securities Purchase Under Resell Agreement</u>	
		Amount (Note)	Rate (%)
Sister company TCBF	\$ 919,167	\$ 3,113,314	0.460-0.610

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the three months ended March 31, 2020

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company - TCB	2019.08.15-2020.09.30	US\$110,677	\$ (36,415)	Financial assets at fair value through profit or loss	\$ 73,891
		2019.08.15-2020.09.30	US\$ 9,678	(1,949)	Financial liabilities at fair value through profit or loss	(1,949)
		2020.01.08-2020.07.10	EUR 3,012	1,230	Financial assets at fair value through profit or loss	1,230
		2020.02.25-2020.06.30	EUR 4,844	(950)	Financial liabilities at fair value through profit or loss	(950)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.06-2022.06.30	US\$113,240	(41,598)	Financial assets at fair value through profit or loss	71,444
		2019.02.15-2021.02.19	EUR 4,827	2,796	Financial assets at fair value through profit or loss	8,976

For the three months ended March 31, 2019

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

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

For the three months ended March 31, 2020 and 2019, the realized gains on currency swaps with sister companies were \$11,379 thousand and \$39,290 thousand, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$11,333 thousand gains and \$51,895 thousand losses, respectively.

d) Payables

	March 31, 2020	December 31, 2019	March 31, 2019
Sister company TCB	\$ 72,347	\$ 226,065	\$ 46,547

e) Operating cost - insurance contract expenses

	For the Three Months Ended March 31	
	2020	2019
Sister company		
TCB	<u>\$ 173,521</u>	<u>\$ 270,211</u>

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

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

	For the Three Months Ended March 31	
	2020	2019
Management fee income		
Sister company	\$ 251	\$ 232
Others	<u>10,239</u>	<u>65,291</u>
	<u>\$ 10,490</u>	<u>\$ 65,523</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Cash in banks			
TCB	<u>\$ 40,736</u>	<u>\$ 133,939</u>	<u>\$ 180,483</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the three months ended March 31, 2020 and 2019, are summarized as follows:

	For the Three Months Ended March 31	
	2020	2019
Salaries and other short-term employment benefits	\$ 45,364	\$ 42,796
Post-employment benefits	2,738	1,967
Interest arising from the employees' preferential rate in excess of normal rates	<u>479</u>	<u>450</u>
	<u>\$ 48,581</u>	<u>\$ 45,213</u>

41. PLEDGED ASSETS

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

	March 31, 2020	December 31, 2019	March 31, 2019
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collaterals for domestic overdraft	31,400,000	31,400,000	31,710,000
Collaterals for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000	11,000,000
Collaterals for overdraft of domestic RMB settlement	2,338,050	2,362,250	2,516,250
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,240,000	1,254,500	1,064,400
Guarantee deposits for the insurance operation	1,010,000	1,010,000	1,010,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	392,790	389,819	399,848
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	278,100	278,100	262,000
Guarantee deposits for the trust business compensation reserve	260,000	260,000	240,000
Collaterals for overseas branch KHR settlement	86,023	-	-
Collaterals for overseas branch U.S. dollar settlement	66,928	61,650	43,774
Overseas branches' guarantee deposits for operation	6,041	5,998	6,168
Others	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>\$ 89,022,932</u>	<u>\$ 88,967,317</u>	<u>\$ 89,197,440</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousand as collateral for day-term overdraft as of March 31, 2020, December 31, 2019 and March 31, 2019. 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
March 31, 2020	<u>\$ 304,046</u>	<u>\$ 219,183</u>
December 31, 2019	<u>\$ 281,333</u>	<u>\$ 232,718</u>
March 31, 2019	<u>\$ 285,720</u>	<u>\$ 206,882</u>

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Taiwan Cooperative Financial Holding Co., Ltd.

As of March 31, 2020, TCFHC's outstanding major construction and procurement contracts amounted to \$189,550 thousand, of which \$119,428 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) As of March 31, 2020, TCB's outstanding major construction and procurement contracts amounted to \$223,745 thousand, of which \$157,174 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 March 31, 2020, the commitments or contingencies arose from business were as follows:

	March 31, 2020
Guarantees of commercial paper	<u>\$ 32,211,300</u>
Purchase of reference-rate commercial paper	<u>\$ 5,000,000</u>

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

1) As of March 31, 2020, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$26,879 thousand, of which \$17,510 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

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 544,220,670	\$ 550,842,628	\$ 557,848,944	\$ 563,118,799	\$ 553,171,349	\$ 557,368,529
<u>Financial liabilities</u>						
Bonds payable	57,500,000	59,209,829	65,000,000	66,544,129	55,000,000	56,190,729

Fair value hierarchy as at March 31, 2020, December 31, 2019 and March 31, 2019:

March 31, 2020

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 550,842,628	\$ 7,848,159	\$ 542,994,469	\$ -

Financial liabilities

Bonds payable	59,209,829	-	59,209,829	-
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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	\$ -

Financial liabilities

Bonds payable	66,544,129	-	66,544,129	-
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March 31, 2019

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

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 0.6052% and 0.7640%, between 0.5537% and 1.0441%, between 0.6377% and 1.2844% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

Evaluation technique and input of fair value measurement at Level 3

The Company adopts the market approach, adjusted net asset method, and income approach for domestic unlisted equity investment. Under the market approach, the company selects similar industries with the target company. The main business model is similar and the products and scales are close to the comparable listed companies. The fair value estimation is based on the information of the listed company, or the price-book ratio (P/B) of the industry to which the target is evaluated is estimated as the multiplier of the fair value estimate. Under the adjusted net asset method, the overall value of a company or business is evaluated by the total market value of individual assets and individual liabilities of the target company with the consideration of the discount for lack of marketability and for minority interest. Acquired loans are evaluated by the income approach. The estimated income was estimated by discounting future cash flows. The significant unobservable input used is discount for lack of marketability and discount for minority interest. A decrease in discount for lack of marketability and for minority interest used in isolation would result in increases in fair value. The Company adopts the discount for lack of marketability at 10% to 30% and for minority interest at 10% on March 31, 2020, December 31, 2019 and March 31, 2019. With other input values remaining and a change in discount for lack of marketability or for minority interest input value to reflect reasonable assumptions, the amount of fair value of investment in equity instruments will increase (decrease) as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Discount for lack of marketability			
Increase 10%	<u>\$ (644,003)</u>	<u>\$ (797,989)</u>	<u>\$ (745,264)</u>
Decrease 10%	<u>\$ 644,003</u>	<u>\$ 797,989</u>	<u>\$ 745,264</u>
Discount for minority interest			
Increase 10%	<u>\$ (239)</u>	<u>\$ (235)</u>	<u>\$ (240)</u>
Decrease 10%	<u>\$ 239</u>	<u>\$ 235</u>	<u>\$ 240</u>

- c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of March 31, 2020, December 31, 2019 and March 31, 2019 were as follows:

1) Fair Value Hierarchy

Financial Instruments Measured at Fair Value	March 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 1,886,506	\$ 1,147,473	\$ 6,208	\$ 732,825
Debt instruments	8,802,359	2,930,870	5,871,489	-
Others	62,622,479	4,434,499	57,913,551	274,429
Financial assets at FVTOCI				
Equity instruments	21,808,350	17,436,431	-	4,371,919
Debt instruments	399,039,234	23,658,615	375,380,619	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(131,460)	(131,460)	-	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,810,075	364,870	1,445,205	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(890,550)	-	(890,550)	-

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

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, 2020	\$ 976,177	\$ 5,416,359	\$ 6,392,536
Recognized in profit	106,414	-	106,414
Recognized in OCI (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI)	-	(1,044,440)	(1,044,440)
Purchases	45,000	-	45,000
Disposals	(101,390)	-	(101,390)
Transferred to Level 3	34,200	-	34,200
Transferred out of Level 3	<u>(53,147)</u>	<u>-</u>	<u>(53,147)</u>
Balance at March 31, 2020	<u>\$ 1,007,254</u>	<u>\$ 4,371,919</u>	<u>\$ 5,379,173</u>
Balance at January 1, 2019	\$ 971,972	\$ 4,373,477	\$ 5,345,449
Recognized in profit	101,433	-	101,433
Recognized in OCI (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI)	-	709,745	709,745
Disposals	(113,879)	-	(113,879)
Transferred out of Level 3	<u>(61,287)</u>	<u>-</u>	<u>(61,287)</u>
Balance at March 31, 2019	<u>\$ 898,239</u>	<u>\$ 5,083,222</u>	<u>\$ 5,981,461</u>

The change in unrealized gains for the three months ended March 31, 2020 and 2019 included in profit or loss for assets held at the March 31, 2020 and 2019, respectively, was \$23,842 thousand and \$48,915 thousand, respectively.

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

	December 31, 2019	March 31, 2019
Difference between carrying amount and contractual amount at maturity		
Fair value	\$ 12,052,429	\$ 12,116,933
Amount payable at maturity	<u>11,996,000</u>	<u>12,336,000</u>
	<u>\$ 56,429</u>	<u>\$ (219,067)</u>
		Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change		
As of December 31, 2019		<u>\$ 970</u>
As of March 31, 2019		<u>\$ 4,117</u>

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

e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

2) Credit risk

Credit risk refers to 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 the 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 March 31, 2020.

Bonds and bills business

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

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

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of March 31, 2020.

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, 2019 and 2018 is as follows:

Probability of Default

Relevant economic factors	Monitoring indicator/unemployment rate
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Bonds and bills business

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

c) Credit risk avoidance or mitigation policy

i. Strengthen collaterals and other credits

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

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

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

March 31, 2020

	Gross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
<u>Impaired financial assets</u>				
Discount and loans	<u>\$ 24,269,069</u>	<u>\$ 2,766,036</u>	<u>\$ 21,503,033</u>	<u>\$ 61,861,352</u>

December 31, 2019

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

March 31, 2019

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

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in March 31, 2020, December 31, 2019 and March 31, 2019 were \$7,401,816 thousand, \$7,608,546 thousand and \$7,084,472 thousand, respectively.

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

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

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

Credit Risk Profile by Group or Industry	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 880,206,003	39	\$ 873,758,898	40	\$ 842,805,578	40
Manufacturing	409,546,291	18	395,568,638	18	404,162,276	19

iii. Master netting arrangement

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

d) Maximum exposures to credit risks

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at fair value through profit or loss - debt instrument	\$ 4,895,894	\$ 1,950,488	\$ 1,680,913

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

	March 31, 2020			Difference of Impairment Loss under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)		
Maximum exposures to credit risk	\$ 248,506,217	\$ 59,809	\$ 124,305	\$ -	\$ 248,690,331
Allowance for possible losses	(620,399)	(91)	(21,352)	-	(641,842)
Difference of impairment loss under "Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(601,033)	(601,033)
	<u>\$ 247,885,818</u>	<u>\$ 59,718</u>	<u>\$ 102,953</u>	<u>\$ (601,033)</u>	<u>\$ 247,447,456</u>
	December 31, 2019			Difference of Impairment Loss under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)		
Maximum exposures to credit risk	\$ 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>

March 31, 2019

	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	\$ 224,516,946	\$ 200,502	\$ 126,867	\$ -	\$ 224,844,315
Allowance for possible losses	(551,426)	(403)	(18,979)	-	(570,808)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(506,850)	(506,850)
	<u>\$ 223,965,520</u>	<u>\$ 200,099</u>	<u>\$ 107,888</u>	<u>\$ (506,850)</u>	<u>\$ 223,766,657</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 and loans

	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	\$ 2,224,598,176	\$ 4,271,030	\$ 36,872,922	\$ -	\$ 2,265,742,128
Allowance for possible losses	(3,872,888)	(22,748)	(6,273,618)	-	(10,169,254)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(17,004,986)	(17,004,986)
	<u>\$ 2,220,725,288</u>	<u>\$ 4,248,282</u>	<u>\$ 30,599,304</u>	<u>\$ (17,004,986)</u>	<u>\$ 2,238,567,888</u>

December 31, 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Discounts and loans	\$ 2,180,378,522	\$ 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>

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

b) Credit quality analysis of receivables

March 31, 2020						
	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	\$ 15,175,883	\$ 49,753	\$ 258,902	\$ 3,369,331	\$ -	\$ 18,853,869
Allowance for possible losses	(42,198)	(12,774)	(135,381)	(487,608)	-	(677,961)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(157,043)	(157,043)
	<u>\$ 15,133,685</u>	<u>\$ 36,979</u>	<u>\$ 123,521</u>	<u>\$ 2,881,723</u>	<u>\$ (157,043)</u>	<u>\$ 18,018,865</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>

March 31, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	\$ 14,940,721	\$ 38,118	\$ 177,270	\$ 4,130,843	\$ -	\$ 19,286,952
Allowance for possible losses	(46,628)	(8,806)	(59,848)	(509,015)	-	(624,297)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(91,526)	(91,526)
	<u>\$ 14,894,093</u>	<u>\$ 29,312</u>	<u>\$ 117,422</u>	<u>\$ 3,621,828</u>	<u>\$ (91,526)</u>	<u>\$ 18,571,129</u>

c) Credit quality analysis of securities

March 31, 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 342,461,057	\$ -	\$ -	\$ 342,461,057
Allowance for possible losses	(95,208)	-	-	(95,208)
Amortized cost	342,365,849	-	-	342,365,849
Fair value adjustments	5,675,467	-	-	5,675,467
	<u>\$ 348,041,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,041,316</u>
Investments in debt instruments at amortized cost	\$ 542,027,285	\$ -	\$ -	\$ 542,027,285
Allowance for possible losses	(48,762)	-	-	(48,762)
	<u>\$ 541,978,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 541,978,523</u>

December 31, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 307,551,361	\$ -	\$ -	\$ 307,551,361
Allowance for possible losses	(83,771)	-	-	(83,771)
Amortized cost	307,467,590	-	-	307,467,590
Fair value adjustments	4,503,105	-	-	4,503,105
	<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	(47,897)	-	-	(47,897)
	<u>\$ 555,630,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,630,712</u>

	March 31, 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 255,852,205	\$ -	\$ -	\$ 255,852,205
Allowance for possible losses	<u>(68,653)</u>	<u>-</u>	<u>-</u>	<u>(68,653)</u>
Amortized cost	255,783,552	-	-	255,783,552
Fair value adjustments	<u>3,218,890</u>	<u>-</u>	<u>-</u>	<u>3,218,890</u>
	<u>\$ 259,002,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,002,442</u>
Investments in debt instruments at amortized cost	\$ 551,182,764	\$ -	\$ -	\$ 551,182,764
Allowance for possible losses	<u>(45,274)</u>	<u>-</u>	<u>-</u>	<u>(45,274)</u>
	<u>\$ 551,137,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 551,137,490</u>

- d) 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, 2020	\$ 83,771	\$ -	\$ -	\$ 83,771
New financial assets purchased	13,192	-	-	13,192
Derecognition of financial assets in the current reporting period	(1,853)	-	-	(1,853)
Change in model or risk parameters	(810)	-	-	(810)
Changes in exchange rates and other changes	<u>908</u>	<u>-</u>	<u>-</u>	<u>908</u>
Balance at March 31, 2020	<u>\$ 95,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,208</u>

	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	8,221	-	-	8,221
Derecognition of financial assets in the current reporting period	(2,444)	-	-	(2,444)
Change in model or risk parameters	(8,933)	-	-	(8,933)
Changes in exchange rates and other changes	<u>67</u>	<u>-</u>	<u>-</u>	<u>67</u>
Balance at March 31, 2019	<u>\$ 68,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,653</u>

- e) The changes in allowance for possible losses of investments in debt instruments at amortized cost 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, 2020	\$ 47,897	\$ -	\$ -	\$ 47,897
New financial assets purchased	2,677	-	-	2,677
Derecognition of financial assets in the current reporting period	(469)	-	-	(469)
Change in model or risk parameters	(2,547)	-	-	(2,547)
Changes in exchange rates and other changes	<u>1,204</u>	<u>-</u>	<u>-</u>	<u>1,204</u>
Balance at March 31, 2020	<u>\$ 48,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,762</u>

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 48,378	\$ -	\$ -	\$ 48,378
New financial assets purchased	1,033	-	-	1,033
Derecognition of financial assets in the current reporting period	(104)	-	-	(104)
Change in model or risk parameters	(4,060)	-	-	(4,060)
Changes in exchange rates and other changes	<u>27</u>	<u>-</u>	<u>-</u>	<u>27</u>
Balance at March 31, 2019	<u>\$ 45,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,274</u>

3) Market risks

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

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

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

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

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

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

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

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

Main Risk	Change Scenario	March 31, 2020	December 31, 2019	March 31, 2019
Interest rate risk	Interest rate curve increased 100 basis points	\$ (432,360)	\$ (115,606)	\$ (93,933)
	Interest rate curve fell 100 basis points	466,788	124,047	97,604
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(137,019)	(206,532)	(225,828)
	USD/NT\$, EUR/NT\$ fell 3%	137,019	206,532	225,828
	Others (RMB, AUD etc.)/ NT\$ increased 5%	41,327	90,152	25,652
	Others (RMB, AUD etc.)/ NT\$ fell 5%	(41,327)	(90,152)	(25,652)
Equity security price risk	Equity security price increased by 15%	90,870	414,782	166,754
	Equity security price fell by 15%	(90,870)	(414,782)	(166,754)

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

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

Taiwan Cooperative Bank, Ltd.

	For the Three Months Ended March 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets - due from banks	\$ 29,955,226	1.96	\$ 39,588,783	2.71
Due from the Central Bank	176,104,485	0.36	170,769,344	0.37
Call loans to banks and other financial assets - call loans to security firms	55,307,529	1.81	62,379,434	1.54
Financial assets mandatorily classified as at fair value through profit or loss	18,918,919	0.63	11,574,701	0.72
Securities purchased under resell agreements	-	-	862,402	0.51
Discounts and loans	2,226,083,463	2.03	2,097,963,958	2.17
Financial assets at fair value through other comprehensive income	321,980,656	1.64	254,826,358	1.96
Investments in debt instruments at amortized cost	550,870,921	0.84	561,032,226	0.87
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	243,972,576	0.95	233,824,376	1.42
Financial liabilities designated as at fair value through profit or loss	11,833,165	4.94	12,312,200	4.74
Securities sold under repurchase agreements	7,965,104	0.31	10,237,745	0.67
Demand deposits	553,295,239	0.15	513,098,608	0.17
Savings - demand deposits	909,965,638	0.26	866,474,493	0.27
Time deposits	655,912,013	1.36	588,055,721	1.60
Time savings deposits	625,814,807	1.04	628,313,608	1.06
Treasury deposits	114,851,354	0.65	88,094,357	0.68
Negotiable certificates of deposits	36,420,119	0.69	49,958,551	0.78
Structured products	1,047,409	1.15	2,245,241	2.03
Bank debentures	64,835,165	1.52	55,000,000	1.50
Lease liabilities	1,613,081	2.85	1,476,208	2.80

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

(In Thousands)

	March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 12,870,583	30.2050	\$ 388,755,974
RMB	13,618,190	4.2510	57,890,926
AUD	1,667,322	18.6450	31,087,223
EUR	428,314	33.2800	14,254,299
HKD	2,115,240	3.8940	8,236,744
JPY	29,394,420	0.2784	8,183,406
ZAR	3,745,300	1.6800	6,292,103
GBP	108,267	37.2800	4,036,186
KHR	487,537,656	0.0074	3,614,117
CAD	38,454	21.2900	818,681
NZD	29,785	18.2000	542,085
CHF	5,124	31.4250	161,007
SGD	1,973	21.2200	41,865
THB	16,876	0.9305	15,703
SEK	418	3.0100	1,259
PHP	1,767	0.5938	1,049
<u>Financial liabilities</u>			
USD	15,984,242	30.2050	482,804,043
RMB	11,931,424	4.2510	50,720,482
AUD	1,248,063	18.6450	23,270,129
JPY	37,120,994	0.2784	10,334,485
EUR	253,973	33.2800	8,452,231
HKD	2,005,982	3.8940	7,811,295
ZAR	4,338,760	1.6800	7,289,117
GBP	108,199	37.2800	4,033,667
KHR	362,975,526	0.0074	2,690,738
NZD	122,189	18.2000	2,223,839
CAD	65,237	21.2900	1,388,898
SGD	14,774	21.2200	313,498
CHF	5,211	31.4250	163,743
SEK	51,428	3.0100	154,798
THB	21,045	0.9305	19,582
PHP	6,668	0.5938	3,960
MYR	-	6.9830	2

December 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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

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

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 28.80% in March 2020, 28.00% in December 2019 and 28.57% in March 2019.

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

March 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 182,411,166	\$ 59,459,672	\$ 8,138,866	\$ 1,185,034	\$ -	\$ 251,194,738
Securities sold under repurchase agreements	3,803,655	6,165,714	1,119,480	126,634	-	11,215,483
Payables	22,505,407	2,978,496	3,206,984	2,638,180	2,146,222	33,475,289
Deposits and remittances	310,790,764	425,552,753	406,225,789	685,038,284	1,142,113,391	2,969,720,981
Bank debentures	-	-	-	900,000	56,600,000	57,500,000
Lease liabilities	74,540	80,512	124,371	269,828	1,072,766	1,622,017
Other items of cash outflow on maturity	1,857,710	315	389	868,670	22,656	2,749,740

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 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

March 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 167,716,787	\$ 57,345,704	\$ 6,833,294	\$ 1,265,970	\$ -	\$ 233,161,755
Financial liabilities at fair value through profit or loss	100,017	-	-	-	12,336,000	12,436,017
Securities sold under repurchase agreements	3,215,673	2,760,152	1,665,106	100,000	-	7,740,931
Payables	32,086,186	2,799,909	2,686,715	2,348,753	2,127,824	42,049,387
Deposits and remittances	266,443,040	369,289,533	420,754,643	632,878,669	1,100,198,394	2,789,564,279
Bank debentures	-	-	-	8,500,000	46,500,000	55,000,000
Lease liabilities	26,638	52,137	78,779	157,558	1,212,526	1,527,638
Other items of cash outflow on maturity	4,553,849	423	529	825,857	16,802	5,397,460

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of March 31, 2020, December 31, 2019 and March 31, 2019 must be repaid soon, the capital expenditure will be increased by \$1,494,034,776 thousand, \$1,501,221,386 thousand and \$1,423,028,807 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

March 31, 2020	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	\$ 8	\$ 127	\$ 278	\$ 163	\$ -	\$ 576
Interest	(913)	(286)	(1,206)	(4,367)	(12,586)	(19,358)

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)

March 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ 46
Interest	(933)	(129)	(1,299)	(1,856)	(1,928)	(6,145)

b) Derivative financial liabilities to be settled at gross amounts

March 31, 2020	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	\$ 42,266,346	\$ 36,224,513	\$ 27,629,185	\$ 16,707,527	\$ -	\$ 122,827,571
Cash inflow	42,420,174	36,542,680	27,785,446	16,772,340	-	123,520,640
Interest derivatives						
Cash outflow	136,321	60,545	-	-	-	196,866
Cash inflow	135,300	60,236	-	-	-	195,536
Total cash outflow	42,402,667	36,285,058	27,629,185	16,707,527	-	123,024,437
Total cash inflow	42,555,474	36,602,916	27,785,446	16,772,340	-	123,716,176
Net cash flow	152,807	317,858	156,261	64,813	-	691,739

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

March 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 102,307,443	\$ 66,459,314	\$ 12,955,885	\$ 3,443,569	\$ -	\$ 185,166,211
Cash inflow	102,606,386	66,717,317	13,068,716	3,547,968	-	185,940,387
Interest derivatives						
Cash outflow	155,241	622,289	1,124,334	305,049	19,036,452	21,243,365
Cash inflow	154,250	604,980	1,004,736	82,103	27,725,911	29,571,980
Total cash outflow	102,462,684	67,081,603	14,080,219	3,748,618	19,036,452	206,409,576
Total cash inflow	102,760,636	67,322,297	14,073,452	3,630,071	27,725,911	215,512,367
Net cash flow	297,952	240,694	(6,767)	(118,547)	8,689,459	9,102,791

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

March 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,579,859	\$ 2,724,861	\$ 4,320,989	\$ 19,391,550	\$ 46,174,392	\$ 74,191,651
Irrevocable credit card commitments	576,222	215,175	439,221	838,337	50,721,779	52,790,734
Letters of credit issued yet unused	4,132,555	10,496,731	3,099,644	1,116,603	326,504	19,172,037
Other guarantees	6,211,794	6,499,413	6,139,352	9,718,772	73,966,578	102,535,909

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
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

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

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

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

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

1) Market risk

a) Market risk source and market risk factors

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

b) Market risk strategy and procedures

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

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

In line with hedging against interest rate risk, the investment selection includes an assessment of the financial instrument issuers' credit and financial condition, the investing countries' risk condition and interest rate movements. If a foreign currency risk pertains to overseas investments, BPCTLI uses foreign exchange swaps for each overseas investment and periodically measures the efficiency of these swaps. BPCTLI has investment limits and stop-loss order to control equity risk.

c) Market risk management framework

To quantify the possible loss resulting from the price fluctuations of BPCTLI assets, BPCTLI control market risk through calculating value-at-risk (VaR) regularly, combining with back testing, sensitivity analysis method and stress testing.

d) Market risk information

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were \$830,998 thousand, \$413,290 thousand and \$446,257 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

ii. Sensitivity analysis

i) Interest rate risk

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

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of March 31, 2020, December 31, 2019 and March 31, 2019 the fair values of financial assets would have decreased by \$22,026 thousand, \$22,514 thousand and \$23,909 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on March 31, 2020, December 31, 2019 and March 31, 2019, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$17,138 thousand, \$18,221 thousand and \$17,459 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the three months ended March 31, 2020, the year ended December 31, 2019 and the three months ended March 31, 2019, the income before income tax would have decreased \$140,372 thousand, \$179,257 thousand and \$175,378 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of March 31, 2020, December 31, 2019 and March 31, 2019.

March 31, 2020

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 16,159	30.235	\$ 488,562
ZAR	28,704	1.6879	48,449
AUD	2,090	18.705	39,085
EUR	984	33.32	32,776
Receivables			
USD	4,585	30.235	138,622
EUR	559	33.32	18,612
RMB	3,040	4.256	12,939
Financial assets at FVTPL			
USD	3,034	30.235	91,722
Financial assets at FVTOCI			
USD	439,387	30.235	13,309,369
EUR	66,722	33.32	2,223,183
RMB	243,900	4.256	1,038,423
Financial assets at amortized cost			
EUR	9,622	33.32	320,615
USD	5,425	30.235	164,017
<u>Financial liabilities</u>			
Guarantee deposits received			
USD	5,130	30.235	155,106

December 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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

(Continued)

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
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 (Concluded)

March 31, 2019

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

iii. Stress testing

If an extreme event or systematic risk occurs, stress testing is done to measure the potential impact of a negative development on trading book portfolio during an abnormal market period.

BPCTLI does stress testing by analyzing market risk stress testing and different stress testing scenarios from Bloomberg.

Assuming the U.S. 10 year Treasury yield increased 1% as of March 31, 2020, December 31, 2019 and March 31, 2019, the losses on financial assets of the BPCTLI would have been \$912,526 thousand, \$813,157 thousand and \$972,688 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

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

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

ii. Stress testing

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

iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

	March 31, 2020		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 11,272,217	\$ 11,329,904	36
Domestic investment - corporate bonds (twAAA - twAA)	2,770,590	2,770,590	9
Overseas investment - government bonds	1,943,054	1,961,415	6
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	13,022,772	13,023,279	42
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,065,281</u>	<u>2,065,281</u>	<u>7</u>
	<u>\$ 31,073,914</u>	<u>\$ 31,150,469</u>	<u>100</u>

	December 31, 2019		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 14,430,367	\$ 14,468,258	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>\$ 34,666,278</u>	<u>100</u>
	March 31, 2019		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 15,271,336	\$ 15,282,915	40
Domestic investment - corporate bonds (twAAA - twAA)	2,551,991	2,551,991	7
Overseas investment - government bonds	1,448,159	1,467,000	4
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	16,071,962	16,072,302	42
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,510,036</u>	<u>2,510,036</u>	<u>7</u>
	<u>\$ 37,853,484</u>	<u>\$ 37,884,244</u>	<u>100</u>

Note 1: The above domestic government bonds include other assets - operating deposits.

Note 2: The sources of credit ratings are Taiwan Ratings Corp. and Moody's Investors Service, Inc.

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

- ii. Maturity analysis of derivatives

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

	March 31, 2020			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 266,411	\$ 21,456	\$ -	\$ -
	December 31, 2019			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 461,211	\$ 61,777	\$ -	\$ -
	March 31, 2019			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 1,791	\$ (732)	\$ -	\$ -

- 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	11				
2010	\$ 3	\$ 35	\$ 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	7,854	7,854	7,854	7,854	-		
2012	12,366	20,155	21,177	21,070	21,111	21,112	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	28,553	-		
2014	25,862	28,357	28,976	31,011	31,016	31,018	31,018	31,018	31,018	31,018	31,018	31,018	-		
2015	35,899	42,080	42,346	42,353	42,361	42,362	42,362	42,362	42,362	42,362	42,362	42,362	-		
2016	26,485	31,219	31,407	31,432	31,434	31,434	31,435	31,435	31,435	31,435	31,435	31,435	1		
2017	53,250	63,055	58,484	58,637	58,647	58,647	58,648	58,648	58,648	58,648	58,648	58,648	11		
2018	36,190	45,800	45,971	46,233	46,242	46,242	46,243	46,243	46,243	46,243	46,243	46,243	272		
2019	52,386	61,357	61,876	63,167	63,177	63,177	63,178	63,178	63,178	63,178	63,178	63,178	1,821		
2020	59,150	73,177	73,803	75,342	75,354	75,354	75,355	75,355	75,355	75,355	75,355	75,355	16,205		
													Incurred but not reported	18,310	
														Reported but not paid	62,988
														Balance of claim reserve	<u>\$ 81,298</u>

b) Development of retained business

Accident Year	Development Ages											Claim Reserve	
	1	2	3	4	5	6	7	8	9	10	11		
2010	\$ 3	\$ 35	\$ 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	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	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	27,861	-
2014	25,174	27,659	28,278	30,313	30,318	30,319	30,319	30,319	30,319	30,319	30,319	30,319	-
2015	31,538	37,711	37,977	37,985	37,992	37,993	37,994	37,994	37,994	37,994	37,994	37,994	1
2016	35,930	30,590	30,778	30,802	30,805	30,805	30,806	30,806	30,806	30,806	30,806	30,806	1
2017	51,121	58,887	56,315	56,468	56,478	56,478	56,479	56,479	56,479	56,479	56,479	56,479	11
2018	35,432	44,832	45,003	45,242	45,251	45,251	45,252	45,252	45,252	45,252	45,252	45,252	249
2019	47,585	56,615	57,133	57,961	57,971	57,971	57,972	57,972	57,972	57,972	57,972	57,972	1,357
2020	58,115	71,713	72,338	73,738	73,750	73,750	73,752	73,752	73,752	73,752	73,752	73,752	15,637
													17,256
													42,617
													\$ 59,873

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.

	March 31, 2020		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 15,684	\$ 12,547
Discount rate	(0.25%)	(15,752)	(12,602)
Mortality rate	10.00%	(6,528)	(5,223)
Mortality rate	(10.00%)	6,495	5,196
Withdrawal rate	30.00%	3,525	2,820
Withdrawal rate	(30.00%)	(3,557)	(2,845)
Illness rate/loss rate	15.00%	(4,896)	(3,917)
Expense rate	10.00%	(15,491)	(12,393)

	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)

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

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

g. Transfers of financial assets

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

March 31, 2020					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 23,083,424	\$ 23,176,508	\$ 23,083,424	\$ 23,176,508	\$ (93,084)
Financial assets at FVTOCI - securities sold under repurchase agreements	20,756,028	20,877,372	20,756,028	20,877,372	(121,344)

December 31, 2019					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 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)

March 31, 2019					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 30,441,094	\$ 30,348,626	\$ 30,441,094	\$ 30,348,626	\$ 92,468
Financial assets at FVTOCI - securities sold under repurchase agreements	19,675,119	20,036,644	19,675,119	20,036,644	(361,525)

h. Offsetting financial assets and financial liabilities

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

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

March 31, 2020

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	\$ <u>3,010,005</u>	\$ <u>-</u>	\$ <u>3,010,005</u>	\$ <u>(3,010,005)</u>	\$ <u>-</u>	\$ <u>-</u>

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	\$ <u>44,053,880</u>	\$ <u>-</u>	\$ <u>44,053,880</u>	\$ <u>(43,273,036)</u>	\$ <u>-</u>	\$ <u>780,844</u>

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

March 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 2,549,890	\$ -	\$ 2,549,890	\$ (2,368,560)	\$ -	\$ 181,330

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 50,385,270	\$ -	\$ 50,385,270	\$ (49,251,531)	\$ -	\$ 1,133,739

44. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2020		
	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	\$ 39,312,493	17.24
2	Group B Real estate development	16,252,120	7.13
3	Group C Computers and computing peripheral equipment manufacturing	13,557,129	5.94
4	Group D Cotton and textile	13,073,265	5.73
5	Group E Harbor services	13,005,607	5.70
6	Group F Real estate development	11,696,938	5.13
7	Group G Cotton and textile	11,560,164	5.07
8	Group H Petroleum and coal products manufacturing	11,379,959	4.99
9	Group I Shipping agency	10,893,614	4.78
10	Group J Iron and steel smelting	10,487,770	4.60

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 40,485,293	18.71
2	Group E Harbor services	15,729,491	7.27
3	Group H Petroleum and coal products manufacturing	13,972,666	6.45
4	Group B Real estate development	13,144,478	6.08
5	Group C Computers and computing peripheral equipment manufacturing	12,730,280	5.88
6	Group G Cotton and textile	11,359,112	5.25
7	Group J Iron and steel smelting	9,939,208	4.59
8	Group I Shipping agency	9,819,019	4.54
9	Group D Cotton and textile	8,925,417	4.13
10	Group F Real estate development	8,295,281	3.83

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2020		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Iron and steel rolls over extends and crowding	\$ 1,049,000	15.22
2	Group B Real estate development	955,000	13.86
3	Group C Motor bus transportation	948,000	13.76
4	Group D Real estate development	920,000	13.35
5	Group E Real estate development	861,200	12.50
6	Group F Real estate development	800,000	11.61
7	Group G Sheet glass and glass products	784,000	11.38
8	Group H Wholesale of electronic and communication equipment and parts	700,000	10.16
9	Group I Other general merchandise stores	700,000	10.16
10	Group J Shipping agency	700,000	10.16

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	March 31, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group K Other financial intermediation not elsewhere classified	\$ 1,460,000	22.74
2	Group D Real estate development	990,000	15.42
3	Group E Real estate development	953,000	14.84
4	Group A Iron and steel rolls over extends and crowding	872,700	13.59
5	Group B Real estate development	805,000	12.54
6	Group I Other retail sale in non-specialized stores	800,000	12.46
7	Group L Iron and steel rolls over extends and crowding	750,000	11.68
8	Group M Real estate development	708,000	11.03
9	Group J Shipping agency	700,000	10.90
10	Group N Manmade fiber manufacturing	680,000	10.59

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

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

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

c. Interest rate sensitivity information

Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
March 31, 2020**

(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	\$ 2,371,997,523	\$ 96,876,207	\$ 19,313,141	\$ 377,136,016	\$ 2,865,322,887
Interest rate-sensitive liabilities	984,379,005	1,415,085,135	121,985,519	57,484,097	2,578,933,756
Interest rate sensitivity gap	1,387,618,518	(1,318,208,928)	(102,672,378)	319,651,919	286,389,131
Net worth					196,505,159
Ratio of interest rate-sensitive assets to liabilities					111.10
Ratio of interest rate sensitivity gap to net worth					145.74

**Interest Rate Sensitivity
March 31, 2019**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,271,858,533	\$ 99,760,790	\$ 22,891,454	\$ 286,456,291	\$ 2,680,967,068
Interest rate-sensitive liabilities	935,062,406	1,375,698,638	106,875,400	46,556,164	2,464,192,608
Interest rate sensitivity gap	1,336,796,127	(1,275,937,848)	(83,983,946)	239,900,127	216,774,460
Net worth					196,563,705
Ratio of interest rate-sensitive assets to liabilities					108.80
Ratio of interest rate sensitivity gap to net worth					110.28

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

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

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

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

**Interest Rate Sensitivity
March 31, 2020**

(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	\$ 15,539,024	\$ 698,090	\$ 247,553	\$ 1,940,925	\$ 18,425,592
Interest rate-sensitive liabilities	18,572,234	1,660,458	1,663,689	-	21,896,381
Interest rate sensitivity gap	(3,033,210)	(962,368)	(1,416,136)	1,940,925	(3,470,789)
Net worth					1,044,229
Ratio of interest rate-sensitive assets to liabilities					84.15
Ratio of interest rate sensitivity gap to net worth					(332.38)

Interest Rate Sensitivity
March 31, 2019

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 12,531,713	\$ 938,516	\$ 384,836	\$ 1,741,153	\$ 15,596,218
Interest rate-sensitive liabilities	14,151,950	1,831,508	1,005,805	-	16,989,263
Interest rate sensitivity gap	(1,620,237)	(892,992)	(620,969)	1,741,153	(1,393,045)
Net worth					641,806
Ratio of interest rate-sensitive assets to liabilities					91.80
Ratio of interest rate sensitivity gap to net worth					(217.05)

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		March 31, 2020	March 31, 2019
Return on total assets	Before income tax	0.52	0.54
	After income tax	0.44	0.46
Return on equity	Before income tax	8.63	8.89
	After income tax	7.23	7.51
Net income ratio		36.28	33.30

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		March 31, 2020	March 31, 2019
Return on total assets	Before income tax	6.24	6.69
	After income tax	6.24	6.69
Return on equity	Before income tax	7.10	7.42
	After income tax	7.10	7.42
Net income ratio		98.67	98.76

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		March 31, 2020	March 31, 2019
Return on total assets	Before income tax	0.49	0.51
	After income tax	0.41	0.43
Return on equity	Before income tax	7.55	8.01
	After income tax	6.34	6.73
Net income ratio		33.39	31.61

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		March 31, 2020	March 31, 2019
Return on total assets	Before income tax	0.79	0.74
	After income tax	0.65	0.70
Return on equity	Before income tax	6.30	6.26
	After income tax	5.25	5.96
Net income ratio		59.36	72.13

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		March 31, 2020	March 31, 2019
Return on total assets	Before income tax	1.62	1.47
	After income tax	1.37	1.31
Return on equity	Before income tax	6.81	7.59
	After income tax	5.76	6.75
Net income ratio		26.96	31.65

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

(%)

Items		March 31, 2020	March 31, 2019
Return on total assets	Before income tax	1.07	0.83
	After income tax	0.92	0.73
Return on equity	Before income tax	14.88	13.67
	After income tax	12.86	12.16
Net income ratio		61.80	56.33

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

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

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

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

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

e. Maturity analysis of assets and liabilities

Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
March 31, 2020

(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	\$ 3,184,534,768	\$ 430,171,951	\$ 261,677,104	\$ 224,248,261	\$ 167,514,292	\$ 339,537,977	\$ 1,761,385,183
Main capital outflow on maturity	3,704,437,380	205,928,044	186,150,955	470,308,338	442,071,746	707,460,481	1,692,517,816
Gap	(519,902,612)	224,243,907	75,526,149	(246,060,077)	(274,557,454)	(367,922,504)	68,867,367

Maturity Analysis of Assets and Liabilities
March 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,117,059,267	\$ 463,987,935	\$ 308,261,265	\$ 268,835,240	\$ 181,850,816	\$ 303,924,758	\$ 1,590,199,253
Main capital outflow on maturity	3,571,122,171	200,840,160	198,887,072	452,734,587	446,252,383	672,729,212	1,599,678,757
Gap	(454,062,904)	263,147,775	109,374,193	(183,899,347)	(264,401,567)	(368,804,454)	(9,479,504)

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

Maturity Analysis of Assets and Liabilities
March 31, 2020

(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	\$ 26,541,974	\$ 9,744,972	\$ 4,334,863	\$ 2,605,290	\$ 1,635,049	\$ 8,221,800
Main capital outflow on maturity	30,888,369	13,960,040	5,190,508	3,427,123	4,651,956	3,658,742
Gap	(4,346,395)	(4,215,068)	(855,645)	(821,833)	(3,016,907)	4,563,058

Maturity Analysis of Assets and Liabilities
March 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 24,956,281	\$ 7,609,899	\$ 5,239,246	\$ 2,840,573	\$ 1,255,675	\$ 8,010,888
Main capital outflow on maturity	29,074,224	12,333,098	6,479,438	3,521,566	3,528,835	3,211,287
Gap	(4,117,943)	(4,723,199)	(1,240,192)	(680,993)	(2,273,160)	4,799,601

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.

March 31, 2020

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	\$ 19,928,607	\$ 16,444,877	\$ 1,565,203	\$ -	\$ -
	Bonds	-	-	385,130	1,000,000	15,532,503
	Cash in bank	244,850	200	-	-	-
	Total	20,173,457	16,445,077	1,950,333	1,000,000	15,532,503
Source of funds	Borrowings	21,500,000	-	-	-	-
	Securities sold under repurchase agreements	25,705,625	1,931,438	48,045	-	-
	Equity fund	-	-	-	-	-
	Total	47,205,625	1,931,438	48,045	-	-
Net flows		(27,032,168)	14,513,639	1,902,288	1,000,000	15,532,503
Accumulated capital net flows		(27,032,168)	(12,518,529)	(10,616,241)	(9,616,241)	5,916,262

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

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

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

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

Balance Sheets of Trust Accounts

Trust Assets	December 31,			Trust Liabilities	December 31,		
	March 31, 2020	2019	March 31, 2019		March 31, 2020	2019	March 31, 2019
Cash in banks	\$ 5,272,380	\$ 7,021,670	\$ 5,421,744	Payables			
Short-term investments				Accrued expense	\$ 535	\$ 643	\$ 501
Mutual funds	160,771,564	169,141,039	170,926,841	Others	21	9	44
Stocks	939,491	1,325,432	1,245,946	Mutual funds	-	-	400
Debt instruments	5,096,868	5,066,402	4,277,905		556	652	945
Structured products	99,072	107,364	165,074	Accounts payable on securities under custody	165,537,653	171,703,651	124,411,360
	166,906,995	175,640,237	176,615,766	Trust capital			
Securities lending	239,943	104,114	207,089	Cash	170,383,689	180,266,162	179,855,271
Receivables	3,741	4,709	5,850	Real estate	85,463,264	83,731,346	68,487,200
Real estate				Superficies	56,660	56,660	-
Land	65,220,267	64,162,781	53,776,268	Leasehold	60,940	60,940	60,940
Buildings	1,601	1,600	7,600	Securities	1,254,075	1,288,418	1,325,424
Construction in process	19,416,214	18,596,003	13,858,185	Others	81,287	84,242	92,403
	84,638,082	82,760,384	67,642,053		257,299,915	265,487,768	249,821,238
Intangible assets				Reserves and retained earnings			
Leasehold	60,940	60,940	60,940	Net income	(176,117)	173,816	68,603
Superficies	56,660	56,660	-	Appropriation	(301,346)	(298,330)	(248,745)
	117,600	117,600	60,940	Retained earnings	355,733	284,808	311,401
Securities under custody	165,537,653	171,703,651	124,411,360		(121,730)	160,294	131,259
Total	\$ 422,716,394	\$ 437,352,365	\$ 374,364,802	Total	\$ 422,716,394	\$ 437,352,365	\$ 374,364,802

Trust Property List

Investment Items	March 31, 2020	December 31, 2019	March 31, 2019
Cash in banks	\$ 5,272,380	\$ 7,021,670	\$ 5,421,744
Short-term investments			
Mutual funds	160,771,564	169,141,039	170,926,841
Stocks	939,491	1,325,432	1,245,946
Debt instruments	5,096,868	5,066,402	4,277,905
Structured products	99,072	107,364	165,074
Securities lending	239,943	104,114	207,089
Receivables			
Accrued interest	1,972	1,851	3,465
Receivable on the sale of securities	-	-	400
Mutual funds	880	2,276	900
Cash dividends	-	83	-
Others	889	499	1,085
Real estate			
Land	65,220,267	64,162,781	53,776,268
Buildings	1,601	1,600	7,600
Construction in process	19,416,214	18,596,003	13,858,185
Intangible assets			
Leasehold	60,940	60,940	60,940
Superficies	56,660	56,660	-
Securities under custody	<u>165,537,653</u>	<u>171,703,651</u>	<u>124,411,360</u>
Total	<u><u>\$ 422,716,394</u></u>	<u><u>\$ 437,352,365</u></u>	<u><u>\$ 374,364,802</u></u>

**Statements of Income on Trust Accounts
For the Three Months Ended March 31, 2020 and 2019**

	2020	2019
Revenues		
Interest revenue	\$ 1,959	\$ 1,444
Cash dividends	30	521
Realized gain on investment - stocks	6,975	-
Unrealized gain on investment - stocks	104,770	213,847
Unrealized gain on investment - lending stock	27,313	-
Realized gain on investment - mutual funds	702	58
Unrealized gain on investment - mutual funds	15,476	-
Lending stock	1,068	1,252
Beneficial certificate appropriation	<u>1,301</u>	<u>-</u>
Total revenues	<u>159,594</u>	<u>217,122</u>
Expenses		
Management fees	1,076	1,073
Taxes	15	30
Service charge	262	45
Postage	2	22
Unrealized loss on investment - stocks	277,082	147,333
Unrealized loss on investment - lending stock	39,525	-
Unrealized loss on investment - mutual funds	16,154	-
Realized loss on investment - mutual funds	155	11
Realized loss on investment - stocks	1,395	-
Others	<u>45</u>	<u>5</u>
Total expenses	<u>335,711</u>	<u>148,519</u>
Income before income tax	(176,117)	68,603
Income tax expense	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ (176,117)</u>	<u>\$ 68,603</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; (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 March 31, 2020, December 31, 2019 and March 31, 2019, TCB's accrued receivables were \$3,523 thousand, \$3,455 thousand and \$2,356 thousand, respectively. TCB's revenues from cross-selling transactions were \$3,523 thousand and \$2,356 thousand for the three months ended March 31, 2020 and 2019, respectively.

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

As of March 31, 2020, December 31, 2019 and March 31, 2019, TCB's accrued receivables were \$2,494 thousand, \$2,358 thousand and \$939 thousand, respectively. TCB's revenues from cross-selling transactions were \$7,284 thousand and \$8,689 thousand for the three months ended March 31, 2020 and 2019, respectively.

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

Table 3 (attached).

49. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

50. CASH FLOW INFORMATION

a. Non-cash financing activities

Undistributed cash dividends approved by stockholders' meetings are \$340,992 thousand, \$339,653 thousand and \$307,777 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

b. Changes in liabilities arising from financing activities

For the three months ended March 31, 2020

	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	\$ 12,052,429	\$ (12,096,000)	\$ -	\$ 669	\$ 42,902	\$ -
Commercial paper issued	31,104,638	1,370,000	-	-	(3,818)	32,470,820
Bonds payable	65,000,000	(7,500,000)	-	-	-	57,500,000
Other borrowings	3,432,028	(943,713)	-	-	(6,689)	2,481,626
Guarantee deposits received	2,050,163	(453,866)	-	-	(44,592)	1,551,705
Lease liabilities	1,651,391	(140,336)	124,008	-	(4,807)	1,630,256
Other liabilities - other	114,606	(26,891)	-	-	(1,131)	86,584
	<u>\$ 115,405,255</u>	<u>\$ (19,790,806)</u>	<u>\$ 124,008</u>	<u>\$ 669</u>	<u>\$ (18,135)</u>	<u>\$ 95,720,991</u>

For the three months ended March 31, 2019

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	
Financial liabilities designated as at fair value through profit or loss - bank debentures	\$ 11,483,955	\$ -	\$ -	\$ 11,549	\$ 621,429	\$ 12,116,933
Commercial paper issued	26,091,523	(600,000)	-	-	4,381	25,495,904
Bonds payable	55,000,000	-	-	-	-	55,000,000
Other borrowings	2,425,405	(57,478)	-	-	15,964	2,383,891
Guarantee deposits received	1,334,404	341,029	-	-	1,281	1,676,714
Lease liabilities	1,528,139	(117,573)	140,506	-	9,136	1,560,208
Other liabilities - other	91,155	(19,192)	-	-	(399)	71,564
	<u>\$ 97,954,581</u>	<u>\$ (453,214)</u>	<u>\$ 140,506</u>	<u>\$ 11,549</u>	<u>\$ 651,792</u>	<u>98,305,214</u>

51. ADDITIONAL DISCLOSURES

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

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

c. Investment in Mainland China:

Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 9 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 10 (attached).

e. Information on major shareholders: Table 11 (attached).

52. OPERATING SEGMENTS

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

- a. TCB business, including deposit, loan, 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 three months ended March 31, 2020 and 2019 are as follows:

	For the Three Months Ended March 31, 2020				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 8,631,718	\$ 266,794	\$ 8,898,512	\$ 1,343	\$ 8,899,855
Net revenues and gains other than interest	<u>2,178,772</u>	<u>4,378,372</u>	<u>6,557,144</u>	<u>(4,143,247)</u>	<u>2,413,897</u>
Net revenues	10,810,490	4,645,166	15,455,656	(4,141,904)	11,313,752
Bad-debt expenses and provision for losses on commitments and guarantees	(898,894)	(11,262)	(910,156)	-	(910,156)
Net change in reserves for insurance liabilities	-	674,600	674,600	-	674,600
Operating expenses	<u>(5,619,182)</u>	<u>(633,053)</u>	<u>(6,252,235)</u>	<u>71,793</u>	<u>(6,180,442)</u>
Income before income tax	<u>\$ 4,292,414</u>	<u>\$ 4,675,451</u>	<u>\$ 8,967,865</u>	<u>\$ (4,070,111)</u>	<u>\$ 4,897,754</u>

For the Three Months Ended March 31, 2019

	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 8,365,893	\$ 307,980	\$ 8,673,873	\$ 1,889	\$ 8,675,762
Net revenues and gains other than interest	<u>2,968,687</u>	<u>4,678,039</u>	<u>7,646,726</u>	<u>(4,112,463)</u>	<u>3,534,263</u>
Net revenues	11,334,580	4,986,019	16,320,599	(4,110,574)	12,210,025
Bad-debt expenses and provision for losses on commitments and guarantees	(1,573,983)	(1,259)	(1,575,242)	-	(1,575,242)
Net change in reserves for insurance liabilities	-	202,627	202,627	-	202,627
Operating expenses	<u>(5,495,888)</u>	<u>(587,187)</u>	<u>(6,083,075)</u>	<u>61,408</u>	<u>(6,021,667)</u>
Income before income tax	<u>\$ 4,264,709</u>	<u>\$ 4,600,200</u>	<u>\$ 8,864,909</u>	<u>\$ (4,049,166)</u>	<u>\$ 4,815,743</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES

MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2020	December 31, 2019	March 31, 2019	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei City	Banking	100.00	100.00	100.00	Note
	Co-operative Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	100.00	100.00	100.00	
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei City	Bills finance dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Co., Ltd.	Taipei City	Securities dealer	100.00	100.00	100.00	
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust	100.00	100.00	100.00	
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei City	Life insurance	51.00	51.00	51.00	
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	Note

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				March 31, 2020	December 31, 2019	March 31, 2019	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the three months ended March 31, 2020 and 2019 are not reviewed.

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

MARCH 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, %)

Period		March 31, 2020					March 31, 2019				
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	\$ 3,894,938	\$ 734,291,508	0.53	\$ 7,814,890	200.64	\$ 4,174,892	\$ 691,431,873	0.60	\$ 8,829,411	211.49
	Unsecured	1,202,085	671,315,256	0.18	7,447,428	619.54	533,400	621,114,740	0.09	6,534,111	1,224.99
Consumer banking	Housing mortgage (Note 4)	1,087,065	538,556,689	0.20	8,159,405	750.59	1,533,813	521,113,929	0.29	7,907,872	515.57
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	34,841	12,229,616	0.28	218,350	626.70	14,159	12,149,513	0.12	159,770	1,128.40
	Other (Note 6)	Secured	988,563	289,389,245	0.34	3,213,553	325.07	1,260,499	274,775,221	0.46	3,349,807
Unsecured		17,225	9,833,905	0.18	148,776	863.72	23,011	9,185,935	0.25	156,444	679.87
Loan		7,224,717	2,255,616,219	0.32	27,002,402	373.75	7,539,774	2,129,771,211	0.35	26,937,415	357.27
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards		10,857	3,303,568	0.33	58,932	542.80	9,973	3,662,054	0.27	56,181	563.33
Accounts receivable factored without recourse (Note 7)		-	125,694	-	7,951	-	-	349,376	-	10,051	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		559				858					
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		4,767				6,513					
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		8,582				10,811					
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		45,201				45,510					

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

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

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

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

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

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

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

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Cash and cash equivalents	\$ 53,813	\$ 47,435	\$ 35,861	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income	15,525	21,275	22,875	Commercial paper issued, net	\$ 27,267,727	\$ 27,190,483	\$ 20,917,675
Receivables	35,707	148	146	Payables	309,605	287,565	263,383
Current tax assets	2,994,639	2,747,921	2,031,178	Current tax liabilities	2,962,020	2,762,192	2,037,543
Investments accounted for using equity method	249,481,856	248,842,057	237,046,620	Other financial liabilities	2,774	2,865	1,302
Properties and equipment, net	6,282	6,378	2,449	Lease liabilities	58,647	64,540	80,769
Right-of-use assets, net	57,704	63,710	80,506	Deferred tax liabilities	46,890	-	-
Intangible assets	251	268	259	Other liabilities	10,932	10,096	7,736
Deferred tax assets	334	334	335	Total liabilities	<u>30,658,595</u>	<u>30,317,741</u>	<u>23,308,408</u>
Other assets	<u>8,536</u>	<u>8,139</u>	<u>8,352</u>	<u>Equity</u>			
				Capital stock	129,458,483	129,458,483	125,687,847
				Capital surplus	57,973,141	57,973,141	57,973,141
				Retained earnings	29,845,691	25,875,976	26,054,131
				Other equity	4,718,737	8,112,324	6,205,054
				Total equity	<u>221,996,052</u>	<u>221,419,924</u>	<u>215,920,173</u>
Total	<u>\$ 252,654,647</u>	<u>\$ 251,737,665</u>	<u>\$ 239,228,581</u>	Total	<u>\$ 252,654,647</u>	<u>\$ 251,737,665</u>	<u>\$ 239,228,581</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended March 31	
	2020	2019
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,030,709	\$ 4,020,940
Other revenues and gains	234	87
Total revenues and gains	4,030,943	4,021,027
Expenses and losses		
Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	-	1,868
Operating expenses	53,256	49,403
Other expenses and losses	40,462	36,017
Total expenses and losses	93,718	87,288
Income before income tax	3,937,225	3,933,739
Income tax benefit	-	-
Net income	3,937,225	3,933,739
Other comprehensive income (loss)	(3,361,097)	3,703,432
Total comprehensive income	\$ 576,128	\$ 7,637,171
Earnings per share (New Taiwan dollars)		
Basic	\$0.30	\$0.30
Diluted	\$0.30	\$0.30

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	Capital Stock		Capital Surplus	Retained Earnings			Other Equity				Total Equity
	Shares (In Thousands)	Common Stock		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	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, 2020	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
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	32,189	-	(32,189)	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	301	-	-	(301)	-	-
Total comprehensive income											
Net income for the three months ended March 31, 2020	-	-	-	-	-	3,937,225	-	-	-	-	3,937,225
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	-	145,540	(3,151,461)	(669)	(354,507)	(3,361,097)
Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	3,937,225	145,540	(3,151,461)	(669)	(354,507)	576,128
BALANCE AT MARCH 31, 2020	<u>12,945,848</u>	<u>\$ 129,458,483</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 20,922,033</u>	<u>\$ (1,097,278)</u>	<u>\$ 5,816,621</u>	<u>\$ -</u>	<u>\$ (606)</u>	<u>\$ 221,996,052</u>
BALANCE AT JANUARY 1, 2019	12,568,785	\$ 125,687,847	\$ 57,964,343	\$ 6,451,448	\$ 996,026	\$ 14,761,844	\$ (282,339)	\$ 2,690,032	\$ 15,666	\$ (10,663)	\$ 208,274,204
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	8,798
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(88,926)	-	88,926	-	-	-
Total comprehensive income											
Net income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	-	-	-	-	3,933,739
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	39,413	3,498,051	(11,549)	177,517	3,703,432
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	3,933,739	39,413	3,498,051	(11,549)	177,517	7,637,171
BALANCE AT MARCH 31, 2019	<u>12,568,785</u>	<u>\$ 125,687,847</u>	<u>\$ 57,973,141</u>	<u>\$ 6,451,448</u>	<u>\$ 996,026</u>	<u>\$ 18,606,657</u>	<u>\$ (242,926)</u>	<u>\$ 6,277,009</u>	<u>\$ 4,117</u>	<u>\$ 166,854</u>	<u>\$ 215,920,173</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended	
	March 31	
	2020	2019
Cash flows from operating activities		
Income before income tax	\$ 3,937,225	\$ 3,933,739
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method, net	(4,030,709)	(4,019,072)
Depreciation and amortization expenses	6,411	6,189
Interest expense	40,462	36,017
Net changes in operating assets and liabilities		
Decrease in receivables	4	-
Decrease (increase) in other assets	(397)	97
Increase in payables	22,040	31,789
Increase in other liabilities	<u>836</u>	<u>764</u>
Cash used in operations	(24,128)	(10,477)
Interest paid	<u>(42,817)</u>	<u>(32,549)</u>
Net cash used in operating activities	<u>(66,945)</u>	<u>(43,026)</u>
Cash flows from investing activities		
Payments for properties and equipment	(292)	(68)
Payments for intangible assets	<u>-</u>	<u>(94)</u>
Net cash used in investing activities	<u>(292)</u>	<u>(162)</u>
Cash flows from financing activities		
Increase in commercial paper issued	80,000	60,000
Decrease in guarantee deposits received	(91)	(454)
Repayments of the principal portion of lease liabilities	<u>(6,294)</u>	<u>(5,790)</u>
Net cash generated from financing activities	<u>73,615</u>	<u>53,756</u>
Net increase in cash and cash equivalents	6,378	10,568
Cash and cash equivalents, beginning of the period	<u>47,435</u>	<u>25,293</u>
Cash and cash equivalents, end of the period	<u>\$ 53,813</u>	<u>\$ 35,861</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	December 31,			Liabilities and Equity	December 31,		
	March 31, 2020	2019	March 31, 2019		March 31, 2020	2019	March 31, 2019
Cash and cash equivalents	\$ 39,355,709	\$ 57,939,887	\$ 54,533,194	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	276,903,105	275,152,522	280,505,426	Due to the Central Bank and other banks	\$ 248,561,720	\$ 230,034,229	\$ 231,096,191
Financial assets at fair value through profit or loss	26,467,743	13,105,474	19,214,912	Financial liabilities at fair value through profit or loss	941,164	16,021,128	13,333,579
Financial assets at fair value through other comprehensive income	368,784,741	329,128,892	272,145,116	Securities sold under repurchase agreements	11,215,483	7,976,909	7,740,931
Investments in debt instruments at amortized cost	541,157,745	554,148,605	549,918,462	Payables	33,859,071	37,869,519	42,425,874
Securities purchased under resell agreements	-	-	1,407,422	Current tax liabilities	2,273,882	2,131,559	1,320,025
Receivables, net	17,975,135	18,796,079	18,532,188	Deposits and remittances	2,969,578,250	2,898,402,875	2,789,415,710
Current tax assets	1,465,247	1,182,787	1,508,350	Bank debentures	57,500,000	65,000,000	55,000,000
Discounts and loans, net	2,228,155,749	2,182,264,644	2,102,326,107	Other financial liabilities	2,749,740	4,137,499	5,397,460
Investments accounted for using equity method	2,117,294	2,115,170	2,102,924	Provisions	7,991,846	8,221,785	7,885,186
Other financial assets, net	16,221,556	18,843,570	25,472,013	Lease liabilities	1,594,460	1,614,958	1,511,985
Properties and equipment, net	33,418,093	33,521,394	33,486,541	Deferred tax liabilities	3,202,486	3,216,996	3,364,340
Right-of-use assets, net	1,644,747	1,687,382	1,577,087	Other liabilities	1,088,244	1,191,720	1,095,769
Investment properties, net	7,432,718	7,443,865	7,140,205	Total liabilities	<u>3,340,556,346</u>	<u>3,275,819,177</u>	<u>3,159,587,050</u>
Intangible assets	3,706,295	3,635,766	3,542,231	<u>Equity</u>			
Deferred tax assets	1,739,158	2,221,537	1,419,000	Capital stock	96,765,300	96,765,300	90,310,300
Other assets, net	<u>2,057,407</u>	<u>1,661,390</u>	<u>1,112,874</u>	Capital surplus	58,767,245	58,767,245	58,767,245
				Retained earnings	68,089,817	64,412,169	61,686,265
				Other equity	4,423,734	7,085,073	5,593,192
				Total equity	<u>228,046,096</u>	<u>227,029,787</u>	<u>216,357,002</u>
Total	<u>\$ 3,568,602,442</u>	<u>\$ 3,502,848,964</u>	<u>\$ 3,375,944,052</u>	Total	<u>\$ 3,568,602,442</u>	<u>\$ 3,502,848,964</u>	<u>\$ 3,375,944,052</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

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

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Cash and cash equivalents	\$ 124,850	\$ 49,845	\$ 61,119	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	38,823,045	35,154,903	42,933,097	Call loans from banks	\$ 21,500,000	\$ 13,650,000	\$ 18,430,000
Financial assets at fair value through other comprehensive income	15,672,759	15,775,179	13,575,601	Securities sold under repurchase agreements	27,676,218	31,755,956	33,021,004
Investments in debt instruments at amortized cost	1,279,397	1,254,086	1,055,597	Payables	74,387	319,575	570,040
Receivables, net	201,678	296,356	676,594	Provisions	359,515	408,722	434,922
Current tax assets	36,759	38,977	93,480	Lease liabilities	26,935	29,258	36,145
Other financial assets, net	120,200	120,200	240,200	Other liabilities	53,487	80,482	31,698
Properties and equipment, net	11,892	12,203	12,741	Total liabilities	<u>49,690,542</u>	<u>46,243,993</u>	<u>52,523,809</u>
Right-of-use assets, net	26,516	28,896	36,035	<u>Equity</u>			
Intangible assets, net	6,244	6,881	6,897	Capital stock	4,560,710	4,560,710	4,237,877
Other assets, net	<u>277,789</u>	<u>266,344</u>	<u>253,010</u>	Capital surplus	312,633	312,633	312,633
				Retained earnings	1,855,467	1,790,303	1,749,402
				Other equity	161,777	96,231	120,650
				Total equity	<u>6,890,587</u>	<u>6,759,877</u>	<u>6,420,562</u>
Total	<u>\$ 56,581,129</u>	<u>\$ 53,003,870</u>	<u>\$ 58,944,371</u>	Total	<u>\$ 56,581,129</u>	<u>\$ 53,003,870</u>	<u>\$ 58,944,371</u>

Taiwan Cooperative Securities Co., Ltd.

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

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 20,829,748	\$ 21,963,088	\$ 26,863,116	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income - noncurrent	50,725	52,948	49,184	Current liabilities	\$ 16,323,308	\$ 17,165,289	\$ 22,323,350
Properties and equipment, net	54,391	59,128	65,505	Lease liabilities	143,069	152,502	147,975
Right-of-use assets, net	141,798	151,382	181,312	Deferred tax liabilities	3,876	2,553	898
Intangible assets	47,661	51,253	54,197	Other liabilities	4,620	4,725	2,724
Deferred tax assets	5,042	4,683	2,554	Total liabilities	<u>16,474,873</u>	<u>17,325,069</u>	<u>22,474,947</u>
Other noncurrent assets	<u>535,984</u>	<u>426,267</u>	<u>433,801</u>	<u>Equity</u>			
				Capital stock	4,724,200	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	428,195	363,647	127,291
				Other equity	(256,359)	1,393	28,791
				Total equity	<u>5,190,476</u>	<u>5,383,680</u>	<u>5,174,722</u>
Total	<u>\$ 21,665,349</u>	<u>\$ 22,708,749</u>	<u>\$ 27,649,669</u>	Total	<u>\$ 21,665,349</u>	<u>\$ 22,708,749</u>	<u>\$ 27,649,669</u>

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 73,572	\$ 66,811	\$ 25,317	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	274,429	303,195	444,116	Current liabilities	\$ 4,085,241	\$ 4,035,123	\$ 3,045,593
Financial assets at fair value through other comprehensive income	15,525	21,275	22,875	Lease liabilities	16,248	18,534	25,310
Accounts receivable, net	1,618,068	1,551,127	1,499,680	Deferred tax liabilities	48,010	47,930	34,160
Investments accounted for using the equity method	968,243	962,512	981,847	Other liabilities	<u>110,142</u>	<u>102,317</u>	<u>88,906</u>
Properties and equipment, net	15,142	14,405	3,383	Total liabilities	<u>4,259,641</u>	<u>4,203,904</u>	<u>3,193,969</u>
Investment properties, net	4,159,192	3,962,999	3,042,422	<u>Equity</u>			
Right-of-use assets, net	16,007	18,314	25,235	Capital stock	2,825,280	2,825,280	2,825,280
Intangible assets	6,514	7,223	9,522	Capital surplus	2,553	2,553	2,553
Deferred tax assets	223,561	221,546	200,992	Retained earnings	654,728	593,972	674,997
Long-term lease payment receivable	241,762	260,534	130,598	Other equity	<u>(117,512)</u>	<u>(103,704)</u>	<u>(52,994)</u>
Other assets	<u>12,675</u>	<u>132,064</u>	<u>257,818</u>	Total equity	<u>3,365,049</u>	<u>3,318,101</u>	<u>3,449,836</u>
Total	<u>\$ 7,624,690</u>	<u>\$ 7,522,005</u>	<u>\$ 6,643,805</u>	Total	<u>\$ 7,624,690</u>	<u>\$ 7,522,005</u>	<u>\$ 6,643,805</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Cash and cash equivalents	\$ 6,677,789	\$ 9,434,455	\$ 4,313,132	<u>Liabilities</u>			
Receivables	980,438	470,732	1,154,491	Payables	\$ 607,795	\$ 5,432,756	\$ 414,511
Current tax assets	99,428	99,428	104,219	Current tax liabilities	125,265	50,492	4,944
Investments	34,983,875	40,081,922	42,287,691	Financial liabilities at fair value through profit or loss	16,041	-	19,552
Reinsurance assets	112,074	84,674	55,441	Lease liabilities	25,934	26,530	37,418
Equipment, net	127,673	143,190	89,070	Insurance liabilities	27,347,717	28,026,195	29,397,868
Right-of-use assets	25,619	26,246	37,316	Reserve for insurance contracts with financial instruments features	5,284,157	6,068,784	9,303,244
Deferred tax assets	51,533	13,977	15,902	Reserve of foreign exchange variation	214,619	230,520	270,552
Other assets	1,153,037	1,152,976	1,108,228	Deferred tax liabilities	58,242	185,626	37,258
Separate-account assets	<u>85,825,868</u>	<u>109,228,185</u>	<u>98,948,398</u>	Other liabilities	397,788	736,556	249,765
				Separate-account liabilities	<u>85,825,868</u>	<u>109,228,185</u>	<u>98,948,398</u>
				Total liabilities	<u>119,903,426</u>	<u>149,985,644</u>	<u>138,683,510</u>
				<u>Equity</u>			
				Capital stock	6,719,466	6,719,466	6,719,466
				Capital surplus	9,310	9,310	9,310
				Retained earnings	2,267,162	1,931,380	1,656,959
				Other equity	<u>1,137,970</u>	<u>2,089,985</u>	<u>1,044,643</u>
				Total equity	<u>10,133,908</u>	<u>10,750,141</u>	<u>9,430,378</u>
Total	<u>\$ 130,037,334</u>	<u>\$ 160,735,785</u>	<u>\$ 148,113,888</u>	Total	<u>\$ 130,037,334</u>	<u>\$ 160,735,785</u>	<u>\$ 148,113,888</u>

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 432,783	\$ 419,658	\$ 364,987	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	1,933	1,899	1,940	Current liabilities	\$ 106,878	\$ 68,366	\$ 47,760
Properties and equipment, net	3,329	3,380	3,772	Lease liabilities	3,439	4,913	8,614
Right-of-use assets	3,342	4,607	8,488	Noncurrent liabilities	<u>1,556</u>	<u>1,053</u>	<u>406</u>
Intangible assets	4,911	5,265	1,689	Total liabilities	<u>111,873</u>	<u>74,332</u>	<u>56,780</u>
Other assets	<u>56,239</u>	<u>56,239</u>	<u>56,239</u>	<u>Equity</u>			
				Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Retained earnings	15,145	41,231	4,809
				Other equity	<u>(341)</u>	<u>(375)</u>	<u>(334)</u>
				Total equity	<u>390,664</u>	<u>416,716</u>	<u>380,335</u>
Total	<u>\$ 502,537</u>	<u>\$ 491,048</u>	<u>\$ 437,115</u>	Total	<u>\$ 502,537</u>	<u>\$ 491,048</u>	<u>\$ 437,115</u>

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	March 31, 2020	December 31, 2019	March 31, 2019	Liabilities and Equity	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 1,014,753	\$ 716,326	\$ 1,040,397	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	-	318,001	-	Current liabilities	\$ 10,682	\$ 9,561	\$ 7,570
Investments accounted for using equity method	3,034	3,294	-	Lease liabilities	8,554	9,376	11,825
Properties and equipment, net	602	655	1,055	Other liabilities	<u>124</u>	<u>159</u>	<u>159</u>
Right-of-use assets	8,470	9,302	11,802	Total liabilities	<u>19,360</u>	<u>19,096</u>	<u>19,554</u>
Intangible assets	1	4	13	<u>Equity</u>			
Other assets	<u>474</u>	<u>474</u>	<u>474</u>	Capital stock	1,000,000	1,000,000	1,000,000
				Retained earnings	71,425	57,421	49,080
				Other equity	<u>(63,451)</u>	<u>(28,461)</u>	<u>(14,893)</u>
				Total equity	<u>1,007,974</u>	<u>1,028,960</u>	<u>1,034,187</u>
Total	<u>\$ 1,027,334</u>	<u>\$ 1,048,056</u>	<u>\$ 1,053,741</u>	Total	<u>\$ 1,027,334</u>	<u>\$ 1,048,056</u>	<u>\$ 1,053,741</u>

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Interest revenue	\$ 14,366,048	\$ 14,440,050
Less: Interest expense	<u>(5,734,330)</u>	<u>(6,074,157)</u>
Net interest	8,631,718	8,365,893
Net revenues and gains other than interest	<u>2,178,772</u>	<u>2,968,687</u>
Total net revenues	10,810,490	11,334,580
Bad-debt expenses and provision for losses on commitments and guarantees	(898,894)	(1,573,983)
Operating expenses	<u>(5,619,182)</u>	<u>(5,495,888)</u>
Income before income tax	4,292,414	4,264,709
Income tax expense	<u>(683,256)</u>	<u>(681,556)</u>
Net income	3,609,158	3,583,153
Other comprehensive income (loss)	<u>(2,592,849)</u>	<u>3,039,608</u>
Total comprehensive income	<u>\$ 1,016,309</u>	<u>\$ 6,622,761</u>
Earnings per share (NT\$)		
Basic	<u>\$0.37</u>	<u>\$0.37</u>

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Net interest	\$ 66,372	\$ 60,040
Net revenues and gains other than interest	<u>84,512</u>	<u>70,891</u>
Total net revenues	150,884	130,931
Reversal of allowance (impairment losses) for credit losses and provision	(7,193)	807
Operating expenses	<u>(36,120)</u>	<u>(32,604)</u>
Income before income tax	107,571	99,134
Income tax expense	<u>(18,000)</u>	<u>(4,700)</u>
Net income	89,571	94,434
Other comprehensive income	<u>41,140</u>	<u>70,702</u>
Total comprehensive income	<u>\$ 130,711</u>	<u>\$ 165,136</u>
Earnings per share (NT\$)		
Basic	<u>\$0.20</u>	<u>\$0.21</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Revenues	\$ 339,597	\$ 324,027
Service charge	(13,124)	(8,251)
Other operating costs	(37,767)	(49,279)
Employee benefits	(111,976)	(103,216)
Other operating expenses	(80,390)	(72,600)
Other gains and losses	<u>(6,332)</u>	<u>6,376</u>
Income before income tax	90,008	97,057
Income tax expense	<u>(13,867)</u>	<u>(10,687)</u>
Net income	76,141	86,370
Other comprehensive income (loss)	<u>(269,345)</u>	<u>31,501</u>
 Total comprehensive income (loss)	 <u>\$ (193,204)</u>	 <u>\$ 117,871</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.16</u>	<u>\$0.18</u>

Co-operative Assets Management Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Operating revenues	\$ 133,323	\$ 102,591
Operating expenses	<u>(62,333)</u>	<u>(49,641)</u>
Operating benefits	70,990	52,950
Non-operating gains and losses	<u>8,486</u>	<u>9,714</u>
Income before income tax	79,476	62,664
Income tax expenses	<u>(18,720)</u>	<u>(12,579)</u>
Net income	60,756	50,085
Other comprehensive income (loss)	<u>(13,808)</u>	<u>18,299</u>
 Total comprehensive income	 <u>\$ 46,948</u>	 <u>\$ 68,384</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.22</u>	<u>\$0.18</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Operating revenues	\$ (18,710,513)	\$ 8,262,574
Operating costs	19,253,837	(7,803,880)
Operating expenses	<u>(154,910)</u>	<u>(158,734)</u>
Income before income tax	388,414	299,960
Income tax expenses	<u>(52,632)</u>	<u>(33,282)</u>
Net income	335,782	266,678
Other comprehensive income (loss)	<u>(952,015)</u>	<u>1,042,598</u>
Total comprehensive income (loss)	<u>\$ (616,233)</u>	<u>\$ 1,309,276</u>
Earnings per share (NT\$)		
Basic	<u>\$0.50</u>	<u>\$0.40</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Operating revenues	\$ 101,665	\$ 65,762
Operating expenses	<u>(92,927)</u>	<u>(68,240)</u>
Operating gain (loss)	8,738	(2,478)
Non-operating gains and losses	<u>740</u>	<u>610</u>
Income (loss) before income tax	9,478	(1,868)
Income tax expenses	<u>-</u>	<u>-</u>
Net income (loss)	9,478	(1,868)
Other comprehensive income	<u>34</u>	<u>2</u>
Total comprehensive income (loss)	<u>\$ 9,512</u>	<u>\$ (1,866)</u>
Earnings (loss) per share (NT\$)		
Basic	<u>\$0.31</u>	<u>\$(0.06)</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020	2019
Operating revenues	\$ 22,506	\$ 78,197
Operating expenses	<u>(8,671)</u>	<u>(8,320)</u>
Operating gain	13,835	69,877
Non-operating gains and losses	<u>225</u>	<u>168</u>
Income before income tax	14,060	70,045
Income tax expenses	<u>(56)</u>	<u>(58)</u>
Net income	14,004	69,987
Other comprehensive income (loss)	<u>(34,990)</u>	<u>11,219</u>
Total comprehensive income (loss)	<u>\$ (20,986)</u>	<u>\$ 81,206</u>
Earnings per share (NT\$)		
Basic	<u>\$0.14</u>	<u>\$0.70</u>
		(Concluded)

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Business Segment Items	For the Three Months Ended March 31, 2020				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 8,661,427	\$ (18,049)	\$ 213,938	\$ 42,539	\$ 8,899,855
Net revenues and gains other than interest	2,003,259	175,816	(251,284)	486,106	2,413,897
Total net revenues	10,664,686	157,767	(37,346)	528,645	11,313,752
Bad-debt expenses and provision for losses on commitments and guarantees	(895,389)	(7,193)	-	(7,574)	(910,156)
Net change in reserves for insurance liabilities	-	-	674,600	-	674,600
Operating expenses	(5,633,783)	(33,911)	(156,592)	(356,156)	(6,180,442)
Income before income tax	4,135,514	116,663	480,662	164,915	4,897,754
Income tax expenses	(684,751)	(18,000)	(52,632)	(37,959)	(793,342)
Net income	3,450,763	98,663	428,030	126,956	4,104,412

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(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	\$ 189,880	\$ 188,512	\$ 188,512	3-8	Short-term financing	\$ -	Operating use	\$ 1,885	Real estate	\$ 390,927	\$ 331,810 (Note 3)	\$ 1,327,240 (Note 3)
		Hanky and Partners Taiwan Ltd.	Receivables on lending funds	No	214,874	209,564	209,564	3-8	Short-term financing	-	Operating use	2,096	Real estate	334,042	331,810 (Note 3)	1,327,240 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	35,000	33,163	33,163	3-8	Short-term financing	-	Operating use	332	Real estate	48,769	331,810 (Note 3)	1,327,240 (Note 3)
		Kuang Ming Shipping Corp.	Receivables on lending funds	No	149,640	130,576	130,576	3-8	Short-term financing	-	Operating use	1,306	Guarantee	40,000	331,810 (Note 3)	1,327,240 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	37,500	37,500	3-8	Short-term financing	-	Operating use	375	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Shinex Machinery Engineering Inc.	Receivables on lending funds	No	44,680	40,641	40,641	3-8	Short-term financing	-	Operating use	406	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	40,000	32,500	32,500	3-8	Short-term financing	-	Operating use	325	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	88,980	80,641	80,641	3-8	Short-term financing	-	Operating use	806	Stocks	70,300	331,810 (Note 3)	1,327,240 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	38,602	36,491	36,491	3-8	Short-term financing	-	Operating use	365	Real estate	56,073	331,810 (Note 3)	1,327,240 (Note 3)
		Shih Wei Navigation Co., Ltd.	Receivables on lending funds	No	50,000	48,238	48,238	3-8	Short-term financing	-	Operating use	482	Guarantee	5,000	331,810 (Note 3)	1,327,240 (Note 3)

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

- a. Parent company: 0.
- b. Investee companies are numbered sequentially from 1.

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

Note 3: Each financing limit for the borrowing company and the total financing amount limit of Co-operative Assets Management Co., Ltd. (CAM) are 10% and 40% of CAM's equity of the latest financial report, respectively. The equity of CAM on December 31, 2019 was \$3,318,101 thousand.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	\$ 968,243	100.00	\$ 968,243	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	15,525	5.00	15,525	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,933	0.38	1,933	
Taiwan Cooperative Venture Capital Co., Ltd.	Drewloong Precision, Inc.	-	Financial assets at fair value through profit or loss	209	17,013	0.35	17,013	
	GEOSAT Aerospace & Technology Inc.	-	Financial assets at fair value through profit or loss	1,716	25,551	4.88	25,551	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	21,750	2.38	21,750	
	Acmept Energy Services Co., Ltd.	-	Financial assets at fair value through profit or loss	900	43,938	2.78	43,938	
	Enrestec Inc.	-	Financial assets at fair value through profit or loss	2,000	43,000	2.10	43,000	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	104,159	2.82	104,159	
	Lung Tec Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	2,000	50,100	2.86	50,100	
	eLand Information Co., Ltd.	-	Financial assets at fair value through profit or loss	550	27,527	3.38	27,527	
	M2 Communication Inc.	-	Financial assets at fair value through profit or loss	250	2,368	0.99	2,368	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	20,248	2.50	20,248	
	Taiwan Intelligent Robotics Company, Ltd.	-	Financial assets at fair value through profit or loss	95	892	2.95	892	
	Fu Rng Development Co., Ltd.	-	Financial assets at fair value through profit or loss	2,000	95,290	12.50	95,290	
	ULSee Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	651	33,757	0.45	33,757	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Cloud-Mile Ltd.	-	Financial assets at fair value through profit or loss	838	\$ 31,000	4.55	\$ 31,000	
	Hoytek Precision Company	-	Financial assets at fair value through profit or loss	495	9,900	19.84	9,900	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,250	45,000	8.54	45,000	
	Ta Chen Stainless Pipe Company Limited	-	Financial assets at fair value through other comprehensive income	1,080	29,052	0.09	29,052	
	Huaku Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	335	27,671	0.12	27,671	
	JMC Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	447	21,031	0.45	21,031	
	Global Mixed-Mode Technology, Inc.	-	Financial assets at fair value through other comprehensive income	222	22,533	0.26	22,533	
	PharmaEssentia Corp.	-	Financial assets at fair value through other comprehensive income	307	20,661	0.14	20,661	
	Quang Viet Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income	194	22,407	0.19	22,407	
	Twoway Communications, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	17,040	2.45	17,040	
	Mesh Cooperative Ventures, Inc.	-	Investments accounted for using equity method	330	3,034	33.00	3,034	

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

(In Thousands of New Taiwan Dollars)

Securities Firms	Counter-party	Nature of Relationship	Total Amounts of Brokerage Service Revenue	Total Allowance of Brokerage Service Revenue	Service Revenue From Related Party	Allowance of Service Revenue for Related Party	Percentage of Service Revenue From Related Party to Total Amounts	Percentage of Allowance of Service Revenue for Related Party to Total Allowance
Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Same parent company	\$ 283,743	\$ 147,898	\$ 18,678	\$ 13,231	6.48	8.95

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

MARCH 31, 2020

(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	\$ 1,329,119	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	1,639,593	-	-	-	-	-

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					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)	\$ 29,945	100	\$ 29,945	\$ 5,875,338	\$ -
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)	(338,859)	100	(338,859)	2,521,136	-
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)	10,730	100	10,730	3,215,390	-
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)	(32,241)	100	(32,241)	2,357,376	-

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 136,959,728

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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					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)	\$ 15,805	100	\$ 15,805	\$ 968,243	\$ -

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 3)
\$ 910,980 (RMB 185,460) (Note 1)	\$ 910,980 (RMB 185,460) (Note 1)	\$ 2,019,029

(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 THREE MONTHS ENDED MARCH 31, 2020

(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	1,329,119	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	1,329,119	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	544,544	Note 4	0.01
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Due to banks	544,544	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	7,559,428	Note 4	0.20
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	7,559,428	Note 4	0.20
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,535,638	Note 4	0.04
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,535,638	Note 4	0.04
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	157,309	Note 4	1.39
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	157,309	Note 4	1.39
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	6,200,000	Note 4	0.16
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	6,200,000	Note 4	0.16
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	1,286,628	Note 4	0.03
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchased agreements	1,286,628	Note 4	0.03

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	\$ 383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	5.13
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	302,050	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other borrowings	302,050	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	140,456	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	141,723	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	535	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	10,261	Note 4	0.09
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	10,645	Note 4	0.09

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

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

Note 2: Transaction flows are as follows:

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

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)

TABLE 11**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.****INFORMATION ON MAJOR SHAREHOLDERS
MARCH 31, 2020**

Name of Major Shareholder	Shareholding	
	Number of Shares	Percentage of Ownership (%)
Ministry of Finance, Taiwan	3,374,237,650	26.06

The above table of major shareholders are based on the information from Taiwan Depository & Clearing Corporation which calculated the registration and delivery of non-physical (including treasury stock) common stocks and preferred stocks at least 5% as of the last business day of each quarter. There may be differences between the number of shares recorded in the consolidated financial statements and the registration number of non-physical shares due to different basis of preparation.