

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 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 September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2020 and 2019, and its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 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

November 23, 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)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 55,957,565	1	\$ 60,006,782	2	\$ 48,614,397	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 41 and 42)	315,171,924	8	263,817,306	7	265,067,382	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 41 and 42)	87,187,005	2	60,475,818	2	76,719,834	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	436,613,661	11	381,855,600	10	363,630,907	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 42)	579,697,490	15	557,848,944	15	554,912,670	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	863,153	-	1,436,329	-	1,720,845	-
RECEIVABLES, NET (Notes 12, 41 and 42)	34,562,827	1	34,284,712	1	34,398,866	1
CURRENT TAX ASSETS	2,283,002	-	1,231,624	-	1,383,627	-
DISCOUNTS AND LOANS, NET (Notes 13, 41 and 42)	2,318,427,571	58	2,193,417,017	59	2,156,407,285	59
REINSURANCE ASSETS, NET	106,854	-	84,674	-	80,078	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14)	135,777	-	134,794	-	130,666	-
OTHER FINANCIAL ASSETS, NET (Notes 15, 31 and 42)	111,736,598	3	128,596,256	3	123,177,116	4
INVESTMENT PROPERTIES, NET (Note 16)	11,488,305	-	10,826,441	-	9,980,834	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	33,658,054	1	33,771,493	1	33,828,774	1
RIGHT-OF-USE ASSETS, NET (Note 18)	1,586,265	-	1,723,612	-	1,735,922	-
INTANGIBLE ASSETS (Note 19)	3,864,453	-	3,711,718	-	3,674,602	-
DEFERRED TAX ASSETS (Note 38)	2,423,620	-	2,491,061	-	1,735,325	-
OTHER ASSETS, NET (Notes 18 and 20)	6,247,455	-	3,774,376	-	3,704,235	-
TOTAL	\$ 4,002,011,579	100	\$ 3,739,488,557	100	\$ 3,680,903,365	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 41)	\$ 254,828,586	6	\$ 242,966,181	7	\$ 254,566,981	7
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	18,529,930	-	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 27 and 41)	3,569,237	-	16,047,300	1	13,961,217	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 11, 23 and 41)	54,855,263	1	45,554,849	1	50,358,236	1
COMMERCIAL PAPER ISSUED, NET (Note 24)	35,938,843	1	31,104,638	1	31,937,675	1
PAYABLES (Notes 25 and 41)	60,430,354	2	50,852,309	1	58,219,970	2
CURRENT TAX LIABILITIES	906,890	-	2,185,489	-	1,494,685	-
DEPOSITS AND REMITTANCES (Notes 26 and 41)	3,124,103,000	78	2,891,805,142	77	2,826,883,962	77
BONDS PAYABLE (Note 27)	68,200,000	2	65,000,000	2	60,000,000	2
OTHER BORROWINGS (Notes 24 and 28)	1,181,189	-	3,432,028	-	3,354,810	-
PROVISIONS (Notes 29 and 30)	38,652,564	1	42,956,006	1	43,913,703	1
OTHER FINANCIAL LIABILITIES (Notes 16 and 31)	101,762,919	3	113,837,618	3	106,917,236	3
LEASE LIABILITIES (Note 18)	1,550,090	-	1,651,391	-	1,672,612	-
DEFERRED TAX LIABILITIES (Notes 17 and 38)	3,682,121	-	3,453,105	-	3,480,789	-
OTHER LIABILITIES (Note 32)	1,827,319	-	1,735,197	-	1,762,138	-
Total liabilities	<u>3,770,018,305</u>	<u>94</u>	<u>3,512,581,253</u>	<u>94</u>	<u>3,458,524,014</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	133,342,237	3	129,458,483	3	129,458,483	3
Capital surplus	57,974,241	2	57,973,141	2	57,973,141	2
Retained earnings						
Legal reserve	9,622,864	-	7,927,632	-	7,927,632	-
Special reserve	996,026	-	996,026	-	996,026	-
Unappropriated earnings	12,562,459	1	16,952,318	1	13,023,960	1
Total retained earnings	23,181,349	1	25,875,976	1	21,947,618	1
Other equity	11,302,092	-	8,112,324	-	7,726,012	-
Total equity attributable to owners of TCFHC	225,799,919	6	221,419,924	6	217,105,254	6
NON-CONTROLLING INTERESTS	6,193,355	-	5,487,380	-	5,274,097	-
Total equity	<u>231,993,274</u>	<u>6</u>	<u>226,907,304</u>	<u>6</u>	<u>222,379,351</u>	<u>6</u>
TOTAL	\$ 4,002,011,579	100	\$ 3,739,488,557	100	\$ 3,680,903,365	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 September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 33 and 41)	\$ 12,459,486	89	\$ 15,185,575	125	\$ 40,283,887	106	\$ 45,464,640	125
INTEREST EXPENSE (Notes 33 and 41)	<u>(3,928,918)</u>	<u>(28)</u>	<u>(6,371,338)</u>	<u>(53)</u>	<u>(14,343,941)</u>	<u>(38)</u>	<u>(19,032,688)</u>	<u>(52)</u>
NET INTEREST	<u>8,530,568</u>	<u>61</u>	<u>8,814,237</u>	<u>72</u>	<u>25,939,946</u>	<u>68</u>	<u>26,431,952</u>	<u>73</u>
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 34 and 41)	2,015,959	14	1,676,246	14	5,731,047	15	5,047,631	14
Premium income, net (Notes 31 and 35)	76,559	-	(151,712)	(1)	(236,389)	(1)	(473,238)	(2)
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 36 and 41)	(1,309,245)	(9)	865,340	7	(2,977,046)	(8)	4,072,328	11
Gains on disposal of investment properties	-	-	2,126	-	18,198	-	2,126	-
Realized gains on financial assets at fair value through other comprehensive income (Note 9)	2,194,082	16	1,244,926	10	3,774,012	10	2,140,167	6
Gains on derecognition of financial assets at amortized cost, net (Note 10)	-	-	18,489	-	-	-	19,346	-
Foreign exchange gains (losses), net	2,929,442	21	(241,936)	(2)	6,069,811	16	(834,962)	(2)
Impairment losses on assets (Notes 9 and 10)	(10,089)	-	(14,990)	-	(40,180)	-	(18,063)	-
Share of gains of associates and joint ventures accounted for using the equity method (Note 14)	4,102	-	456	-	8,064	-	9,641	-
Losses on reclassification of overlay approach (Note 8)	(438,047)	(3)	(89,749)	(1)	(178,404)	-	(388,726)	(1)
Other noninterest gains (losses), net (Notes 16 and 41)	<u>(41,300)</u>	<u>-</u>	<u>51,102</u>	<u>1</u>	<u>15,023</u>	<u>-</u>	<u>262,145</u>	<u>1</u>
Total net revenues and gains other than interest	<u>5,421,463</u>	<u>39</u>	<u>3,360,298</u>	<u>28</u>	<u>12,184,136</u>	<u>32</u>	<u>9,838,395</u>	<u>27</u>
TOTAL NET REVENUES	<u>13,952,031</u>	<u>100</u>	<u>12,174,535</u>	<u>100</u>	<u>38,124,082</u>	<u>100</u>	<u>36,270,347</u>	<u>100</u>
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Note 13)	<u>(2,417,155)</u>	<u>(17)</u>	<u>(697,739)</u>	<u>(6)</u>	<u>(5,653,431)</u>	<u>(15)</u>	<u>(3,165,746)</u>	<u>(9)</u>
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 29)	<u>171,659</u>	<u>1</u>	<u>529,489</u>	<u>5</u>	<u>1,088,654</u>	<u>3</u>	<u>1,355,370</u>	<u>4</u>

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING EXPENSES								
(Notes 4, 16, 17, 18, 19, 30 and 37)								
Employee benefits	\$ (4,251,108)	(30)	\$ (4,210,870)	(35)	\$ (12,355,666)	(32)	\$ (12,391,314)	(34)
Depreciation and amortization	(544,253)	(4)	(473,975)	(4)	(1,612,975)	(4)	(1,387,551)	(4)
General and administrative	<u>(1,754,719)</u>	<u>(13)</u>	<u>(1,771,574)</u>	<u>(14)</u>	<u>(5,005,163)</u>	<u>(13)</u>	<u>(5,060,065)</u>	<u>(14)</u>
Total operating expenses	<u>(6,550,080)</u>	<u>(47)</u>	<u>(6,456,419)</u>	<u>(53)</u>	<u>(18,973,804)</u>	<u>(49)</u>	<u>(18,838,930)</u>	<u>(52)</u>
INCOME BEFORE INCOME TAX	5,156,455	37	5,549,866	46	14,585,501	39	15,621,041	43
INCOME TAX EXPENSE (Notes 4 and 38)	<u>(823,617)</u>	<u>(6)</u>	<u>(826,804)</u>	<u>(7)</u>	<u>(2,198,112)</u>	<u>(6)</u>	<u>(2,402,934)</u>	<u>(6)</u>
NET INCOME	<u>4,332,838</u>	<u>31</u>	<u>4,723,062</u>	<u>39</u>	<u>12,387,389</u>	<u>33</u>	<u>13,218,107</u>	<u>37</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss								
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	-	-	190	-	(669)	-	(13,995)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	<u>(1,279,994)</u>	<u>(9)</u>	<u>(794,854)</u>	<u>(7)</u>	<u>(1,227,644)</u>	<u>(3)</u>	<u>1,447,259</u>	<u>4</u>
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(1,279,994)</u>	<u>(9)</u>	<u>(794,664)</u>	<u>(7)</u>	<u>(1,228,313)</u>	<u>(3)</u>	<u>1,433,264</u>	<u>4</u>
Items that may be reclassified subsequently to profit or loss (Notes 8, 14 and 38)								
Exchange differences on the translation of financial statements of foreign operations	(570,238)	(4)	(224,326)	(2)	(1,394,146)	(4)	108,186	-
Unrealized gains on investments in debt instruments at fair value through other comprehensive income	1,780,605	13	165,444	1	6,195,127	16	4,635,473	13

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income on reclassification of overlay approach	\$ 438,047	3	\$ 89,749	1	\$ 178,404	1	\$ 388,726	1
Income tax attributable to other comprehensive income	<u>61,816</u>	-	<u>(5,549)</u>	-	<u>105,129</u>	-	<u>(358,554)</u>	(1)
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>1,710,230</u>	<u>12</u>	<u>25,318</u>	-	<u>5,084,514</u>	<u>13</u>	<u>4,773,831</u>	<u>13</u>
Other comprehensive income (losses), net of income tax	<u>430,236</u>	<u>3</u>	<u>(769,346)</u>	<u>(7)</u>	<u>3,856,201</u>	<u>10</u>	<u>6,207,095</u>	<u>17</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,763,074</u>	<u>34</u>	<u>\$ 3,953,716</u>	<u>32</u>	<u>\$ 16,243,590</u>	<u>43</u>	<u>\$ 19,425,202</u>	<u>54</u>
NET INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 4,207,098	30	\$ 4,646,642	38	\$ 11,959,627	32	\$ 12,905,502	36
Non-controlling interests	<u>125,740</u>	<u>1</u>	<u>76,420</u>	<u>1</u>	<u>427,762</u>	<u>1</u>	<u>312,605</u>	<u>1</u>
	<u>\$ 4,332,838</u>	<u>31</u>	<u>\$ 4,723,062</u>	<u>39</u>	<u>\$ 12,387,389</u>	<u>33</u>	<u>\$ 13,218,107</u>	<u>37</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 4,344,035	31	\$ 3,739,152	30	\$ 15,382,866	41	\$ 18,248,841	51
Non-controlling interests	<u>419,039</u>	<u>3</u>	<u>214,564</u>	<u>2</u>	<u>860,724</u>	<u>2</u>	<u>1,176,361</u>	<u>3</u>
	<u>\$ 4,763,074</u>	<u>34</u>	<u>\$ 3,953,716</u>	<u>32</u>	<u>\$ 16,243,590</u>	<u>43</u>	<u>\$ 19,425,202</u>	<u>54</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)								
Basic	<u>\$ 0.32</u>		<u>\$ 0.35</u>		<u>\$ 0.90</u>		<u>\$ 0.97</u>	
Diluted	<u>\$ 0.32</u>		<u>\$ 0.35</u>		<u>\$ 0.90</u>		<u>\$ 0.97</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 40)		Capital Surplus	Retained Earnings (Notes 9 and 40)			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 9)	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 40)	
	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
Unclaimed dividends	-	-	1,100	-	-	-	-	-	-	-	-	1,100
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	1,695,232	-	(1,695,232)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,003,971)	-	-	-	-	-	(11,003,971)
Stock dividends	388,376	3,883,754	-	-	-	(3,883,754)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	233,170	-	(233,170)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(154,749)	(154,749)
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designed as at fair value through profit or loss upon derecognition	-	-	-	-	-	301	-	-	(301)	-	-	-
Net income for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	-	-	-	-	427,762	12,387,389
Other comprehensive income (losses) for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,117,631)	4,449,432	(669)	92,107	432,962	3,856,201
Total comprehensive income (losses) for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	(1,117,631)	4,449,432	(669)	92,107	860,724	16,243,590
BALANCE AT SEPTEMBER 30, 2020	<u>13,334,224</u>	<u>\$ 133,342,237</u>	<u>\$ 57,974,241</u>	<u>\$ 9,622,864</u>	<u>\$ 996,026</u>	<u>\$ 12,562,459</u>	<u>\$ (2,360,449)</u>	<u>\$ 13,216,533</u>	<u>\$ -</u>	<u>\$ 446,008</u>	<u>\$ 6,193,355</u>	<u>\$ 231,993,274</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
Appropriation of the 2018 earnings												
Legal reserve	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,426,589)	-	-	-	-	-	(9,426,589)
Stock dividends	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	30,023	-	(30,023)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(102,069)	(102,069)
Net income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	-	-	-	-	312,605	13,218,107
Other comprehensive income (losses) for the nine months ended September 30, 2019	-	-	-	-	-	-	93,366	5,067,371	(13,995)	196,597	863,756	6,207,095
Total comprehensive income (losses) for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	93,366	5,067,371	(13,995)	196,597	1,176,361	19,425,202
BALANCE AT SEPTEMBER 30, 2019	<u>12,945,848</u>	<u>\$ 129,458,483</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 13,023,960</u>	<u>\$ (188,973)</u>	<u>\$ 7,727,380</u>	<u>\$ 1,671</u>	<u>\$ 185,934</u>	<u>\$ 5,274,097</u>	<u>\$ 222,379,351</u>

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 14,585,501	\$ 15,621,041
Adjustments for:		
Depreciation expenses	1,448,950	1,251,452
Amortization expenses	164,025	136,099
Expected credit losses/bad-debt expenses	5,542,119	3,161,539
Losses (gains) on financial assets and liabilities at fair value through profit or loss	2,977,046	(4,072,328)
Interest expense	14,343,941	19,032,688
Gains on derecognition of financial assets at amortized cost	-	(19,346)
Interest revenue	(40,283,887)	(45,464,640)
Dividend income	(1,926,319)	(1,064,005)
Net changes in reserves for insurance liabilities	(1,088,654)	(1,355,370)
Reversal of provision for losses on guarantees	31,747	(2,915)
Net changes in reserves for other liabilities	79,565	7,122
Share of gains of associates and joint ventures accounted for using equity method	(8,064)	(9,641)
Losses on reclassification of overlay approach	178,404	388,726
Losses on disposal of properties and equipment	32,153	2,658
Gains on disposal of investments properties	(18,198)	(2,126)
Gains on disposal of investments	(1,847,693)	(1,076,162)
Impairment losses on financial assets	40,180	20,246
Reversal of impairment losses on financial assets	-	(2,183)
Unrealized losses (gains) on foreign exchange	412,931	(60,101)
Gains on disposal of collaterals assumed	(20,358)	-
Other lease gains	(166)	(44)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(21,280,927)	6,476,300
Increase in financial assets at fair value through profit or loss	(22,750,005)	(7,504,673)
Increase in financial assets at fair value through other comprehensive income	(53,107,415)	(45,080,856)
Decrease (increase) in investments in debt instruments at amortized cost	(23,184,781)	2,099,540
Increase in receivables	(3,050,762)	(3,505,884)
Increase in discounts and loans	(130,077,376)	(98,806,823)
Increase in reinsurance assets	(22,015)	(21,545)
Decrease (increase) in other financial assets	5,775,202	(301,549)
Increase in other assets	(2,533,046)	(720,313)
Increase in deposits from the Central Bank and other banks	11,862,405	28,302,175
Decrease in financial liabilities at fair value through profit or loss	(7,843,913)	(6,166,163)
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020	2019
Increase in securities sold under repurchase agreements	\$ 9,309,569	\$ 5,988,940
Increase in payables	12,663,123	6,133,955
Increase in deposits and remittances	232,297,858	100,409,613
Decrease in provision for employee benefits	(437,809)	(228,971)
Decrease in provisions	(2,884,893)	(3,349,528)
Decrease in other financial liabilities	(523,389)	(464,981)
Decrease in other liabilities	<u>(102,365)</u>	<u>(1,499,475)</u>
Cash used in operations	(1,247,316)	(31,747,528)
Interest received	43,866,582	46,883,390
Dividends received	2,037,165	1,192,132
Interest paid	(17,565,507)	(17,992,123)
Income tax paid	<u>(4,114,252)</u>	<u>(1,878,993)</u>
Net cash generated from (used in) operating activities	<u>22,976,672</u>	<u>(3,543,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(841,198)	(842,943)
Proceeds of the disposal of properties and equipment	-	5
Increase in refundable deposits	(2,915,137)	(1,498,307)
Decrease in refundable deposits	2,910,607	1,755,181
Acquisition of intangible assets	(303,811)	(173,931)
Proceeds from disposal of collaterals assumed	139,748	-
Acquisition of investment properties	(812,311)	(536,065)
Proceeds from disposal of investment properties	89,927	16,200
Increase in other assets	(20,167)	(29,553)
Decrease in other assets	<u>20,211</u>	<u>10,959</u>
Net cash used in investing activities	<u>(1,732,131)</u>	<u>(1,298,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and other banks	18,529,930	-
Increase in commercial paper issued	4,825,000	5,851,000
Proceeds from the issuance of corporate bonds	5,700,000	-
Proceeds from the issuance of bank debentures	5,000,000	5,000,000
Repayments of bank debentures	(7,500,000)	-
Increase in other borrowings	19,839,282	29,822,664
Decrease in other borrowings	(22,082,565)	(28,874,231)
Decrease in financial liabilities designated as at fair value through profit or loss	(12,096,000)	-
Increase in guarantee deposits received	1,800,333	695,255
Decrease in guarantee deposits received	(1,871,419)	(92,962)
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020	2019
Repayments of the principal portion of lease liabilities	\$ (445,217)	\$ (407,392)
Increase in other liabilities	185,428	25,047
Dividends paid	(11,003,971)	(9,426,589)
Changes in non-controlling interests	<u>(154,749)</u>	<u>(102,069)</u>
Net cash generated from financing activities	<u>726,052</u>	<u>2,490,723</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>3,741,615</u>	<u>948,608</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,712,208	(1,402,245)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>90,305,606</u>	<u>73,678,540</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 116,017,814</u>	<u>\$ 72,276,295</u>
Cash and cash equivalents reconciliations:		
	September 30	
	2020	2019
Cash and cash equivalents in the consolidated balance sheets	\$ 55,957,565	\$ 48,614,397
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”	58,936,186	21,661,759
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	863,153	1,720,845
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>260,910</u>	<u>279,294</u>
Cash and cash equivalents, end of period	<u>\$ 116,017,814</u>	<u>\$ 72,276,295</u>

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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), 13 overseas branches, 8 overseas sub-branches and 2 representative offices as of September 30, 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 September 30, 2020 and 2019, TCFHC and its subsidiaries (the Company) had 9,488 and 9,470 employees, respectively.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

Impact of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (Collectively, the 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 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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

a. Impairment losses on loans

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

The assessment of impairment loss also takes into consideration the classification of credit assets and the possible impairment losses based on the length of time the loans have become overdue and the status of collection of the collateral. The Company evaluates the amount of impairment losses based on whether the customer's repayments of principal and interest are overdue and the length of time the

payments are overdue, the estimate of value of the collateral and the debtor's financial status. If future actual cash flows are lesser than expected, a material impairment loss may arise.

b. Insurance liability and liability adequacy test

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 23,311,688	\$ 38,837,415	\$ 22,997,480
Notes and checks in clearing	10,626,208	6,067,358	10,803,646
Due from banks	<u>22,025,003</u>	<u>15,105,656</u>	<u>14,817,044</u>
	55,962,899	60,010,429	48,618,170
Less: Allowance for possible losses	<u>5,334</u>	<u>3,647</u>	<u>3,773</u>
	<u>\$ 55,957,565</u>	<u>\$ 60,006,782</u>	<u>\$ 48,614,397</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Reserves for deposits - account A	\$ 36,796,889	\$ 22,529,019	\$ 33,198,701
Reserves for deposits - account B	81,193,018	74,559,407	74,596,690
Reserves for deposits - community financial institutions	63,977,087	60,777,063	60,083,835
Reserves for deposits - foreign-currency deposits	555,810	408,912	407,852
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Due from the Central Bank - others	26,408,539	22,485,951	13,991,597

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Due from the Central Bank - central government agencies' deposits	\$ 3,222,851	\$ 5,641,409	\$ 3,484,443
Call loans to banks	<u>63,817,730</u>	<u>38,215,545</u>	<u>40,104,264</u>
	<u>\$ 315,171,924</u>	<u>\$ 263,817,306</u>	<u>\$ 265,067,382</u> (Concluded)

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

Under the 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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Commercial paper	\$ 66,477,101	\$ 37,520,824	\$ 53,485,308
Negotiable certificates of deposit	6,599,021	4,999,773	3,399,994
Beneficial certificates	5,285,307	5,422,409	4,929,042
Corporate bonds	2,921,121	4,410,829	4,013,175
Investments in equity instruments	2,265,824	3,285,674	2,986,926
Government bonds	1,172,137	147,338	2,628,424
Convertible bonds	874,169	1,088,914	1,106,740
Acquired loans	222,067	303,196	366,513
Commercial paper contracts with reference rate	9,804	4,349	4,617
Bank debentures	-	873,028	1,066,544
Currency swap contracts	858,665	1,372,738	1,607,312
Futures exchange margins	328,065	157,086	211,114
Convertible bonds assets swap contracts	70,698	181,040	292,534
Forward contracts	53,767	53,994	21,731
Currency option contracts - buy	36,412	28,094	20,866
Cross-currency swap contracts	9,488	10,666	8,313
Interest rate swap contracts	2,074	496,817	411,186
Foreign-currency margin contracts	<u>1,285</u>	<u>119,049</u>	<u>159,495</u>
Financial assets at fair value through profit or loss	<u>\$ 87,187,005</u>	<u>\$ 60,475,818</u>	<u>\$ 76,719,834</u> (Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Held-for-trading financial liabilities</u>			
Payable - security borrowing	\$ 367,691	\$ 139,434	\$ 110,288
Commercial paper contracts with reference rate	265	-	-
Currency swap contracts	3,109,193	3,796,160	1,161,635
Currency option contract - sell	36,485	28,278	20,914
Forward contracts	29,019	13,462	124,672
Interest rate swap contracts	15,646	14,548	17,215
Cross-currency swap contracts	5,745	-	4,634
Asset swap options	4,924	2,989	14,268
Convertible bonds assets swap contracts	154	-	-
Foreign-currency margin	115	-	-
	<u>3,569,237</u>	<u>3,994,871</u>	<u>1,453,626</u>
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 27)	<u>-</u>	<u>12,052,429</u>	<u>12,507,591</u>
Financial liabilities at fair value through profit or loss	<u>\$ 3,569,237</u>	<u>\$ 16,047,300</u>	<u>\$ 13,961,217</u> (Concluded)

As of September 30, 2020, December 31, 2019 and September 30, 2019, financial assets at fair value through profit or loss amounting to \$32,681,415 thousand, \$28,594,352 thousand and \$28,608,535 thousand, respectively, had been sold under repurchase agreements.

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

As of September 30, 2020, December 31, 2019 and September 30, 2019, the contract (notional) amounts of derivative transactions of TCB were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Currency swap contracts	\$ 268,593,576	\$ 344,693,125	\$ 396,761,026
Forward contracts	9,267,462	6,701,883	10,566,867
Currency option contracts - sell	5,151,812	5,016,696	4,874,913
Currency option contracts - buy	5,151,812	5,016,696	4,874,913
Interest rate swap contracts	1,700,000	15,836,460	16,324,802
Cross-currency swap contracts	1,051,901	605,798	1,344,635
Foreign-currency margin contracts	62,085	644,945	658,760

As of September 30, 2020, December 31, 2019 and September 30, 2019, the open position of futures transactions of TCB were as follows:

		September 30, 2020			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Interest rate futures	Sell	15	\$ 60,743	\$ 60,784

		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

		September 30, 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	\$ 21,678	\$ 21,646

As of September 30, 2020, December 31, 2019 and September 30, 2019, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		September 30, 2020			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium Paid (Charged)	
Futures contracts	Interest rate futures	Buy	1	\$ 6,502	\$ 6,455
	Stock index futures	Buy	10	22,264	22,247
	Single-stock futures	Buy	602	210,488	206,750
	Commodity futures	Buy	270	70,132	68,126
	Interest rate futures	Sell	2	10,487	10,490
	Stock index futures	Sell	390	362,813	362,885
	Single-stock futures	Sell	6	1,922	1,895
	Commodity futures	Sell	71	125,867	126,352
	Foreign exchange futures	Sell	6	20,625	20,707

		December 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of	Amounts or	
				Contracts	
				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

		September 30, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of	Amounts or	
				Contracts	
				Paid	
				(Charged)	
Futures contracts	Stock index futures	Buy	10	\$ 43,402	\$ 43,142
	Single-stock futures	Buy	42	15,265	15,205
	Stock index futures	Sell	64	149,521	149,350
	Single-stock futures	Sell	105	59,462	59,384
	Commodity futures	Sell	12	23,045	22,702
	Foreign exchange futures	Sell	6	21,729	21,646
	Interest rate futures	Sell	57	381,768	380,547

As of September 30, 2020, December 31, 2019 and September 30, 2019, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Asset swap contracts	\$ 50,000	\$ 124,200	\$ 294,800

As of September 30, 2020, December 31, 2019 and September 30, 2019, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Currency swap contracts	\$ -	\$ 104,930	\$ 39,716
Interest rate swap contracts	600,000	600,000	3,800,000

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

As of September 30, 2020, December 31, 2019 and September 30, 2019, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Currency swap contracts	\$ 10,561,355	\$ 11,971,264	\$ 13,192,949

BPCTLI has applied IFRS 9 since 2018, and choose to apply IFRS 4 “Insurance Contracts” the overlay approach to recognize in profit or loss. The financial assets designated for the overlay approach were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL</u>			
Beneficial certificates	\$ 4,490,395	\$ 4,745,210	\$ 4,137,040
Investment in equity instruments	380,943	579,428	520,745

For the nine months ended September 30, 2020 and 2019, for the financial assets designated for the overlay approach, the amounts reclassified between profit or loss and other comprehensive income were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit or loss on application of IFRS 9	\$ 462,945	\$ 110,109	\$ 363,699	\$ 657,514
Less: Profit or loss from application of IAS 39	<u>(24,898)</u>	<u>(20,360)</u>	<u>(185,295)</u>	<u>(268,788)</u>
Gain or loss on reclassification of overlay approach	<u>\$ 438,047</u>	<u>\$ 89,749</u>	<u>\$ 178,404</u>	<u>\$ 388,726</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Investments in equity instruments at FVTOCI</u>			
Listed shares and emerging market shares	\$ 14,221,040	\$ 12,108,964	\$ 10,981,501
Unlisted shares	<u>5,916,454</u>	<u>5,416,359</u>	<u>5,042,027</u>
	<u>20,137,494</u>	<u>17,525,323</u>	<u>16,023,528</u>
<u>Investments in debt instruments at FVTOCI</u>			
Government bonds	211,532,661	188,054,791	171,289,449
Corporate bonds	120,096,030	110,095,314	110,442,509
Bank debentures	<u>84,847,476</u>	<u>66,180,172</u>	<u>65,875,421</u>
	<u>416,476,167</u>	<u>364,330,277</u>	<u>347,607,379</u>
	<u>\$ 436,613,661</u>	<u>\$ 381,855,600</u>	<u>\$ 363,630,907</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 \$24,860,695 thousand and \$8,512,575 thousand for the nine months ended September 30, 2020 and 2019, respectively. The accumulated unrealized gain of financial assets at FVTOCI under other equity in the amounts of \$233,170 thousand and \$30,023 thousand has been transferred to retained earnings, respectively.

For the three months and the nine months ended September 30, 2020 and 2019, the Company recognized dividends revenue \$1,578,181 thousand, \$867,171 thousand, \$1,926,319 thousand and 1,064,005 thousand, respectively, also derecognized amounts related to investments \$668,559 thousand, \$334,572 thousand, \$1,016,697 thousand and \$340,658 thousand, respectively, compared to the amounts held on September 30, 2020 and 2019 which were \$909,622 thousand and \$723,347 thousand, respectively.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$131,328 thousand, \$104,428 thousand and \$101,695 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the three months and nine months ended September 30, 2020 and 2019 were \$4,710 thousand, \$9,045 thousand, \$36,657 thousand and \$14,293 thousand, respectively.

As of September 30, 2020, December 31, 2019 and September 30, 2019, financial assets at fair value through other comprehensive income amounting to \$21,645,322 thousand, \$16,124,558 thousand and \$21,211,639 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
Negotiable certificates of deposit in the Central Bank	\$ 410,760,000	\$ 386,260,000	\$ 387,380,000
Government bonds	108,608,929	107,778,975	103,530,608
Corporate bonds	45,371,613	43,372,329	42,166,389
Bank debentures	12,997,924	20,207,214	21,599,499
Certificates of deposit	<u>2,008,728</u>	<u>278,907</u>	<u>288,542</u>
	579,747,194	557,897,425	554,965,038
Less: Allowance for impairment loss	<u>49,704</u>	<u>48,481</u>	<u>52,368</u>
	<u>\$ 579,697,490</u>	<u>\$ 557,848,944</u>	<u>\$ 554,912,670</u>

Impairment loss recognized in profit or loss for the three months and the nine months ended September 30, 2020 and 2019 were \$919 thousand losses, \$5,945 thousand losses, \$1,366 thousand losses and \$3,770 thousand losses, respectively.

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

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$863,153 thousand, \$1,436,329 thousand and \$1,720,845 thousand under resell agreements as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, will subsequently be sold for \$867,354 thousand, \$1,437,169 thousand and \$1,721,689 thousand, respectively.

As of December 31, 2019 and September 30, 2019, securities purchased under resell agreements amounting to \$30,996 thousand and \$32,072 thousand, respectively had been sold under repurchase agreements.

12. RECEIVABLES, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Accrued interest	\$ 7,581,520	\$ 9,704,380	\$ 9,783,091
Acceptances	4,644,882	3,139,891	2,803,702
Credit cards	4,294,913	4,397,510	4,178,431
Margin loans receivable	4,167,673	4,298,212	4,066,151
Settlement consideration	3,758,984	3,155,981	2,654,664
Receivable on securities	2,659,833	1,189,001	2,472,669
Settlement receivable	2,555,445	2,678,150	3,154,032
Lease payment receivable	2,418,613	2,793,859	2,759,981
Receivables on merchant accounts in the credit card business	890,343	1,051,907	619,321
Receivables on financing provided	676,815	860,467	840,392
Credits receivable	378,947	456,459	457,630
Accounts receivable	365,036	578,130	420,071
Accounts receivable factored without recourse	198,652	246,992	207,075
Refundable deposits receivable in leasehold agreements	183,993	183,993	183,993
Others	<u>774,751</u>	<u>623,479</u>	<u>819,808</u>
	35,550,400	35,358,411	35,421,011
Less: Allowance for possible losses	834,963	881,849	836,332
Less: Unrealized interest revenue	<u>152,610</u>	<u>191,850</u>	<u>185,813</u>
	<u>\$ 34,562,827</u>	<u>\$ 34,284,712</u>	<u>\$ 34,398,866</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	(14,370)	14,577	(207)	-
Credit-impaired financial assets	(16,653)	(2,450)	19,103	-
12-month ECL	7,132	(6,803)	(329)	-
New financial assets purchased or originated	68,926,329	139,655	74,696	69,140,680
Write-offs	-	(56,506)	(48,571)	(105,077)
Derecognition of financial assets in the current reporting period	(68,555,994)	(95,056)	(55,223)	(68,706,273)
Changes in exchange rates and other changes	<u>(1,012,883)</u>	<u>(1)</u>	<u>(16)</u>	<u>(1,012,900)</u>
Balance at September 30, 2020	<u>\$ 20,095,971</u>	<u>\$ 42,266</u>	<u>\$ 174,457</u>	<u>\$ 20,312,694</u>

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 20,357,759	\$ 44,951	\$ 154,180	\$ 20,556,890
Transfers to				
Lifetime ECL	(26,395)	26,452	(57)	-
Credit-impaired financial assets	(18,738)	(3,862)	22,600	-
12-month ECL	11,036	(10,549)	(487)	-
New financial assets purchased or originated	37,481,389	90,743	82,698	37,654,830
Write-offs	-	-	(24,960)	(24,960)
Derecognition of financial assets in the current reporting period	(37,734,180)	(98,593)	(60,669)	(37,893,442)
Changes in exchange rates and other changes	<u>(292,076)</u>	<u>-</u>	<u>41</u>	<u>(292,035)</u>
Balance at September 30, 2019	<u>\$ 19,778,795</u>	<u>\$ 49,142</u>	<u>\$ 173,346</u>	<u>\$ 20,001,283</u>

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	(153)	167	(14)	-	-	-
Credit-impaired financial assets	(272)	(616)	888	-	-	-
12-month ECL	1,489	(1,415)	(74)	-	-	-
Derecognition of financial assets in the current reporting period	(33,744)	(31,081)	(34,194)	(99,019)	-	(99,019)
Reversal from financial instruments recognized at the beginning of the current reporting period	(3,218)	61,301	34,474	92,557	-	92,557
New financial assets purchased or originated	40,578	25,531	39,547	105,656	-	105,656
Difference of impairment loss under regulations	-	-	-	-	(12,576)	(12,576)
Write-offs	-	(56,506)	(48,571)	(105,077)	-	(105,077)
Recovery of written-off receivables	-	-	538	538	-	538
Changes in exchange rates and other changes	(2,891)	-	2,611	(280)	-	(280)
Balance at September 30, 2020	<u>\$ 51,287</u>	<u>\$ 11,250</u>	<u>\$ 72,493</u>	<u>\$ 135,030</u>	<u>\$ 136,819</u>	<u>\$ 271,849</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 47,086	\$ 11,458	\$ 36,154	\$ 94,698	\$ 105,414	\$ 200,112
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(411)	417	(6)	-	-	-
Credit-impaired financial assets	(470)	(1,062)	1,532	-	-	-
12-month ECL	2,496	(2,381)	(115)	-	-	-
Derecognition of financial assets in the current reporting period	(43,574)	(34,285)	(24,931)	(102,790)	-	(102,790)
Reversal from financial instruments recognized at the beginning of the current reporting period	(1,184)	8,646	17,699	25,161	-	25,161
New financial assets purchased or originated	36,527	29,595	51,427	117,549	-	117,549
Difference of impairment loss under regulations	-	-	-	-	(4,457)	(4,457)
Write-offs	-	-	(24,960)	(24,960)	-	(24,960)
Recovery of written-off receivables	-	-	3,930	3,930	-	3,930
Changes in exchange rates and other changes	1,969	-	(1,855)	114	-	114
Balance at September 30, 2019	<u>\$ 42,439</u>	<u>\$ 12,388</u>	<u>\$ 58,875</u>	<u>\$ 113,702</u>	<u>\$ 100,957</u>	<u>\$ 214,659</u>

Impairment assessment, except the above receivables was based on the expected credit loss model at the beginning of the current reporting period by the simplified method. On September 30, 2020, December 31, 2019 and September 30, 2019, the amounts of impairment of receivables were assessed as \$15,237,706 thousand, \$14,362,147 thousand and \$15,419,728 thousand, respectively, and the amounts of allowance for possible losses were \$563,114 thousand, \$591,799 thousand and \$621,673 thousand, respectively.

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

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 591,799	\$ 616,898
Provision for possible losses	1,364	6,292
Write-offs	(9,962)	(9,224)
Recovery of written-off receivables	5,797	9,042
Effects of exchange rate changes and other changes	<u>(25,884)</u>	<u>(1,335)</u>
Balance at September 30	<u>\$ 563,114</u>	<u>\$ 621,673</u>

13. DISCOUNTS AND LOANS, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Bills discounted	\$ 3,227,483	\$ 1,958,364	\$ 2,299,112
Overdraft			
Unsecured	46,471	76,441	90,036
Secured	39,135	33,123	66,473
Import and export negotiations	598,049	593,669	1,032,132
Short-term loans			
Unsecured	326,745,230	303,476,993	305,480,876
Accounts receivable financing	315,202	417,844	267,177
Secured	199,283,732	215,171,974	206,759,482
Medium-term loans			
Unsecured	357,127,573	337,513,275	333,686,889
Secured	378,829,864	308,947,041	300,435,095
Long-term loans			
Unsecured	34,447,923	30,990,954	28,716,187
Secured	1,037,938,256	1,015,513,426	997,989,076
Overdue loans	8,254,785	5,847,989	6,172,017
Life insurance loan	389,291	713,885	764,044
Temporary insurance paid	<u>57,093</u>	<u>49,902</u>	<u>47,292</u>
	2,347,300,087	2,221,304,880	2,183,805,888
Less: Allowance for possible losses	28,450,820	27,376,392	26,884,247
Less: Adjustment of discount	<u>421,696</u>	<u>511,471</u>	<u>514,356</u>
	<u>\$ 2,318,427,571</u>	<u>\$2,193,417,017</u>	<u>\$2,156,407,285</u>

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

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 2,181,142,309	\$ 2,524,438	\$ 37,638,133	\$ 2,221,304,880
Transfers to				
Lifetime ECL	(1,563,468)	1,641,675	(78,207)	-
Credit-impaired financial assets	(15,221,849)	(540,717)	15,762,566	-
12-month ECL	875,205	(614,064)	(261,141)	-
New financial assets purchased or originated	831,222,359	367,542	287,463	831,877,364
Write-offs	-	-	(4,956,223)	(4,956,223)
Derecognition of financial assets in the current reporting period	(683,721,237)	(669,821)	(5,538,824)	(689,929,882)
Changes in exchange rates and other changes	(10,389,487)	1,533	(608,098)	(10,996,052)
Balance at September 30, 2020	<u>\$ 2,302,343,832</u>	<u>\$ 2,710,586</u>	<u>\$ 42,245,669</u>	<u>\$ 2,347,300,087</u>

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 2,051,978,195	\$ 2,960,372	\$ 32,411,101	\$ 2,087,349,668
Transfers to				
Lifetime ECL	(3,516,919)	3,548,543	(31,624)	-
Credit-impaired financial assets	(10,834,302)	(638,219)	11,472,521	-
12-month ECL	2,042,797	(828,071)	(1,214,726)	-
New financial assets purchased or originated	761,526,830	773,962	244,130	762,544,922
Write-offs	-	-	(3,821,149)	(3,821,149)
Derecognition of financial assets in the current reporting period	(652,760,533)	(826,670)	(4,117,540)	(657,704,743)
Changes in exchange rates and other changes	(4,734,964)	(11,420)	183,574	(4,562,810)
Balance at September 30, 2019	<u>\$ 2,143,701,104</u>	<u>\$ 4,978,497</u>	<u>\$ 35,126,287</u>	<u>\$ 2,183,805,888</u>

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	(5,504)	18,180	(12,676)	-	-	-
Credit-impaired financial assets	(277,480)	(8,123)	285,603	-	-	-
12-month ECL	23,540	(1,792)	(21,748)	-	-	-
Derecognition of financial assets in the current reporting period	(1,773,230)	(4,198)	(1,580,246)	(3,357,674)	-	(3,357,674)
Reversal from financial instruments recognized at the beginning of the current reporting period	(292,257)	(857)	5,886,129	5,593,015	-	5,593,015
New financial assets purchased or originated	2,079,842	4,247	15,704	2,099,793	-	2,099,793
Difference of impairment loss under regulations	-	-	-	-	1,034,582	1,034,582
Write-offs	-	-	(4,956,223)	(4,956,223)	-	(4,956,223)
Recovery of write-off credits	-	-	771,171	771,171	-	771,171
Changes in exchange rates and other changes	(123,147)	624	12,287	(110,236)	-	(110,236)
Balance at September 30, 2020	<u>\$ 4,015,238</u>	<u>\$ 23,233</u>	<u>\$ 6,190,071</u>	<u>\$ 10,228,542</u>	<u>\$ 18,222,278</u>	<u>\$ 28,450,820</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 3,785,613	\$ 9,005	\$ 4,570,540	\$ 8,365,158	\$ 18,033,152	\$ 26,398,310
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(4,864)	8,012	(3,148)	-	-	-
Credit-impaired financial assets	(140,352)	(6,138)	146,490	-	-	-
12-month ECL	91,791	(1,352)	(90,439)	-	-	-
Derecognition of financial assets in the current reporting period	(1,677,484)	(1,855)	(740,647)	(2,419,986)	-	(2,419,986)
Reversal from financial instruments recognized at the beginning of the current reporting period	196,394	20,205	3,576,969	3,793,568	-	3,793,568
New financial assets purchased or originated	2,119,917	2,797	90,429	2,213,143	-	2,213,143
Difference of impairment loss under regulations	-	-	-	-	(505,815)	(505,815)
Write-offs	-	-	(3,821,149)	(3,821,149)	-	(3,821,149)
Recovery of write-off credits	-	-	1,224,741	1,224,741	-	1,224,741
Changes in exchange rates and other changes	71,986	(149)	(70,402)	1,435	-	1,435
Balance at September 30, 2019	<u>\$ 4,443,001</u>	<u>\$ 30,525</u>	<u>\$ 4,883,384</u>	<u>\$ 9,356,910</u>	<u>\$ 17,527,337</u>	<u>\$ 26,884,247</u>

The bad-debt expenses and provision for losses on guarantees for the three months and the nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Provision for possible losses on discounts and loans	\$ 2,201,126	\$ 601,152	\$ 5,369,716	\$ 3,080,910
Provision for possible losses on receivables	53,820	21,447	87,982	41,755
Provision for possible losses on overdue receivables	5,433	8,183	84,421	38,874
Provision (reversal of provision) for possible losses on guarantees	58,160	65,507	31,747	(2,915)
Provision (reversal of provision) for possible losses on loan commitment	101,753	(6,215)	88,837	3,176
Provision (reversal of provision) for other possible losses	(3,137)	7,665	(9,272)	3,946
	<u>\$ 2,417,155</u>	<u>\$ 697,739</u>	<u>\$ 5,653,431</u>	<u>\$ 3,165,746</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, TCB was in compliance with the FSC-required provision for credit assets.

As of September 30, 2020, December 31, 2019 and September 30, 2019, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$106,938 thousand and \$101,631 thousand for the nine months ended September 30, 2020 and 2019, respectively, based on the average loan interest rate for the year.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	\$ 133,470	30.00	\$ 131,500	30.00	\$ 130,666	30.00
Mesh Cooperative Ventures Inc.	<u>2,307</u>	33.00	<u>3,294</u>	33.00	<u>-</u>	-
	<u>\$ 135,777</u>		<u>\$ 134,794</u>		<u>\$ 130,666</u>	

Aggregate information of associate that is not individually material:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2020	2019	2020	2019
The Company's share of:				
Net income	\$ 4,102	\$ 456	\$ 8,064	\$ 9,641
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 4,102</u>	<u>\$ 456</u>	<u>\$ 8,064</u>	<u>\$ 9,641</u>

The Company should have received \$7,081 thousand and \$6,069 thousand of dividends from United Real Estate Management Co., Ltd. for the nine months ended September 30, 2020 and 2019, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the nine months ended September 30, 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

	September 30, 2020	December 31, 2019	September 30, 2019
Overdue receivables	\$ 354,645	\$ 99,024	\$ 102,314
Less: Allowance for possible losses	<u>117,569</u>	<u>91,249</u>	<u>96,647</u>
Overdue receivables, net	237,076	7,775	5,667
Due from banks	12,974,520	19,150,780	19,203,924
Security borrowing margin	521,192	209,516	162,327
Call loans to security firms	260,910	-	279,294
Separate-account assets (Note 31)	<u>97,742,900</u>	<u>109,228,185</u>	<u>103,525,904</u>
	<u>\$ 111,736,598</u>	<u>\$ 128,596,256</u>	<u>\$ 123,177,116</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

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 8,671,026	\$ 8,149,105	\$ 7,514,364
Buildings	<u>2,817,279</u>	<u>2,677,336</u>	<u>2,466,470</u>
	<u>\$ 11,488,305</u>	<u>\$ 10,826,441</u>	<u>\$ 9,980,834</u>
	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 8,149,105	\$ 3,632,616	\$ 11,781,721
Additions	558,721	253,590	812,311
Disposals	(36,800)	(37,481)	(74,281)
Reclassification	<u>-</u>	<u>(5,142)</u>	<u>(5,142)</u>
Balance at September 30, 2020	<u>\$ 8,671,026</u>	<u>\$ 3,843,583</u>	<u>\$ 12,514,609</u>
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	316,772	219,293	536,065
Disposals	(9,600)	(5,053)	(14,653)
Reclassification	<u>-</u>	<u>25,741</u>	<u>25,741</u>
Balance at September 30, 2019	<u>\$ 7,514,364</u>	<u>\$ 3,346,798</u>	<u>\$ 10,861,162</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 955,280	\$ 955,280
Disposals	-	(2,552)	(2,552)
Depreciation expenses	-	73,576	73,576
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 1,026,304</u>	<u>\$ 1,026,304</u>
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Disposals	-	(654)	(654)
Depreciation expenses	-	62,625	62,625
Reclassification	<u>-</u>	<u>887</u>	<u>887</u>
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 880,328</u>	<u>\$ 880,328</u>

Investment properties (except for land) are depreciated using the straight-line method over service lives estimated 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 nine months ended September 30, 2020 and 2019.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Rental income from investment properties (part of other noninterest gains, net)	\$ 119,683	\$ 128,351	\$ 364,335	\$ 376,887
Direct operating expenses for investment properties that generate rental income	<u>(39,738)</u>	<u>(38,984)</u>	<u>(117,771)</u>	<u>(112,224)</u>
	<u>\$ 79,945</u>	<u>\$ 89,367</u>	<u>\$ 246,564</u>	<u>\$ 264,663</u>

Lease agreements on investment properties owned by the Company and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of September 30, 2020, December 31, 2019 and September 30, 2019, guarantee deposits on these leases totaled \$105,707 thousand, \$95,043 thousand and \$95,114 thousand, respectively. Minimum future annual rentals are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 428,324	\$ 409,542	\$ 437,003
Year 2	393,975	344,075	363,228
Year 3	314,143	316,310	338,935
Year 4	269,080	219,299	246,301
Year 5	136,959	186,163	197,047
Over five years	<u>114,371</u>	<u>415,132</u>	<u>538,068</u>
	<u>\$ 1,656,852</u>	<u>\$ 1,890,521</u>	<u>\$ 2,120,582</u>

17. PROPERTIES AND EQUIPMENT, NET

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Assets used by the Company</u>			
Land	\$ 20,715,265	\$ 20,715,350	\$ 20,971,247
Buildings	10,870,365	11,281,242	11,411,694
Machinery and equipment	1,228,981	1,022,181	691,096
Transportation equipment	121,047	103,116	98,730
Other equipment	231,812	238,354	211,193
Leasehold improvements	189,154	156,569	137,388
Prepayments for equipment, land and buildings and construction in progress	<u>273,492</u>	<u>254,681</u>	<u>307,426</u>
	<u>\$ 33,630,116</u>	<u>\$ 33,771,493</u>	<u>\$ 33,828,774</u>
<u>Assets leased under operating leases</u>			
Machinery and equipment	\$ 8,797	\$ -	\$ -
Other equipment	<u>19,141</u>	<u>-</u>	<u>-</u>
	<u>\$ 27,938</u>	<u>\$ -</u>	<u>\$ -</u>

a. Assets used by the Company

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
<u>Cost</u>								
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	-	104,221	233,180	33,801	49,590	59,639	331,148	811,579
Disposals	-	(93,903)	(91,719)	(26,550)	(23,500)	(6,604)	-	(242,276)
Reclassification	-	25,202	242,785	4,436	4,980	16,338	(312,325)	(18,584)
Effects of exchange rate changes	(85)	(181)	(7,228)	(817)	(4,141)	(3,428)	(12)	(15,892)
Balance at September 30, 2020	<u>\$ 20,730,442</u>	<u>\$ 19,321,450</u>	<u>\$ 5,124,414</u>	<u>\$ 647,900</u>	<u>\$ 1,431,325</u>	<u>\$ 1,083,862</u>	<u>\$ 273,492</u>	<u>\$ 48,612,885</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	-	234,120	182,615	37,057	33,171	39,538	316,442	842,943
Disposals	-	(5,284)	(204,955)	(15,800)	(20,266)	(4,171)	-	(250,476)
Reclassification	37,554	8,563	228,292	507	3,808	2,974	(325,677)	(43,979)
Effects of exchange rate changes	25	53	369	(5)	9	199	27	677
Balance at September 30, 2019	<u>\$ 20,986,424</u>	<u>\$ 19,300,504</u>	<u>\$ 4,513,914</u>	<u>\$ 645,355</u>	<u>\$ 1,376,836</u>	<u>\$ 991,708</u>	<u>\$ 307,426</u>	<u>\$ 48,122,167</u>
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total	
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ 15,177	\$ 8,004,869	\$ 3,725,215	\$ 533,914	\$ 1,166,042	\$ 861,348	\$ 14,306,565	
Disposals	-	(61,868)	(91,602)	(26,550)	(23,500)	(6,603)	(210,123)	
Depreciation expenses	-	508,262	265,686	20,115	58,142	42,452	894,657	
Reclassification	-	-	(94)	-	94	-	-	
Effects of exchange rate changes	-	(178)	(3,772)	(626)	(1,265)	(2,489)	(8,330)	
Balance at September 30, 2020	<u>\$ 15,177</u>	<u>\$ 8,451,085</u>	<u>\$ 3,895,433</u>	<u>\$ 526,853</u>	<u>\$ 1,199,513</u>	<u>\$ 894,708</u>	<u>\$ 14,982,769</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	-	(5,284)	(202,417)	(15,691)	(20,250)	(4,171)	(247,813)	
Depreciation expenses	-	493,955	158,143	17,246	61,249	42,139	772,732	
Reclassification	-	(887)	-	-	-	-	(887)	
Effects of exchange rate changes	-	42	351	857	(1,869)	187	(432)	
Balance at September 30, 2019	<u>\$ 15,177</u>	<u>\$ 7,888,810</u>	<u>\$ 3,822,818</u>	<u>\$ 546,625</u>	<u>\$ 1,165,643</u>	<u>\$ 854,320</u>	<u>\$ 14,293,393</u>	

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As September 30, 2020, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,596,230 thousand.

The above items of properties and equipment used by the Company 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 September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

b. Assets leased under operating leases

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Cost</u>			
Balance at January 1, 2020	\$ -	\$ -	\$ -
Additions	<u>9,393</u>	<u>20,226</u>	<u>29,619</u>
Balance at September 30, 2020	<u>\$ 9,393</u>	<u>\$ 20,226</u>	<u>\$ 29,619</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ -	\$ -
Depreciation expenses	<u>596</u>	<u>1,085</u>	<u>1,681</u>
Balance at September 30, 2020	<u>\$ 596</u>	<u>\$ 1,085</u>	<u>\$ 1,681</u>

The Company leases machinery and equipment and other equipment under operating leases with lease terms of 2020 to 2029. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

Please refer to Note 16 for the minimum future annual rentals.

Depreciation expenses of operating leases equipment are depreciated on the straight-line method over service lives estimated as follows:

Machinery and equipment	1 to 7 years
Other equipment	2 to 7 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amounts</u>				
Land	\$ 14,456	\$ 14,838	\$ 15,986	
Buildings	1,480,380	1,623,628	1,626,979	
Transportation equipment	72,912	63,519	70,202	
Other equipment	<u>18,517</u>	<u>21,627</u>	<u>22,755</u>	
	<u>\$ 1,586,265</u>	<u>\$ 1,723,612</u>	<u>\$ 1,735,922</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets	<u>\$ 55,612</u>	<u>\$ 244,972</u>	<u>\$ 384,718</u>	<u>\$ 554,582</u>
Depreciation charge for right-of-use assets				
Land	\$ 1,737	\$ 1,057	\$ 5,299	\$ 1,476
Buildings	146,630	137,587	445,131	391,616
Transportation equipment	9,160	7,270	25,231	19,632
Other equipment	<u>1,125</u>	<u>1,123</u>	<u>3,375</u>	<u>3,371</u>
	<u>\$ 158,652</u>	<u>\$ 147,037</u>	<u>\$ 479,036</u>	<u>\$ 416,095</u>

Except for the above listed additions and recognized depreciation expenses, there was no significant sublease or impairment of the Company's right-of-use assets for the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts	<u>\$ 1,550,090</u>	<u>\$ 1,651,391</u>	<u>\$ 1,672,612</u>
Range of discount rate for lease liabilities was as follows:			
	September 30, 2020	December 31, 2019	September 30, 2019
Land	1.593%-1.627%	1.617%-1.627%	1.617%-1.627%
Buildings	1.593%-11.625%	1.615%-9.800%	1.617%-8.880%
Transportation equipment	0.845%-8.880%	1.040%-8.880%	1.040%-8.880%
Other equipment	2.445%-4.000%	2.445%-4.000%	2.445%-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 September 30, 2020, December 31, 2019 and September 30, 2019, refundable deposits on these leases totaled \$134,474 thousand, \$135,333 thousand and \$135,233 thousand, respectively.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 1,315</u>	<u>\$ 16,133</u>	<u>\$ 5,801</u>	<u>\$ 66,828</u>
Expenses relating to low-value asset leases	<u>\$ 829</u>	<u>\$ 1,396</u>	<u>\$ 2,776</u>	<u>\$ 2,525</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 1,784</u>	<u>\$ 1,020</u>	<u>\$ 3,342</u>	<u>\$ 2,182</u>
Total cash outflow for leases	<u>\$ (138,796)</u>	<u>\$ (147,495)</u>	<u>\$ (484,576)</u>	<u>\$ (479,848)</u>

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

For the nine months ended September 30, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied was \$56,848 thousand as of September 30, 2019.

19. INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>694,448</u>	<u>541,713</u>	<u>504,597</u>
	<u>\$ 3,864,453</u>	<u>\$ 3,711,718</u>	<u>\$ 3,674,602</u>

	Goodwill	Computer Software	Total
Balance at January 1, 2020	\$ 3,170,005	\$ 541,713	\$ 3,711,718
Separate acquisition	-	303,811	303,811
Amortization expenses	-	(164,020)	(164,020)
Reclassification	-	15,642	15,642
Effect of exchange rate changes	-	(2,698)	(2,698)
	<u> </u>	<u> </u>	<u> </u>
Balance at September 30, 2020	<u>\$ 3,170,005</u>	<u>\$ 694,448</u>	<u>\$ 3,864,453</u>
Balance at January 1, 2019	\$ 3,170,005	\$ 461,030	\$ 3,631,035
Separate acquisition	-	173,931	173,931
Amortization expenses	-	(136,083)	(136,083)
Reclassification	-	6,664	6,664
Effect of exchange rate changes	-	(945)	(945)
	<u> </u>	<u> </u>	<u> </u>
Balance at September 30, 2019	<u>\$ 3,170,005</u>	<u>\$ 504,597</u>	<u>\$ 3,674,602</u>

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 7.54%, 7.54% and 8.69% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

Goodwill resulting from the 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 September 30, 2020, December 31, 2019 and September 30, 2019.

20. OTHER ASSETS, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Refundable deposits	\$ 1,625,350	\$ 1,557,376	\$ 1,634,561
Operating deposits and settlement funds	728,756	721,456	723,965
Prepaid expenses	1,370,058	1,266,353	960,410
Collaterals assumed, net	-	119,389	255,144
Receipts under custody for securities underwriting	2,386,070	-	-
Others	137,221	109,802	130,155
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 6,247,455</u>	<u>\$ 3,774,376</u>	<u>\$ 3,704,235</u>

As of September 30, 2020 and December 31, 2019, prepaid expenses included that TCB invested in overseas branch in the amounts of \$1,014,405 thousand and \$1,038,095 thousand, respectively.

21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2020	December 31, 2019	September 30, 2019
Deposits from banks	\$ 133,923,759	\$ 142,115,517	\$ 130,408,247
Call loans from banks	118,800,322	98,312,219	118,401,413
Overdrafts from other banks	1,570,643	1,523,969	4,743,413
Transfer deposits from Chunghwa Post Co., Ltd.	95,665	589,604	589,604
Deposits from the Central Bank	<u>438,197</u>	<u>424,872</u>	<u>424,304</u>
	<u>\$ 254,828,586</u>	<u>\$ 242,966,181</u>	<u>\$ 254,566,981</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2020	December 31, 2019	September 30, 2019
Due to the Central Banks	<u>\$ 18,529,930</u>	<u>\$ -</u>	<u>\$ -</u>

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$54,855,263 thousand, \$45,554,849 thousand and \$50,358,236 thousand under repurchase agreements as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, would subsequently be purchased for \$54,870,373 thousand, \$45,574,470 thousand and \$50,376,539 thousand, respectively.

24. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$35,950,000 thousand, \$31,125,000 thousand and \$31,961,000 thousand and the annual discount rates were from 0.383%-0.628%, from 0.668%-1.008% and 0.648%-1.100% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, and from the commercial paper will mature by November 19, 2021, March 11, 2020 and September 28, 2020, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of September 30, 2020, the Company had not used the amount of \$69,575,161 thousand, the sum of the amount of the commercial paper issued and the credit.

25. PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Collections payable	\$ 15,309,029	\$ 4,868,304	\$ 8,267,233
Checks for clearing	10,626,208	6,067,358	10,803,646
Accrued expenses	5,059,902	5,850,263	4,817,375
Collections of notes and checks for various financial institutions in other cities	4,931,399	4,661,873	5,154,851
Acceptances	4,870,635	3,408,518	2,995,340
Settlements payable	3,801,346	3,019,195	4,509,714
Accrued interest	3,214,848	6,302,176	6,833,788
Settlement consideration	2,745,688	2,900,712	2,941,138
Payables on notes and checks collected for others	1,912,197	1,493,452	1,899,234
Payable on securities	1,911,735	3,422,615	3,197,504
Separate accounts payable	792,665	4,599,943	1,402,249
Tax payable	494,257	510,791	525,740
Payables for short-sale transactions	425,420	501,921	448,988
Dividends payable	377,140	339,653	339,653
Deposits on short-sale transactions	379,799	460,612	411,735
Factored accounts payable	136,842	85,645	96,738
Insurance claims and benefits payable	81,493	154,881	147,295
Others	<u>3,359,751</u>	<u>2,204,397</u>	<u>3,427,749</u>
	<u>\$ 60,430,354</u>	<u>\$ 50,852,309</u>	<u>\$ 58,219,970</u>

26. DEPOSITS AND REMITTANCES

	September 30, 2020	December 31, 2019	September 30, 2019
Deposits			
Checking	\$ 42,639,784	\$ 45,146,567	\$ 40,579,160
Demand	652,302,984	552,317,584	542,075,297
Savings - demand	961,394,220	892,650,215	886,610,690
Time	692,996,797	616,547,240	578,181,305
Negotiable certificates of deposit	45,495,144	43,230,113	45,478,934
Savings - time	614,459,682	626,095,579	627,627,798
Treasury	114,625,355	115,377,291	106,103,076
Remittances	<u>189,034</u>	<u>440,553</u>	<u>227,702</u>
	<u>\$ 3,124,103,000</u>	<u>\$ 2,891,805,142</u>	<u>\$ 2,826,883,962</u>

27. BONDS PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
Bank debentures	\$ 62,500,000	\$ 65,000,000	\$ 60,000,000
First unsecured corporate bond of TCFHC in 2020: Fixed rate of 0.68%; maturity - May 26, 2027	<u>5,700,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 68,200,000</u>	<u>\$ 65,000,000</u>	<u>\$ 60,000,000</u>

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

	September 30, 2020	December 31, 2019	September 30, 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
First non-cumulative perpetual subordinated bonds in 2019: Fixed rated of 1.90%; TCB may exercise its redemption rights after 5 years and 1 months	5,000,000	5,000,000	5,000,000

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
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	5,000,000	5,000,000	-
First non-cumulative perpetual subordinated bonds in 2020: Fixed rate of 1.50%; TCB may exercise its redemption rights after 5 years and 1 month	<u>5,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 62,500,000</u>	<u>\$ 65,000,000</u>	<u>\$ 60,000,000</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 the settlement date, March 30, 2045. To lower exposure to adverse changes in interest rates, TCB enters into interest rate swap contracts measured at fair value through profit or loss and to eliminate a measurement or recognition inconsistency, the unsecured bank debentures are reclassified as designated as at FVTPL upon initial recognition. They were as follows:

	December 31, 2019	September 30, 2019
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,039,290	\$ 9,380,884
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,013,139</u>	<u>3,126,707</u>
	<u>\$ 12,052,429</u>	<u>\$ 12,507,591</u>

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.

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, out of which \$5,700,000 thousand and 4,300,000 thousand have been approved by the authorities on May 19, 2020 and September 28, 2020. and have been issued on May 26, 2020 and October 7, 2020, respectively.

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 September 30, 2020, the amount of unissued unsecured bank debentures of TCB was US\$1,000,000 thousand.

TCB has obtained approval from the FSC to issue non-cumulative perpetual subordinated bonds amounting to \$10,000,000 thousand on May 26, 2020. As of September 30, 2020, the amount of unissued non-cumulative perpetual subordinated bonds of TCB was \$5,000,000 thousand.

28. OTHER BORROWINGS

	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 24)	<u>\$ 1,181,189</u>	0.388-4.956	<u>\$ 3,432,028</u>	0.900-5.795	<u>\$ 3,354,810</u>	0.730-5.795

29. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
Reserve for life insurance liabilities	\$ 26,551,699	\$ 27,679,771	\$ 27,891,072
Reserve for insurance contracts with financial instrument features	3,244,177	6,068,784	7,213,758
Provision for employee benefits	6,495,427	6,933,236	6,635,803
Provision for losses on guarantees	1,511,412	1,479,849	1,422,259
Provision for losses on loan commitment	268,469	182,585	146,473
Provision for others	25,143	34,837	30,707
Other provision for insurance	<u>556,237</u>	<u>576,944</u>	<u>573,631</u>
	<u>\$ 38,652,564</u>	<u>\$ 42,956,006</u>	<u>\$ 43,913,703</u>

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

	September 30, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 10,950,641	\$ 5,429,481	\$ 16,380,122
Health insurance	708,287	-	708,287
Annuity insurance	-	9,398,003	9,398,003
Investment insurance	<u>64,354</u>	<u>-</u>	<u>64,354</u>
	11,723,282	14,827,484	26,550,766
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,723,282</u>	<u>\$ 14,827,484</u>	<u>\$ 26,550,766</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>

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

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

	For the Nine Months Ended September 30					
	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	959,576	253,843	1,213,419	1,149,420	250,572	1,399,992
Recovery	<u>(969,417)</u>	<u>(1,372,070)</u>	<u>(2,341,487)</u>	<u>(1,781,313)</u>	<u>(1,141,596)</u>	<u>(2,922,909)</u>
Ending balance	11,723,282	14,827,484	26,550,766	11,685,663	16,205,259	27,890,922
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30	<u>\$ 11,723,282</u>	<u>\$ 14,827,484</u>	<u>\$ 26,550,766</u>	<u>\$ 11,685,663</u>	<u>\$ 16,205,259</u>	<u>\$ 27,890,922</u>

- b. As of September 30, 2020, December 31, 2019 and September 30, 2019, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$26,551,699 thousand, \$27,679,771 thousand and \$27,891,072 thousand, respectively.

c. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	September 30, 2020	December 31, 2019	September 30, 2019
Life insurance liability reserve	\$ 26,550,766	\$ 27,678,834	\$ 27,890,922
Unearned premium reserve	310,973	269,630	257,742
Claims reserve	64,130	76,215	73,880
Premium deficiency reserve	<u>1,620</u>	<u>579</u>	<u>797</u>
Book value of insurance reserve	<u>\$ 26,927,489</u>	<u>\$ 28,025,258</u>	<u>\$ 28,223,341</u>
Present value of discounted cash flows	<u>\$ 24,251,446</u>	<u>\$ 25,137,472</u>	<u>\$ 25,496,933</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

September 30, 2020, December 31, 2019 and September 30, 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Life insurance	<u>\$ 3,244,177</u>	<u>\$ 6,068,784</u>	<u>\$ 7,213,758</u>
		For the Nine Months Ended September 30	
		2020	2019
Balance at January 1		\$ 6,068,784	\$ 10,434,066
Insurance claim payments for the period		(2,884,893)	(3,349,528)
Reserve for insurance contracts with financial instrument features		<u>60,286</u>	<u>129,220</u>
Balance at September 30		<u>\$ 3,244,177</u>	<u>\$ 7,213,758</u>

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve for foreign exchange valuation

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 230,520	\$ 239,440
Provisions		
Compulsory provisions	13,956	10,322
Additional provisions	<u>42,020</u>	<u>58,225</u>
	55,976	68,547
Recovery	<u>(106,982)</u>	<u>(66,775)</u>
Balance at September 30	<u>\$ 179,514</u>	<u>\$ 241,212</u>

3) Impact of the reserve for foreign exchange valuation

For the nine months ended September 30, 2020

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 12,346,584	\$ 12,387,389	\$ 40,805
Earnings per share (NT\$)	0.90	0.90	-
Reserve for foreign exchange valuation	-	179,514	179,514
Equity	232,166,188	231,993,274	(172,914)

For the nine months ended September 30, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 13,219,525	\$ 13,218,107	\$ (1,418)
Earnings per share (NT\$)	0.97	0.97	-
Reserve for foreign exchange valuation	-	241,212	241,212
Equity	222,601,624	222,379,351	(222,273)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Reserve for life insurance liabilities, net	\$ (188,577)	\$ (541,448)	\$ (1,128,068)	\$ (1,522,917)
Reserve for insurance contract with financial instrument features, net	994	24,409	60,286	129,220
Others, net	<u>15,924</u>	<u>(12,450)</u>	<u>(20,872)</u>	<u>38,327</u>
	<u>\$ (171,659)</u>	<u>\$ (529,489)</u>	<u>\$ (1,088,654)</u>	<u>\$ (1,355,370)</u>

g. Provisions for employee benefits are summarized below:

	September 30, 2020	December 31, 2019	September 30, 2019
Net defined benefit liabilities	\$ 2,639,188	\$ 2,961,625	\$ 2,703,446
Present value of retired employees' preferential interest deposit obligation	<u>3,856,239</u>	<u>3,971,611</u>	<u>3,932,357</u>
	<u>\$ 6,495,427</u>	<u>\$ 6,933,236</u>	<u>\$ 6,635,803</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						
Credit-impaired financial assets	(944)	-	944	-	-	-
12-month ECL	11	(11)	-	-	-	-
Derecognition of financial assets in the current reporting period	(132,473)	(321)	(61,621)	(194,415)	-	(194,415)
Reversal from financial instruments recognized at the beginning of the current reporting period	(29,638)	(83,800)	98,543	(14,895)	-	(14,895)
New financial assets purchased or originated	202,165	-	194	202,359	-	202,359
Difference of impairment loss under regulations	-	-	-	-	118,263	118,263
Change in exchange rates and other changes	<u>(3,559)</u>	<u>-</u>	<u>-</u>	<u>(3,559)</u>	<u>-</u>	<u>(3,559)</u>
Balance at September 30, 2020	<u>\$ 934,900</u>	<u>\$ 19,900</u>	<u>\$ 113,648</u>	<u>\$ 1,068,448</u>	<u>\$ 736,576</u>	<u>\$ 1,805,024</u>
	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 713,131	\$ 207,387	\$ 18,827	\$ 939,345	\$ 654,832	\$ 1,594,177
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(83)	83	-	-	-	-
Credit-impaired financial assets	(128)	-	128	-	-	-
Derecognition of financial assets in the current reporting period	(123,109)	(361)	(657)	(124,127)	-	(124,127)
Reversal from financial instruments recognized at the beginning of the current reporting period	(18,615)	(61,037)	1,737	(77,915)	-	(77,915)
New financial assets purchased or originated	256,202	1	23	256,226	-	256,226
Difference of impairment loss under regulations	-	-	-	-	(49,977)	(49,977)
Change in exchange rates and other changes	<u>1,055</u>	<u>-</u>	<u>-</u>	<u>1,055</u>	<u>-</u>	<u>1,055</u>
Balance at September 30, 2019	<u>\$ 828,453</u>	<u>\$ 146,073</u>	<u>\$ 20,058</u>	<u>\$ 994,584</u>	<u>\$ 604,855</u>	<u>\$ 1,599,439</u>

30. 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 \$167,259 thousand and \$154,501 thousand in the consolidated statement of comprehensive income for the nine months ended September 30, 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 nine months ended September 30, 2020 and 2019, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$342,814 thousand and \$595,763 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 nine months ended September 30, 2020 and 2019, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$532,887 thousand and \$522,942 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.

31. OTHER FINANCIAL LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Structured products - host contracts	\$ 1,998,755	\$ 2,529,298	\$ 1,428,127
Guarantee deposits received	1,984,138	2,050,163	1,927,395
Appropriation for loans	37,126	29,972	35,810
Separate-account liabilities	<u>97,742,900</u>	<u>109,228,185</u>	<u>103,525,904</u>
	<u>\$ 101,762,919</u>	<u>\$ 113,837,618</u>	<u>\$ 106,917,236</u>

The status of the Company's investment-linked products - separate-account as of September 30, 2020, December 31, 2019 and September 30, 2019, are summarized as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Separate-account assets (part of other financial assets)			
Demand deposits	\$ 932,181	\$ 963,032	\$ 1,094,832
Financial assets at FVTPL	95,633,973	103,107,687	100,782,839
Other receivables			
General accounts receivables	792,665	4,599,943	1,402,249
Investment settlement receivables	<u>384,081</u>	<u>557,523</u>	<u>245,984</u>
	<u>1,176,746</u>	<u>5,157,466</u>	<u>1,648,233</u>
	<u>\$ 97,742,900</u>	<u>\$ 109,228,185</u>	<u>\$ 103,525,904</u>
Separate-account liabilities (part of other financial liabilities)			
Reserve for separate-account - insurance contract	\$ 73,706,667	\$ 85,224,162	\$ 84,684,661
Reserve for separate-account - investment contract	<u>24,036,233</u>	<u>24,004,023</u>	<u>18,841,243</u>
	<u>\$ 97,742,900</u>	<u>\$ 109,228,185</u>	<u>\$ 103,525,904</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Separate-account revenue				
Premium income	\$ 1,122,774	\$ 2,293,085	\$ 3,559,868	\$ 6,509,101
Gain (loss) on financial assets at FVTPL	2,856,368	(1,234,446)	(4,981,254)	4,181,131
Interest revenue	252	524	1,077	1,687
Loss on foreign exchange	(254,129)	(1,624,973)	(5,133,321)	(731,816)
	<u>\$ 3,725,265</u>	<u>\$ (565,810)</u>	<u>\$ (6,553,630)</u>	<u>\$ 9,960,103</u>
Separate-account expense				
Insurance claims and benefits	\$ 1,494,204	\$ 1,781,363	\$ 4,353,218	\$ 5,099,817
Reserve for separate accounts, net of release - insurance contract	1,957,535	(2,566,050)	(11,727,809)	4,208,672
Administrative expenses	273,526	218,877	820,961	651,614
	<u>\$ 3,725,265</u>	<u>\$ (565,810)</u>	<u>\$ (6,553,630)</u>	<u>\$ 9,960,103</u>

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

32. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Advance receipts	\$ 1,530,267	\$ 1,620,591	\$ 1,635,428
Others	297,052	114,606	126,710
	<u>\$ 1,827,319</u>	<u>\$ 1,735,197</u>	<u>\$ 1,762,138</u>

33. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest revenue				
From discounts and loans	\$ 9,384,659	\$ 11,539,691	\$ 30,609,221	\$ 34,312,250
From investments	2,370,433	2,766,799	7,585,730	8,297,592
From due from banks and call loans to other banks	312,164	635,696	1,216,051	1,934,894
Others	392,230	243,389	872,885	919,904
	<u>12,459,486</u>	<u>15,185,575</u>	<u>40,283,887</u>	<u>45,464,640</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest expense				
From deposits	\$ (3,387,316)	\$ (5,135,509)	\$ (12,108,697)	\$ (15,377,915)
From due to the Central Bank and other banks	(179,516)	(740,433)	(1,028,494)	(2,181,148)
From bank debentures	(236,122)	(233,955)	(704,059)	(643,598)
From deposits from the Central Bank and other banks	(54,167)	(149,158)	(259,397)	(476,199)
From securities sold under repurchase agreements	(36,233)	(73,325)	(146,100)	(223,717)
Others	<u>(35,564)</u>	<u>(38,958)</u>	<u>(97,194)</u>	<u>(130,111)</u>
	<u>(3,928,918)</u>	<u>(6,371,338)</u>	<u>(14,343,941)</u>	<u>(19,032,688)</u>
	<u>\$ 8,530,568</u>	<u>\$ 8,814,237</u>	<u>\$ 25,939,946</u>	<u>\$ 26,431,952</u>
				(Concluded)

34. SERVICE FEE AND COMMISSION INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Service fee and commission revenues				
From trust business	\$ 550,212	\$ 438,900	\$ 1,550,736	\$ 1,212,763
From insurance service	151,091	199,186	536,455	803,096
From guarantee	257,994	223,037	764,617	651,628
From loans	331,267	176,100	845,035	595,900
From commission of investment-linked products	169,193	153,827	486,606	475,011
From credit cards	136,774	150,248	380,906	439,287
From brokerage service	223,273	110,632	528,425	289,710
From remittance	77,113	81,771	222,801	229,216
From cross-bank transactions	74,409	71,778	217,102	217,214
Management fee income	94,784	120,603	304,531	267,829
From management fees of investment-linked products	110,439	83,812	323,639	211,128
Others	<u>226,441</u>	<u>231,958</u>	<u>603,456</u>	<u>658,816</u>
	<u>2,402,990</u>	<u>2,041,852</u>	<u>6,764,309</u>	<u>6,051,598</u>
Service charge and commission expenses				
From cross-bank transactions	(88,977)	(84,470)	(256,900)	(253,145)
From insurance business	(100,119)	(98,685)	(235,060)	(248,947)
From credit cards	(67,597)	(74,216)	(199,905)	(194,891)
From credit cards acquiring	(30,787)	(31,773)	(101,188)	(93,768)
From custody	(21,823)	(25,227)	(62,181)	(65,836)
Others	<u>(77,728)</u>	<u>(51,235)</u>	<u>(178,028)</u>	<u>(147,380)</u>
	<u>(387,031)</u>	<u>(365,606)</u>	<u>(1,033,262)</u>	<u>(1,003,967)</u>
	<u>\$ 2,015,959</u>	<u>\$ 1,676,246</u>	<u>\$ 5,731,047</u>	<u>\$ 5,047,631</u>

35. PREMIUM INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Separate - account revenue (Note 31)	\$ 3,725,265	\$ (565,810)	\$ (6,553,630)	\$ 9,960,103
Premium income	<u>888,514</u>	<u>956,430</u>	<u>2,725,611</u>	<u>2,859,607</u>
	<u>4,613,779</u>	<u>390,620</u>	<u>(3,828,019)</u>	<u>12,819,710</u>
Separate - account expense (Note 31)	(3,725,265)	565,810	6,553,630	(9,960,103)
Insurance claims and benefits	(740,169)	(1,050,938)	(2,750,401)	(3,174,508)
Reinsurance premium ceded	(63,904)	(49,065)	(190,133)	(141,691)
Others	<u>(7,882)</u>	<u>(8,139)</u>	<u>(21,466)</u>	<u>(16,646)</u>
	<u>(4,537,220)</u>	<u>(542,332)</u>	<u>3,591,630</u>	<u>(13,292,948)</u>
	<u>\$ 76,559</u>	<u>\$ (151,712)</u>	<u>\$ (236,389)</u>	<u>\$ (473,238)</u>

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

	For the Three Months Ended September 30, 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	\$ 136,227	\$ 1,925,836	\$ (283,063)	\$ 63,138	\$ 1,842,138
Held-for-trading financial liabilities	-	(3,099,004)	(52,379)	-	(3,151,383)
Financial liabilities designated as at fair value through profit or loss	-	-	-	-	-
	<u>\$ 136,227</u>	<u>\$ (1,173,168)</u>	<u>\$ (335,442)</u>	<u>\$ 63,138</u>	<u>\$ (1,309,245)</u>
	For the Three Months Ended September 30, 2019				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 171,931	\$ 5,091,795	\$ (2,728,022)	\$ 87,494	\$ 2,623,198
Held-for-trading financial liabilities	-	(1,738,512)	146,562	-	(1,591,950)
Financial liabilities designated as at fair value through profit or loss	<u>(154,715)</u>	-	<u>(11,193)</u>	-	<u>(165,908)</u>
	<u>\$ 17,216</u>	<u>\$ 3,353,283</u>	<u>\$ (2,592,653)</u>	<u>\$ 87,494</u>	<u>\$ 865,340</u>

	For the Nine Months Ended September 30, 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	\$ 409,125	\$ 4,893,768	\$ (1,006,777)	\$ 165,228	\$ 4,461,344
Held-for-trading financial liabilities	-	(8,190,457)	840,296	-	(7,350,161)
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>\$ 263,799</u>	<u>\$ (3,296,689)</u>	<u>\$ (109,384)</u>	<u>\$ 165,228</u>	<u>\$ (2,977,046)</u>
	For the Nine Months Ended September 30, 2019				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 466,439	\$ 10,292,702	\$ 890,508	\$ 184,149	\$ 11,833,798
Held-for-trading financial liabilities	-	(6,583,047)	166,734	-	(6,416,313)
Financial liabilities designated as at fair value through profit or loss	<u>(451,916)</u>	<u>-</u>	<u>(893,241)</u>	<u>-</u>	<u>(1,345,157)</u>
	<u>\$ 14,523</u>	<u>\$ 3,709,655</u>	<u>\$ 164,001</u>	<u>\$ 184,149</u>	<u>\$ 4,072,328</u>

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employee benefits expenses				
Salaries	\$ 2,238,046	\$ 2,221,122	\$ 6,667,101	\$ 6,544,114
Incentives	887,304	772,014	2,368,341	2,342,292
Excessive interest from preferential interest deposits	290,096	283,962	859,428	837,623
Post-employment benefits, termination benefits and compensation	174,911	259,807	522,175	768,910
Overtime	108,358	105,384	320,402	302,410
Others	<u>552,393</u>	<u>568,581</u>	<u>1,618,219</u>	<u>1,595,965</u>
	<u>\$ 4,251,108</u>	<u>\$ 4,210,870</u>	<u>\$ 12,355,666</u>	<u>\$ 12,391,314</u>

Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the nine months ended September 30, 2020 and 2019, compensations of employees were estimated at \$2,065 thousand and \$2,197 thousand and the remuneration of directors were estimated at \$66,035 thousand and \$71,076 thousand, respectively, based on the amended Articles and past experiences.

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

The appropriations of employees' compensation and remuneration of directors for 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 September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Depreciation expenses	\$ 488,172	\$ 426,941	\$ 1,448,950	\$ 1,251,452
Amortization expenses	<u>56,081</u>	<u>47,034</u>	<u>164,025</u>	<u>136,099</u>
	<u>\$ 544,253</u>	<u>\$ 473,975</u>	<u>\$ 1,612,975</u>	<u>\$ 1,387,551</u>

38. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
Current period	\$ 963,634	\$ 1,287,518	\$ 1,923,945	\$ 2,588,050
Additional income tax on unappropriated earnings	-	-	14,046	16,267
Land revaluation increment tax	1,179	-	4,378	-
Prior year's adjustment	<u>6,010</u>	<u>(29,846)</u>	<u>(145,843)</u>	<u>(36,798)</u>
	970,823	1,257,672	1,796,526	2,567,519

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Deferred tax				
Current period	\$ (147,206)	\$ (430,868)	\$ 401,586	\$ (164,585)
Income tax expense recognized in profit or loss	<u>\$ 823,617</u>	<u>\$ 826,804</u>	<u>\$ 2,198,112</u>	<u>\$ 2,402,934</u> (Concluded)

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	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	\$ (115,287)	\$ (42,839)	\$ (279,408)	\$ 23,341
Unrealized gains on financial assets at fair value through other comprehensive income	52,836	48,704	176,475	331,973
Other comprehensive income on reclassification of overlay approach	<u>635</u>	<u>(316)</u>	<u>(2,196)</u>	<u>3,240</u>
Total income tax recognized in other comprehensive income	<u>\$ (61,816)</u>	<u>\$ 5,549</u>	<u>\$ (105,129)</u>	<u>\$ 358,554</u>

c. Deferred tax assets and liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Deferred tax assets</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 485,832	\$ 505,220	\$ -
Properties and equipment	8,699	9,182	9,343
Payable for annual leave	177,826	103,007	177,731
Employee's preferential interest deposit obligation	771,248	794,322	786,471
Other liabilities	5,783	5,783	5,883
Exchange differences on foreign operations	575,631	296,223	33,117
Allowance for possible losses	54,277	54,554	68,990
Collaterals assumed	372	372	372
Pension liabilities	406	386	376
Unrealized interest expense	-	535,532	505,450
Unrealized foreign exchange losses	173,267	16,201	1,237
Revenue from disposal of acquired loans	<u>170,279</u>	<u>170,279</u>	<u>146,355</u>
	<u>\$ 2,423,620</u>	<u>\$ 2,491,061</u>	<u>\$ 1,735,325</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 135	\$ 2,553	\$ 101,687
Financial instruments at fair value through other comprehensive income	412,910	238,631	200,183
Intangible assets	428,614	428,614	428,614
The reserve for land revaluation increment tax	2,596,230	2,596,230	2,596,230
Exchange differences on foreign operations	-	-	353
Defined benefit obligation	139,321	74,834	60,216
Investments accounted for using equity method	104,445	88,833	71,488
Collaterals assumed	466	466	466
Lease incentive	-	11,929	11,606
Others	<u>-</u>	<u>11,015</u>	<u>9,946</u>
	<u>\$ 3,682,121</u>	<u>\$ 3,453,105</u>	<u>\$ 3,480,789</u>

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

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

- e. Regarding the profit-seeking enterprise income tax application case of TCFHC in 2012, the Company has received the recheck decision. Based on the Ministry of Finance's letter issued on December 28, 2018, the tax collection authorities permitted TCFHC's subsidiaries to recognize the salary expense of share-based payments for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries. Therefore, the Company recognized the tax effects which amounted to \$46,033 thousand for the nine months ended September 30, 2020. In addition, based on the results of the profit-seeking enterprise income tax assessment certificate of TCFHC in 2015, the Company recognized the tax effects of the difference in tax deduction which amounted to \$90,562 thousand

39. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended September 30, 2020</u>			
Basic earnings per share (EPS)	\$ 4,207,098	13,334,224	\$ <u>0.32</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>106</u>	
Diluted EPS	<u>\$ 4,207,098</u>	<u>13,334,330</u>	<u>\$ 0.32</u>
<u>For the three months ended September 30, 2019</u>			
Basic earnings per share (EPS)	\$ 4,646,642	13,334,224	\$ <u>0.35</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>107</u>	
Diluted EPS	<u>\$ 4,646,642</u>	<u>13,334,331</u>	<u>\$ 0.35</u>
<u>For the nine months ended September 30, 2020</u>			
Basic earnings per share (EPS)	\$ 11,959,627	13,334,224	\$ <u>0.90</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>157</u>	
Diluted EPS	<u>\$ 11,959,627</u>	<u>13,334,381</u>	<u>\$ 0.90</u>
<u>For the nine months ended September 30, 2019</u>			
Basic earnings per share (EPS)	\$ 12,905,502	13,334,224	\$ <u>0.97</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>143</u>	
Diluted EPS	<u>\$ 12,905,502</u>	<u>13,334,367</u>	<u>\$ 0.97</u>

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

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Basic EPS (NT\$)	<u>\$ 0.36</u>	<u>\$ 1.00</u>	<u>\$ 0.35</u>	<u>\$ 0.97</u>
Diluted EPS (NT\$)	<u>\$ 0.36</u>	<u>\$ 1.00</u>	<u>\$ 0.35</u>	<u>\$ 0.97</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.

40. EQUITY

a. Capital stock

Common stocks

	September 30, 2020	December 31, 2019	September 30, 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>13,334,224</u>	<u>12,945,848</u>	<u>12,945,848</u>
Common stocks issued	<u>\$ 133,342,237</u>	<u>\$ 129,458,483</u>	<u>\$ 129,458,483</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 FSC and the Ministry of Economic Affairs (MOEA).

On June 24, 2020, the stockholders of TCFHC resolved to issue 388,376 thousand shares, which included the 2019 earnings amounting to \$3,883,754 thousand. This issuance was approved by the FSC and the change in registration is awaiting the approval of the MOEA.

b. Capital surplus

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

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

The capital surplus as of September 30, 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>9,898</u>
	71,470,722

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>\$ 57,974,241</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 Nine Months Ended September 30	
	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 September 30	<u>\$ 996,026</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

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

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

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

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

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

The appropriations from the earnings of 2019 and 2018 were approved in the stockholders' meeting on June 24, 2020 and 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 Nine Months Ended September 30	
	2020	2019
Balance on January 1	\$ 5,487,380	\$ 4,199,805
Attributable to non-controlling interests		
Net income	427,762	312,605
Exchange differences on the translation of financial statements of foreign operations	2,893	(8,521)
Unrealized losses on financial assets at FVTOCI	341,576	683,388
Other comprehensive income reclassification of overlay approach	88,493	188,889
Cash dividends distributed by subsidiary	<u>(154,749)</u>	<u>(102,069)</u>
Balance on September 30	<u>\$ 6,193,355</u>	<u>\$ 5,274,097</u>

41. 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 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.

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
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 6 Year ESG Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 6 Year ESG Senior Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Mobility and Innovation Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company's director.
The Fifth Credit Cooperation of Taipei	The director of the fifth credit cooperation of Taipei is also the supervisor of TCB
Others	Main management of the parent company and other related parties

(Concluded)

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 nine months ended September 30, 2020</u>				
Others	\$ 1,300,000	\$ 1,300,000	\$ 160	0.260-0.500
<u>For the nine months ended September 30, 2019</u>				
Others	\$ 4,231,000	\$ 200,000	\$ 26,979	0.400-2.850

2) Deposits from banks

	For the Nine Months Ended September 30			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 316,434	\$ 1,790	\$ 245,384	\$ 1,190
Others				
Tamshui First Credit Bank	24,603,006	153,486	24,294,874	179,131
The Fifth Credit Cooperation of Taipei	6,701,976	7,305	-	-
Others	34,765	14	28,726	16
	<u>\$ 31,656,181</u>	<u>\$ 162,595</u>	<u>\$ 24,568,984</u>	<u>\$ 180,337</u>

3) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Main management	\$ 344,047	\$ 254,102	\$ 2,233	0.995-1.560
Others	<u>1,121,153</u>	<u>149,022</u>	<u>1,335</u>	0.100-2.240
	<u>\$ 1,465,200</u>	<u>\$ 403,124</u>	<u>\$ 3,568</u>	
<u>For the nine months ended September 30, 2019</u>				
Main management	\$ 284,276	\$ 235,572	\$ 2,418	1.245-1.790
Others	<u>131,398</u>	<u>100,051</u>	<u>1,309</u>	1.137-2.465
	<u>\$ 415,674</u>	<u>\$ 335,623</u>	<u>\$ 3,727</u>	

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) Securities sold under repurchase agreements

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

5) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>			
Associates	\$ 98,433	\$ 89	0-0.640
Main management	681,734	7,851	0-13.000
Others	<u>15,406,194</u>	<u>25,700</u>	0-13.000
	<u>\$ 16,186,361</u>	<u>\$ 33,640</u>	
<u>For the nine months ended September 30, 2019</u>			
Associates	\$ 85,711	\$ 132	0-0.640
Main management	715,230	7,840	0-13.000
Others	<u>13,565,231</u>	<u>43,462</u>	0-13.000
	<u>\$ 14,366,172</u>	<u>\$ 51,434</u>	

	September 30, 2020	December 31, 2019	September 30, 2019
6) Accrued income (part of receivables)			
Others	<u>\$ 30,048</u>	<u>\$ 32,766</u>	<u>\$ 41,460</u>
7) Accrued interests (part of receivables)			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>
8) Receivable on securities (part of receivables)			
Others	<u>\$ 1,683</u>	<u>\$ -</u>	<u>\$ 832</u>
9) Payable on securities (part of payables)			
Others	<u>\$ -</u>	<u>\$ 1,153</u>	<u>\$ -</u>
		For the Nine Months Ended September 30	
		2020	2019
10) Service fee income (part of service fee and commission income, net)			
Main management		\$ 302	\$ 76
Others		<u>321,796</u>	<u>279,247</u>
		<u>\$ 322,098</u>	<u>\$ 279,323</u>
11) Service charge (part of service fee and commission income, net)			
Main management		\$ 69	\$ 57
Others		<u>1</u>	<u>2</u>
		<u>\$ 70</u>	<u>\$ 59</u>
12) Other income (part of other noninterest gain, net)			
Others		<u>\$ 1,600</u>	<u>\$ 3,895</u>
13) Donation (part of other noninterest gain, net)			
Main management		\$ 2,000	\$ 2,000
Others		<u>-</u>	<u>900</u>
		<u>\$ 2,000</u>	<u>\$ 2,900</u>

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

14) Purchases and sales of securities

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

15) Derivatives

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
					Other - TCB Fund of Emerging Markets Bond Fund	Currency swap
Other - TCB Global High Yield Bond Fund	Currency swap	2020.08.17-2020.11.30	US\$ 31,820	(9,778)	Financial liabilities at fair value through profit or loss	(9,778)
	Currency swap	2020.09.17-2020.10.21	US\$ 2,700	491	Financial assets at fair value through profit or loss	491
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2020.09.16-2020.11.30	US\$ 7,500	(1,956)	Financial liabilities at fair value through profit or loss	(1,956)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.09.11-2020.10.30	US\$ 36,500	(1,817)	Financial liabilities at fair value through profit or loss	(1,817)
	Currency swap	2020.09.21-2020.10.27	US\$ 10,300	1,902	Financial assets at fair value through profit or loss	1,902
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.09.17-2020.10.19	US\$ 14,000	1,768	Financial assets at fair value through profit or loss	1,768
Other - TCB 6 Year ESG Senior Emerging Market Bond Fund	Currency swap	2020.08.20-2020.10.20	US\$ 7,100	(3,874)	Financial liabilities at fair value through profit or loss	(3,874)
	Currency swap	2020.09.17-2020.10.29	US\$ 5,900	583	Financial assets at fair value through profit or loss	583
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2020.09.14-2020.12.08	US\$ 4,550	(325)	Financial liabilities at fair value through profit or loss	(325)

For the Nine Months Ended September 30, 2019

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

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

**For the Nine Months Ended
September 30**

	2020	2019
Financial assets and liabilities at fair value through profit or loss		
Others	<u>\$ 128,372</u>	<u>\$ (30,887)</u>

16) Loans

September 30, 2020

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 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	72	\$ 153,374	\$ 99,250	\$ 99,250	\$ -	Note 2	None
Self-used housing mortgage loans	51	311,826	253,874	253,874	-	Land and buildings	None
Other loans	Tamshui First Credit Bank	1,000,000	50,000	50,000	-	Certificates of deposit	None

September 30, 2019

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 2019 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	70	\$ 152,943	\$ 117,236	\$ 117,236	\$ -	Note 2	None
Self-used housing mortgage loans	48	262,731	218,387	218,387	-	Land and buildings	None

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

	September 30, 2020	December 31, 2019	September 30, 2019
Subsidiary	<u>\$ 561,086</u>	<u>\$ 539,932</u>	<u>\$ 578,979</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Subsidiary	\$ 9,806,641	\$ 7,461,974	\$ 15,348	0.020-2.360
Sister companies	6,200,000	4,900,000	13,871	0.260-0.570
Others	<u>1,300,000</u>	<u>1,300,000</u>	<u>160</u>	0.260-0.500
	<u>\$ 17,306,641</u>	<u>\$ 13,661,974</u>	<u>\$ 29,379</u>	
<u>For the nine months ended September 30, 2019</u>				
Subsidiary	\$ 9,561,739	\$ 8,547,955	\$ 38,000	0.001-3.180
Sister companies	5,000,000	1,800,000	16,462	0.400-0.700
Others	<u>4,231,000</u>	<u>200,000</u>	<u>26,979</u>	0.400-2.850
	<u>\$ 18,792,739</u>	<u>\$ 10,547,955</u>	<u>\$ 81,441</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Sister company TCS	<u>\$ 304,630</u>	<u>\$ 289,900</u>	<u>\$ 2,142</u>	0.340-2.480
<u>For the nine months ended September 30, 2019</u>				
Sister company TCS	<u>\$ 316,200</u>	<u>\$ 310,260</u>	<u>\$ 6,416</u>	2.740-3.200

d) Deposits from banks

	For the Nine Months Ended September 30			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 24	\$ -	\$ 1,285	\$ -
Main management	316,434	1,790	245,384	1,190
Others				
Tamshui First Credit Bank	24,603,006	153,486	24,294,874	179,131
The Fifth Credit Cooperation of Taipei	6,701,976	7,305	-	-
Others	<u>34,765</u>	<u>14</u>	<u>28,726</u>	<u>16</u>
	<u>\$ 31,656,205</u>	<u>\$ 162,595</u>	<u>\$ 24,570,269</u>	<u>\$ 180,337</u>

e) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Sister companies	\$ 1,000,000	\$ -	\$ -	2.265
Main management	344,047	254,102	2,233	0.995-1.560
Others	<u>1,121,153</u>	<u>149,022</u>	<u>1,335</u>	0.100-2.240
	<u>\$ 2,465,200</u>	<u>\$ 403,124</u>	<u>\$ 3,568</u>	
<u>For the nine months ended September 30, 2019</u>				
Sister companies	\$ 89,500	\$ -	\$ 8	2.265
Main management	284,276	235,572	2,418	1.245-1.790
Others	<u>131,398</u>	<u>100,051</u>	<u>1,309</u>	1.137-2.465
	<u>\$ 505,174</u>	<u>\$ 335,623</u>	<u>\$ 3,735</u>	

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 nine months ended September 30, 2020</u>			
Parent company	\$ 87,951	\$ 65	0-0.040
Sister companies	6,486,569	4,298	0-1.065
Associates	98,433	89	0-0.640
Main management	681,734	7,851	0-13.000
Others	<u>15,406,194</u>	<u>25,700</u>	0-13.000
	<u>\$ 22,760,881</u>	<u>\$ 38,003</u>	
<u>For the nine months ended September 30, 2019</u>			
Parent company	\$ 77,108	\$ 22	0-0.080
Sister companies	5,360,392	9,959	0-1.065
Associates	85,711	132	0-0.640
Main management	715,230	7,840	0-13.000
Others	<u>13,565,231</u>	<u>43,462</u>	0-13.000
	<u>\$ 19,803,672</u>	<u>\$ 61,415</u>	

g) Accrued income (part of receivables)

	September 30, 2020	December 31, 2019	September 30, 2019
Sister company			
BPCTLI	\$ 65,921	\$ 203,989	\$ 87,935
Others	<u>4,563</u>	<u>2,430</u>	<u>3,318</u>
	<u>\$ 70,484</u>	<u>\$ 206,419</u>	<u>\$ 91,253</u>

h) Receivable on securities (part of receivables)

	September 30, 2020	December 31, 2019	September 30, 2019
Sister company			
TCS	<u>\$ 884,721</u>	<u>\$ 138,642</u>	<u>\$ 29,873</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Parent company	<u>\$ 2,211,764</u>	<u>\$ 1,080,183</u>	<u>\$ 1,080,183</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Parent company	\$ <u> -</u>	\$ <u>1,639,593</u>	\$ <u>680,443</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Parent company	\$ 90	\$ -
Sister companies		
BPCTLI	476,535	848,821
Others	32,170	22,441
Main management	302	76
Others	<u>17,134</u>	<u>11,657</u>
	<u>\$ 526,231</u>	<u>\$ 882,995</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:

	September 30, 2020	December 31, 2019	September 30, 2019
Parent company	\$ 44,956	\$ 62,992	\$ 69,004
Sister companies			
TCS	125,351	173,981	166,728
BPCTLI	16,935	26,536	30,070
Others	<u>48,037</u>	<u>48,630</u>	<u>54,188</u>
	<u>\$ 235,279</u>	<u>\$ 312,139</u>	<u>\$ 319,990</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Parent company	\$ 18,036	\$ 18,036
Sister companies		
TCS	32,692	33,559
Others	<u>26,667</u>	<u>29,266</u>
	<u>\$ 77,395</u>	<u>\$ 80,861</u>

m) Purchases and sales of securities

For the Nine Months Ended September 30, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 7,427,881</u>	<u>\$ 2,533,895</u>	<u>\$ -</u>	<u>\$ 14,581,540</u>

n) Derivatives

For the Nine Months Ended September 30, 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	2020.09.08-2020.11.09	US\$123,367	\$ (22,765)	Financial liabilities at fair value through profit or loss	\$ (22,765)
	Currency swap	2020.09.10-2020.10.14	EUR 3,012	(1,603)	Financial liabilities at fair value through profit or loss	(1,603)
	Currency swap	2020.09.30-2020.10.30	EUR 4,844	979	Financial assets at fair value through profit or loss	979
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2020.09.08-2020.11.30	US\$ 17,800	(5,732)	Financial liabilities at fair value through profit or loss	(5,732)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.08.17-2020.11.30	US\$ 31,820	(9,778)	Financial liabilities at fair value through profit or loss	(9,778)
	Currency swap	2020.09.17-2020.10.21	US\$ 2,700	491	Financial assets at fair value through profit or loss	491
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2020.09.16-2020.11.30	US\$ 7,500	(1,956)	Financial liabilities at fair value through profit or loss	(1,956)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.09.11-2020.10.30	US\$ 36,500	(1,817)	Financial liabilities at fair value through profit or loss	(1,817)
	Currency swap	2020.09.21-2020.10.27	US\$ 10,300	1,902	Financial assets at fair value through profit or loss	1,902
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.09.17-2020.10.19	US\$ 14,000	1,768	Financial assets at fair value through profit or loss	1,768
Other - TCB 6 Year ESG Senior Emerging Market Bond Fund	Currency swap	2020.08.20-2020.10.20	US\$ 7,100	(3,874)	Financial liabilities at fair value through profit or loss	(3,874)
	Currency swap	2020.09.17-2020.10.29	US\$ 5,900	583	Financial assets at fair value through profit or loss	583
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2020.09.14-2020.12.08	US\$ 4,550	(325)	Financial liabilities at fair value through profit or loss	(325)

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

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

			For the Nine Months Ended September 30	
			2020	2019
Financial assets and liabilities at fair value through profit or loss				
Sister companies				
BPCTLI			\$ (169,482)	\$ 137,610
Others			<u>128,372</u>	<u>(30,887)</u>
			<u>\$ (41,110)</u>	<u>\$ 106,723</u>

o) Loans

September 30, 2020

Type	Account Volume or Name	Highest Balance in the Period Ended September 30, 2020 (Note 1)	Ending Balance	Loan Classification			Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans	Collaterals	
Consumer loans	72	\$ 153,374	\$ 99,250	\$ 99,250	\$ -	Note 2	None
Self-used housing mortgage loans	51	311,826	253,874	253,874	-	Land and buildings	None
Other	TCS	1,000,000	-	-	-	Bonds	None
	Tamshui First Credit Bank	1,000,000	50,000	50,000	-	Certificates of deposit	None

September 30, 2019

Type	Account Volume or Name	Highest Balance in the Period Ended September 30, 2019 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	70	\$ 152,943	\$ 117,236	\$ 117,236	\$ -	Note 2	None
Self-used housing mortgage loans	48	262,731	218,387	218,387	-	Land and buildings	None
Other	TCS	89,500	-	-	-	Bonds	None

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) Cash in bank (part of cash and cash equivalents)

	September 30, 2020	December 31, 2019	September 30, 2019
Sister companies	<u>\$ 109,722</u>	<u>\$ 26,901</u>	<u>\$ 75,901</u>

b) Receipts under custody for securities underwriting (part of other current assets)

	September 30, 2020	December 31, 2019	September 30, 2019
Sister companies	<u>\$ 2,386,070</u>	<u>\$ -</u>	<u>\$ -</u>

c) Settlement payable (part of payables)

	September 30, 2020	December 31, 2019	September 30, 2019
Sister companies	\$ 892,242	\$ 276,157	\$ 42,846
Others	<u>-</u>	<u>1,153</u>	<u>-</u>
	<u>\$ 892,242</u>	<u>\$ 277,310</u>	<u>\$ 42,846</u>

d) TCS applied to TCB for call loans

For the Nine Months Ended September 30, 2020				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 302,500</u>	<u>\$ 291,000</u>	<u>\$ 2,152</u>	0.340-2.480
For the Nine Months Ended September 30, 2019				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 316,000</u>	<u>\$ 310,200</u>	<u>\$ 6,416</u>	2.480-3.200

e) Purchases and sales of securities

For the Nine Months Ended September 30, 2020				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Parent company	<u>\$ 4,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the Nine Months Ended September 30, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	<u>\$ 2,533,895</u>	<u>\$ 7,427,881</u>	<u>\$ -</u>	<u>\$ -</u>

- f) To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of September 30, 2020, December 31, 2019 and September 30, 2019, TCS had no borrowing and overdraft. The overdraft for the nine months ended September 30, 2020 and 2019 were as follows:

For the Nine Months Ended September 30, 2020				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	2.265

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

g) Lease agreements - TCS is lessee

i. Right-of-use assets, net

	September 30, 2020	December 31, 2019	September 30, 2019
Sister companies			
TCB	<u>\$ 119,933</u>	<u>\$ 150,717</u>	<u>\$ 159,804</u>

ii. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Sister companies	<u>\$ 121,347</u>	<u>\$ 151,834</u>	<u>\$ 160,716</u>

iii. Interest expense

	For the Nine Months Ended September 30	
	2020	2019
Sister companies	<u>\$ 1,448</u>	<u>\$ 2,057</u>

iv. Depreciation expense

**For the Nine Months Ended
September 30**

2020 2019

Sister companies

\$ 30,827 \$ 30,633

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Sister companies	\$ <u>421,348</u>	\$ <u>90,696</u>	\$ <u>7</u>	0.010-0.815
<u>For the nine months ended September 30, 2019</u>				
Sister companies	\$ <u>173,497</u>	\$ <u>42,362</u>	\$ <u>10</u>	0.010-1.065

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Sister companies	\$ <u>6,200,000</u>	\$ <u>4,900,000</u>	\$ <u>13,871</u>	0.260-0.570
<u>For the nine months ended September 30, 2019</u>				
Sister companies	\$ <u>5,000,000</u>	\$ <u>1,800,000</u>	\$ <u>16,462</u>	0.400-0.700

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the nine months ended September 30, 2020</u>			
Sister companies	\$ 1,459,648	\$ 4,813	0.270-0.570
<u>For the nine months ended September 30, 2019</u>			
Sister companies	958,367	6,707	0.440-0.695
Others	29,691	39	0.580-0.600

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

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

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Sister company						
TCB	<u>\$ 2,880,801</u>	<u>49</u>	<u>\$ 7,325,078</u>	<u>70</u>	<u>\$ 4,309,490</u>	<u>57</u>

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

	<u>For the Nine Months Ended September 30, 2020</u>		
	<u>Purchased Securities</u>	<u>Securities Purchased Under Resell Agreements</u>	
	<u>(Note)</u>	<u>Amount</u>	<u>Rate (%)</u>
Sister company			
TCBF	\$ 13,185,679	\$ 1,459,648	0.270-0.570

	<u>For the Nine Months Ended September 30, 2019</u>		
	<u>Purchased Securities</u>	<u>Securities Purchased Under Resell Agreements</u>	
	<u>(Note)</u>	<u>Amount</u>	<u>Rate (%)</u>
Sister company			
TCBF	\$ 9,463,884	\$ 958,367	0.440-0.670

Note: The amount includes securities purchased under resell agreements.

- c) Payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Sister company	\$ 77,741	\$ 226,065	\$ 79,439
Associates	<u>1,899</u>	<u>-</u>	<u>945</u>
	<u>\$ 79,640</u>	<u>\$ 226,065</u>	<u>\$ 80,384</u>

d) Derivatives

For the nine months ended September 30, 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	2020.09.04-2020.11.09	US\$ 120,355	\$ 27,881	Financial assets at fair value through profit or loss	\$ 27,881
		2020.09.08-2020.10.14	EUR 3,012	1,815	Financial assets at fair value through profit or loss	1,815
		2020.09.28-2020.10.30	EUR 4,844	(616)	Financial liabilities at fair value through profit or loss	(616)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.06-2022.08.24	US\$ 103,261	39,112	Financial assets at fair value through profit or loss	77,642
	2019.02.15-2021.02.19	EUR 4,827	(1,272)	Financial assets at fair value through profit or loss	4,908	

For the nine months ended September 30, 2019

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2019.08.15-2020.09.08	US\$ 59,478	\$ 16,241	Financial assets at fair value through profit or loss	\$ 16,241
		2019.09.24-2020.09.30	US\$ 59,473	(5,362)	Financial liabilities at fair value through profit or loss	(5,362)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.06-2022.06.30	US\$ 111,286	27,428	Financial assets at fair value through profit or loss	27,428
	2019.01.28-2021.02.19	EUR 9,672	10,522	Financial assets at fair value through profit or loss	10,522	
	2019.06.21-2021.06.25	US\$ 10,047	(1,237)	Financial liabilities at fair value through profit or loss	(1,237)	

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

For the nine months ended September 30, 2020 and 2019, the realized gains or losses on currency swaps with sister companies were \$170,665 thousand gains and \$137,314 thousand losses, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$99,979 thousand gains and \$158,901 thousand losses, respectively.

BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (reported as other assets - refundable deposits other liabilities) depending on the value of the swaps. As of September 30, 2020, December 31, 2019 and September 30, 2019, BPCTLI had received deposits of \$44,298 thousand, \$108,242 thousand and \$42,195 thousand, respectively.

e) Operating expenses - insurance contract expenses

	For the Nine Months Ended September 30	
	2020	2019
Sister company TCB	<u>\$ 475,198</u>	<u>\$ 856,659</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 Nine Months Ended September 30	
	2020	2019
Management fee income		
Sister company	\$ 598	\$ 736
Others	<u>304,039</u>	<u>267,120</u>
	<u>\$ 304,637</u>	<u>\$ 267,856</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remuneration of the directors and main management for the nine months ended September 30, 2020 and 2019, are summarized as follows:

	For the Nine Months Ended September 30	
	2020	2019
Salaries and other short-term employment benefits	\$ 129,314	\$ 135,069
Post-employment benefits	3,664	5,852
Interest arising from the employees' preferential rate in excess of normal rates	<u>1,416</u>	<u>1,505</u>
	<u>\$ 134,394</u>	<u>\$ 142,426</u>

42. PLEDGED ASSETS

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

	September 30, 2020	December 31, 2019	September 30, 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	31,400,000
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	1,276,200	2,362,250	2,395,250
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,078,200	1,254,500	1,085,900
Guarantee deposits for the insurance operation	1,035,000	1,010,000	1,010,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	378,353	389,819	403,015
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	293,900	260,000	278,100

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Guarantee deposits for the trust business compensation reserve	\$ 280,000	\$ 278,100	\$ 260,000
Collaterals for overseas branch U.S. dollar settlement	45,717	61,650	56,228
Collateral for overseas branch KHR settlement	42,486	-	-
Overseas branches' guarantee deposits for operation	5,798	5,998	6,205
Others	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>\$ 87,780,654</u>	<u>\$ 88,967,317</u>	<u>\$ 88,839,698</u> (Concluded)

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousand as collateral for day-term overdraft as of September 30, 2020, December 31, 2019 and September 30, 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
September 30, 2020	<u>\$ 298,230</u>	<u>\$ 198,688</u>
December 31, 2019	<u>\$ 281,333</u>	<u>\$ 232,718</u>
September 30, 2019	<u>\$ 320,380</u>	<u>\$ 233,820</u>

- c. As of September 30, 2020, TCB had pledged \$30,000,000 thousand to deposit reserve account B in accordance with the Central Bank's project financing regulations in response to the epidemic.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

As of September 30, 2020, TCFHC's outstanding major construction and procurement contracts amounted to \$156,249 thousand, of which \$69,626 thousand was still unpaid.

- b. Taiwan Cooperative Bank, Ltd.

- 1) As of September 30, 2020, TCB's outstanding major construction and procurement contracts amounted to \$140,475 thousand, of which \$101,774 thousand was still unpaid.

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

As of September 30, 2020, the commitments or contingencies that arose from business were as follows:

	September 30, 2020
Guarantees of commercial paper	<u>\$ 33,273,000</u>
Purchase of reference-rate commercial paper	<u>\$ 7,250,000</u>

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

- 1) As of September 30, 2020, TCS's agreements on the acquisition of equipment and procurement contracts amounted to \$24,915 thousand, of which \$16,618 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. On March 11, 2020, the court of second instance of the Taiwan High Court ruled in favor of TCS for all the litigation cases; and correspondingly the plaintiff has already filed an appeal to the court of third instance. The case is currently being handled by an appointed lawyer and the final outcome is yet to be confirmed. TCS has already recognized a loss of \$2,435 thousand on the case.

44. FINANCIAL INSTRUMENTS

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

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortized cost	\$ 579,697,490	\$ 584,734,648	\$ 557,848,944	\$ 563,118,799	\$ 554,912,670	\$ 559,992,758
<u>Financial liabilities</u>						
Bonds payable	68,200,000	69,990,389	65,000,000	66,544,129	60,000,000	61,460,351

Fair value hierarchy as at September 30, 2020, December 31, 2019 and September 30, 2019:

September 30, 2020

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 584,734,648	\$ 10,166,846	\$ 574,567,802	\$ -

Financial liabilities

Bonds payable	69,990,389	-	69,990,389	-
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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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September 30, 2019

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

Financial liabilities

Bonds payable	61,460,351	-	61,460,351	-
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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 0.5288% and 0.7317%, between 0.5537% and 1.0441%, between 0.5574% and 1.0693% as of September 30, 2020, December 31, 2019 and September 30, 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 September 30, 2020, December 31, 2019 and September 30, 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Discount for lack of marketability			
Increase 10%	\$ (893,817)	\$ (797,989)	\$ (744,166)
Decrease 10%	\$ 893,817	\$ 797,989	\$ 744,166
Discount for minority interest			
Increase 10%	\$ (235)	\$ (235)	\$ (235)
Decrease 10%	\$ 235	\$ 235	\$ 235

- c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

1) Fair value hierarchy

Financial Instruments Measured at Fair Value	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,265,824	\$ 1,163,931	\$ 3,524	\$ 1,098,369
Debt instruments	4,967,427	2,265,509	2,691,918	10,000
Others	78,593,300	5,285,308	73,085,925	222,067
Financial assets at FVTOCI				
Equity instruments	20,137,494	14,221,040	-	5,916,454
Debt instruments	416,476,167	32,474,656	384,001,511	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(367,956)	(367,691)	(265)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,360,454	328,065	1,032,389	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(3,201,281)	-	(3,201,281)	-
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	September 30, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,986,926	\$ 2,466,419	\$ 5,590	\$ 514,917
Debt instruments	8,814,883	4,558,649	4,256,234	-
Others	62,185,474	4,923,605	56,895,356	366,513
Financial assets at FVTOCI				
Equity instruments	16,023,528	10,981,501	-	5,042,027
Debt instruments	347,607,379	26,084,332	321,523,047	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(12,617,879)	(110,288)	(12,507,591)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	2,732,551	211,114	2,521,437	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,343,338)	-	(1,343,338)	-

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	239,978	-	239,978
Recognized in OCI (investment in equity instruments at FVTOCI)	-	500,095	500,095
Purchases	357,131	-	357,131
Disposals	(241,129)	-	(241,129)
Transferred into Level 3	34,279	-	34,279
Transferred out of Level 3	<u>(36,000)</u>	<u>-</u>	<u>(36,000)</u>
Balance at September 30, 2020	<u>\$ 1,330,436</u>	<u>\$ 5,916,454</u>	<u>\$ 7,246,890</u>
Balance at January 1, 2019	\$ 971,972	\$ 4,373,477	\$ 5,345,449
Recognized in profit	216,057	-	216,057
Recognized in OCI (investment in equity instruments at FVTOCI)	-	668,550	668,550
Purchases	87,512	-	87,512
Disposals	(349,015)	-	(349,015)
Transferred into Level 3	31,903	-	31,903
Transferred out of Level 3	<u>(76,999)</u>	<u>-</u>	<u>(76,999)</u>
Balance at September 30, 2019	<u>\$ 881,430</u>	<u>\$ 5,042,027</u>	<u>\$ 5,923,457</u>

The change in unrealized gains for the nine months ended September 30, 2020 and 2019 included in profit or loss for assets held at the September 30, 2020 and 2019, respectively, was \$116,485 thousand and \$51,810 thousand.

For the nine months ended September 30, 2020 and 2019, the Company's emerging market stock whose original trading volume met the active standard were transferred into Level 3 because their subsequent transactions were not active or the stock ceased trading on the emerging market stock board; and the emerging market stock which originally did not meet the active standard were transferred out of Level 3 because their subsequent transactions were active or their non-publicly traded stock were transferred for listing on the emerging market stock board.

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

	December 31, 2019	September 30, 2019
Difference between carrying amount and contractual amount at maturity		
Fair value	\$ 12,052,429	\$ 12,507,591
Amount payable at maturity	<u>11,996,000</u>	<u>12,410,400</u>
	<u>\$ 56,429</u>	<u>\$ 97,191</u>
		Change in Fair Values Resulting from Credit Risk Variations
Accumulated amount of change		
As of December 31, 2019		<u>\$ 970</u>
As of September 30, 2019		<u>\$ 1,671</u>

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

- e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

2) Credit risk

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

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

3) Market risk

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

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

4) Liquidity risk

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

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

Taiwan Cooperative Bank Ltd. and subsidiary

1) Risk management

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

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

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

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

Under the business management regulation and risk policy, the business supervising unit manages and oversees each business unit toward proper risk management and carries out risk review and control. In addition, the Audit Department 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 analyzed in detail to identify existing and potential credit risk. Based on TCB's business characteristics and the principle of risk diversification, risk status is analyzed and evaluated, centralized limits are set, and a risk monitoring and alert mechanism has been developed and operated. For a more effective credit risk evaluation, an internal rating system has been created to enhance the ability to quantify risk.

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

i. Loans business (including loan commitments and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

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

b) Measurement of expected credit losses

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

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

Loans business

i) Quantitative benchmark

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

ii) Qualitative benchmark

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

Bonds and bills business

i) Quantitative benchmark

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

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

ii) Qualitative benchmark

Credit rating of bond issuers are not classified as investment grade and downgraded by no more than two grades, but credit risk 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, using the portion of the loan commitment that is expected to be used within 12 months of reporting date and expected duration to calculate expected credit loss and determine the exposure at default.

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of September 30, 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 September 30, 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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In addition, in order to respond in a timely manner to the obvious changes in trend of the various overall economic indicators as a result of the impact of the COVID-19 pandemic, a new mid-term evaluation mechanism for forward-looking factors has been added to reflect the impact of changes in the economic indicators on the default rate.

Bonds and bills business

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

c) Credit risk avoidance or mitigation policy

i. Strengthen collaterals and other credits

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

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

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

September 30, 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>\$ 42,245,669</u>	<u>\$ 6,190,071</u>	<u>\$ 36,055,598</u>	<u>\$ 105,538,512</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>\$ 37,638,133</u>	<u>\$ 5,790,070</u>	<u>\$ 31,848,063</u>	<u>\$ 65,812,233</u>

September 30, 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>\$ 35,126,287</u>	<u>\$ 4,883,384</u>	<u>\$ 30,242,903</u>	<u>\$ 56,577,119</u>

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in September 30, 2020, December 31, 2019 and September 30, 2019 were \$7,628,648 thousand, \$7,608,546 thousand and \$7,488,704 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	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Natural person	\$ 902,259,570	39	\$ 873,758,898	40	\$ 855,523,591	40
Manufacturing	417,987,511	18	395,568,638	18	404,797,509	19

iii. Master netting arrangement

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

d) Maximum exposures to credit risks

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets at fair value through profit or loss - debt instrument	\$ 2,455,334	\$ 1,950,488	\$ 3,422,358

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

September 30, 2020					
	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	\$ 259,570,801	\$ -	\$ 599,179	\$ -	\$ 260,169,980
Allowance for possible losses	(716,766)	-	(113,648)	-	(830,414)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(587,294)	(587,294)
	<u>\$ 258,854,035</u>	<u>\$ -</u>	<u>\$ 485,531</u>	<u>\$ (587,294)</u>	<u>\$ 258,752,272</u>

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

December 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	\$ 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>

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

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

	September 30, 2020			Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Discounts and loans	\$ 2,301,897,448	\$ 2,710,586	\$ 42,245,669	\$ -	\$ 2,346,853,703
Allowance for possible losses	(4,015,238)	(23,233)	(6,190,071)	-	(10,228,542)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(18,222,278)	(18,222,278)
	<u>\$ 2,297,882,210</u>	<u>\$ 2,687,353</u>	<u>\$ 36,055,598</u>	<u>\$ (18,222,278)</u>	<u>\$ 2,318,402,883</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>
September 30, 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Discounts and loans	\$ 2,142,889,768	\$ 4,978,497	\$ 35,126,287	\$ -	\$ 2,182,994,552
Allowance for possible losses	(4,443,001)	(30,525)	(4,883,384)	-	(9,356,910)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(17,527,337)	(17,527,337)
	<u>\$ 2,138,446,767</u>	<u>\$ 4,947,972</u>	<u>\$ 30,242,903</u>	<u>\$ (17,527,337)</u>	<u>\$ 2,156,110,305</u>

b) Credit quality analysis of receivables

September 30, 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	\$ 15,422,302	\$ 42,266	\$ 174,457	\$ 3,759,638	\$ -	\$ 19,398,663
Allowance for possible losses	(49,598)	(11,250)	(72,493)	(493,156)	-	(626,497)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(136,819)	(136,819)
	<u>\$ 15,372,704</u>	<u>\$ 31,016</u>	<u>\$ 101,964</u>	<u>\$ 3,266,482</u>	<u>\$ (136,819)</u>	<u>\$ 18,635,347</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>

September 30, 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	\$ 15,160,474	\$ 49,142	\$ 173,346	\$ 3,382,751	\$ -	\$ 18,765,713
Allowance for possible losses	(40,780)	(12,388)	(58,875)	(510,237)	-	(622,280)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(100,957)	(100,957)
	<u>\$ 15,119,694</u>	<u>\$ 36,754</u>	<u>\$ 114,471</u>	<u>\$ 2,872,514</u>	<u>\$ (100,957)</u>	<u>\$ 18,042,476</u>

c) Credit quality analysis of securities

September 30, 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 350,524,550	\$ -	\$ -	\$ 350,524,550
Allowance for possible losses	(107,656)	-	-	(107,656)
Amortized cost	350,416,894	-	-	350,416,894
Fair value adjustments	9,778,893	-	-	9,778,893
	<u>\$ 360,195,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,195,787</u>
Investments in debt instruments at amortized cost	\$ 575,724,540	\$ -	\$ -	\$ 575,724,540
Allowance for possible losses	(47,579)	-	-	(47,579)
	<u>\$ 575,676,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,676,961</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>

	September 30, 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 288,352,196	\$ -	\$ -	\$ 288,352,196
Allowance for possible losses	(79,413)	-	-	(79,413)
Amortized cost	288,272,783	-	-	288,272,783
Fair value adjustments	4,416,669	-	-	4,416,669
	<u>\$ 292,689,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,689,452</u>
Investments in debt instruments at amortized cost	\$ 552,737,231	\$ -	\$ -	\$ 552,737,231
Allowance for possible losses	(51,782)	-	-	(51,782)
	<u>\$ 552,685,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552,685,449</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	37,552	-	-	37,552
Derecognition of financial assets in the current reporting period	(7,544)	-	-	(7,544)
Change in model or risk parameters	2,899	-	-	2,899
Changes in exchange rates and other changes	(9,022)	-	-	(9,022)
Balance at September 30, 2020	<u>\$ 107,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,656</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	21,580	-	-	21,580
Derecognition of financial assets in the current reporting period	(13,181)	-	-	(13,181)
Change in model or risk parameters	(3,214)	-	-	(3,214)
Changes in exchange rates and other changes	2,486	-	-	2,486
Balance at September 30, 2019	<u>\$ 79,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,413</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	5,433	-	-	5,433
Derecognition of financial assets in the current reporting period	(3,853)	-	-	(3,853)
Change in model or risk parameters	515	-	-	515
Changes in exchange rates and other changes	<u>(2,413)</u>	<u>-</u>	<u>-</u>	<u>(2,413)</u>
Balance at September 30, 2020	<u>\$ 47,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,579</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	5,914	-	-	5,914
Derecognition of financial assets in the current reporting period	(2,141)	-	-	(2,141)
Change in model or risk parameters	(4,734)	-	-	(4,734)
Changes in exchange rates and other changes	<u>4,365</u>	<u>-</u>	<u>-</u>	<u>4,365</u>
Balance at September 30, 2019	<u>\$ 51,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,782</u>

3) Market risks

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

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

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

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

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

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

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

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

Main Risk	Change Scenario	September 30, 2020	December 31, 2019	September 30, 2019
Interest rate risk	Interest rate curve increased 100 basis points	\$ (177,145)	\$(115,606)	\$ (202,245)
	Interest rate curve fell 100 basis points	188,021	124,047	214,142
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(159,178)	(206,532)	(199,464)
	USD/NT\$, EUR/NT\$ fell 3%	159,178	206,532	199,464
	Others (RMB, AUD etc.)/ NT\$ increased 5%	56,712	90,152	23,848
	Others (RMB, AUD etc.)/ NT\$ fell 5%	(56,712)	(90,152)	(23,848)
Equity security price risk	Equity security price increased by 15%	75,253	414,782	243,557
	Equity security price fell by 15%	(75,253)	(414,782)	(243,557)

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

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

Taiwan Cooperative Bank, Ltd.

	For the Nine Months Ended September 30			
	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	\$ 29,517,889	1.55	\$ 34,030,083	2.61
Due from the Central Bank	178,890,910	0.27	172,157,835	0.36
Call loans to banks and other financial assets - call loans to security firms	59,991,490	1.16	62,886,941	1.79
Financial assets mandatorily classified as at fair value through profit or loss	24,503,629	0.53	25,768,832	0.64
Financial assets at fair value through other comprehensive income	340,985,837	1.53	263,481,829	1.91
Investments in debt instruments at amortized cost	562,187,157	0.69	556,013,539	0.87
Securities purchased under resell agreements	-	-	1,180,036	0.59
Discounts and loans	2,255,441,000	1.80	2,128,174,654	2.14
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	238,233,567	0.62	238,311,283	1.36
Due to the Central Bank and other banks	5,051,040	0.10	-	-
Financial liabilities designated as at fair value through profit or loss	3,929,993	4.94	12,419,495	4.87
Securities sold under repurchase agreements	8,495,710	0.30	8,351,040	0.44
Demand deposits	590,702,425	0.09	522,752,998	0.19
Savings - demand deposits	940,646,344	0.21	879,457,144	0.27
Time deposits	672,250,806	1.05	599,188,488	1.60
Time savings deposits	621,327,235	0.92	627,608,566	1.05
Treasury deposits	117,735,066	0.54	96,628,075	0.65
Negotiable certificates of deposits	44,114,162	0.55	49,691,744	0.73
Structured products	1,334,425	0.52	2,405,419	1.81
Bank debentures	61,651,460	1.53	56,776,557	1.52
Lease liabilities	1,588,677	2.88	1,521,415	2.77

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

(In Thousands)

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 14,067,206	28.9900	\$ 407,808,304
RMB	13,304,690	4.2540	56,598,152
AUD	1,581,390	20.6950	32,726,873
JPY	65,231,617	0.2744	17,899,556
EUR	490,513	34.0600	16,706,874
HKD	2,267,014	3.7400	8,478,632
ZAR	3,996,216	1.7120	6,841,522
KHR	512,305,032	0.0071	3,627,632
GBP	88,228	37.3100	3,291,785
CAD	65,721	21.6700	1,424,164
LAK	225,194,031	0.0031	708,235
NZD	22,992	19.1600	440,525
CHF	5,375	31.5050	169,352
SGD	3,586	21.2000	76,032
THB	49,940	0.9203	45,960
SEK	5,441	3.2400	17,630
PHP	3,995	0.5988	2,392
<u>Financial liabilities</u>			
USD	18,079,097	28.9900	524,113,017
RMB	10,717,007	4.2540	45,590,149
AUD	1,136,137	20.6950	23,512,360
JPY	41,254,261	0.2744	11,320,169
EUR	243,544	34.0600	8,295,102
ZAR	4,231,204	1.7120	7,243,822
HKD	1,489,554	3.7400	5,570,931
KHR	376,054,306	0.0071	2,662,841
CAD	98,305	21.6700	2,130,264
NZD	97,663	19.1600	1,871,219
GBP	43,104	37.3100	1,608,207
SGD	12,837	21.2000	272,139
CHF	7,035	31.5050	221,647
SEK	21,480	3.2400	69,596
THB	65,105	0.9203	59,916
PHP	4,589	0.5988	2,748
LAK	100,792	0.0031	317
MYR	-	6.9780	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

September 30, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 12,613,694	31.0260	\$ 391,352,477
RMB	14,213,576	4.3550	61,900,124
AUD	1,497,175	20.9450	31,358,340
EUR	319,361	33.8500	10,810,385
HKD	2,240,671	3.9605	8,874,176
JPY	28,431,844	0.2879	8,185,528
ZAR	3,371,522	2.0535	6,923,420
GBP	85,690	38.0900	3,263,921
KHR	276,272,539	0.0076	2,099,671
NZD	35,489	19.5100	692,392
CHF	4,874	31.2300	152,225
SEK	43,742	3.1731	138,798
SGD	4,802	22.4500	107,801
CAD	3,910	23.3900	91,245
THB	10,345	1.0128	10,478
PHP	1,870	0.6000	1,122
<u>Financial liabilities</u>			
USD	13,894,594	31.0260	431,093,685
RMB	12,749,754	4.3550	55,525,178
AUD	1,325,681	20.9450	27,766,389
JPY	44,796,595	0.2879	12,896,940
ZAR	4,107,996	2.0535	8,435,770
HKD	1,757,055	3.9605	6,958,815
EUR	88,589	33.8500	2,998,743
NZD	147,736	19.5100	2,882,324
GBP	61,977	38.0900	2,360,685
CAD	53,730	23.3900	1,256,745
KHR	154,156,053	0.0076	1,171,586
SEK	69,036	3.1731	219,057
SGD	8,735	22.4500	196,091
CHF	4,656	31.2300	145,404
THB	7,724	1.0128	7,823
PHP	7,279	0.6000	4,367
MYR	-	8.0000	2

4) Liquidity risk

Liquidity risk is inherent in all bank operations and might be affected by specific or general industry and environmental events. These events include credit-related events, mergers or acquisitions, systemic changes and natural disasters. TCB and its subsidiary define liquidity risk as the inability to realize assets or to obtain financing for meeting obligations when they fall due, resulting in loss.

The liquidity risk management strategy is based on the overall risk management objectives and involves liquidity risk identification, measurement, monitoring and control to maintain TCB's appropriate liquidity and ensure adequate funding for meeting liability obligations or for capital growth.

The liquidity risk management procedures involve identification, measurement, monitoring and reporting of risk. Each business unit should identify the existing liquidity risk in business activities and financing products.

For adequate liquidity for all types of deposits, TCB follows the relevant regulations issued by the Central Bank to estimate the liquidity reserves and calculates and controls daily the liquidity reserve ratios.

For TCB's operating liquidity, the fund disbursement unit performs daily cash flow management and monitoring of the payments schedule on the basis of detailed reports by different departments and relevant rules.

The risk management department regularly generates risk reports, which include the liquidity reserve ratios and the maturity analysis of instruments and transactions denominated in major foreign currencies, and submits them to the Asset and Liability Management Committee and the Board as reference for decision making.

TCB stipulates liquidity risk limits, which are regularly monitored and reviewed by the risk management department. If a liquidity risk limit is exceeded or other exception situations occur, the business supervising unit immediately develops appropriate contingency measures and submits them to the Asset and Liability Management Committee for approval and implementation.

TCB contingency measures for business emergency or sudden liquidity crisis are aimed at quick crisis resolution and resumption of normal operations.

TCB's liquidity reserve ratios were 28.39% in September 2020, 28.00% in December 2019 and 28.52% in September 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.

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 151,732,730	\$ 69,317,820	\$ 14,381,876	\$ 8,046,860	\$ -	\$ 243,479,286
Due to the Central Bank and other banks	-	-	13,911,420	4,618,510	-	18,529,930
Securities sold under repurchase agreements	3,319,886	2,263,013	1,063,621	110,956	421,960	7,179,436
Payables	32,386,036	2,825,811	4,420,504	4,227,171	2,924,060	46,783,582
Deposits and remittances	336,451,648	412,225,379	466,817,345	664,995,153	1,246,077,628	3,126,567,153
Bank debentures	-	900,000	-	1,500,000	60,100,000	62,500,000
Lease liabilities	43,743	104,382	127,856	252,967	993,306	1,522,254
Other items of cash outflow on maturity	2,942,720	269	331	866,456	35,756	3,845,532

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

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 173,310,887	\$ 61,483,267	\$ 9,148,781	\$ 1,469,704	\$ -	\$ 245,412,639
Financial liabilities at fair value through profit or loss	-	-	-	-	12,410,400	12,410,400
Securities sold under repurchase agreements	2,810,030	2,707,919	1,399,049	80,000	-	6,996,998
Payables	32,877,710	2,670,122	3,447,403	4,427,724	2,637,387	46,060,346
Deposits and remittances	262,960,363	365,902,971	450,249,634	618,356,405	1,132,968,230	2,830,437,603
Bank debentures	-	1,000,000	7,500,000	-	51,500,000	60,000,000
Lease liabilities	52,600	117,509	135,647	265,184	1,138,656	1,709,596
Other items of cash outflow on maturity	2,239,734	355	439	830,532	33,995	3,105,055

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of September 30, 2020, December 31, 2019 and September 30, 2019 must be repaid soon, the capital expenditure will be increased by \$1,659,769,457 thousand, \$1,501,221,386 thousand and \$1,477,363,976 thousand, respectively, within 30 days of these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

September 30, 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	\$ 630	\$ 1,194	\$ 459	\$ 370	\$ -	\$ 2,653
Interest	(1,497)	(526)	(1,291)	(3,686)	(8,353)	(15,353)

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)

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

b) Derivative financial liabilities to be settled at gross amounts

September 30, 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	\$ 63,916,410	\$ 70,057,781	\$ 33,943,756	\$ 18,708,250	\$ -	\$ 186,626,197
Cash inflow	64,594,202	71,247,169	34,741,722	19,065,657	-	189,648,750
Interest derivatives						
Cash outflow	294,050	-	-	-	-	294,050
Cash inflow	290,070	-	-	-	-	290,070
Total cash outflow	64,210,460	70,057,781	33,943,756	18,708,250	-	186,920,247
Total cash inflow	64,884,272	71,247,169	34,741,722	19,065,657	-	189,938,820
Net cash flow	673,812	1,189,388	797,966	357,407	-	3,018,573

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

September 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 71,782,197	\$ 63,541,502	\$ 33,796,251	\$ 9,429,164	\$ -	\$ 178,549,114
Cash inflow	72,018,354	63,983,698	34,163,514	9,487,357	-	179,652,923
Interest derivatives						
Cash outflow	31,432	428,182	-	-	-	459,614
Cash inflow	30,903	424,818	-	-	-	455,721
Total cash outflow	71,813,629	63,969,684	33,796,251	9,429,164	-	179,008,728
Total cash inflow	72,049,257	64,408,516	34,163,514	9,487,357	-	180,108,644
Net cash flow	235,628	438,832	367,263	58,193	-	1,099,916

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

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 944,928	\$ 7,297,137	\$ 7,434,946	\$ 18,566,859	\$ 47,972,173	\$ 82,216,043
Irrevocable credit card commitments	515,103	117,759	302,120	2,536,790	51,109,550	54,581,322
Letters of credit issued yet unused	2,747,567	10,059,634	2,153,943	1,279,353	245,334	16,485,831
Other guarantees	8,743,405	9,691,826	3,678,772	23,800,359	60,972,422	106,886,784

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

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

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 and cross currency 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 \$814,736 thousand, \$413,290 thousand and \$431,762 thousand as of September 30, 2020, December 31, 2019 and September 30, 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 September 30, 2020, December 31, 2019 and September 30, 2019 the fair values of financial assets would have decreased by \$22,236 thousand, \$22,514 thousand and \$23,621 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on September 30, 2020, December 31, 2019 and September 30, 2019, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$19,662 thousand, \$18,221 thousand and \$15,571 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased by 1% for the nine months ended September 30, 2020, for the whole year ended December 31, 2019, and for the nine months ended September 30, 2019, the income before income tax would have decreased by \$182,087 thousand, \$179,257 thousand and \$169,541 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of September 30, 2020, December 31, 2019 and September 30, 2019.

September 30, 2020

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 33,407	28.9530	\$ 967,222
ZAR	85,116	1.7095	145,506
EUR	2,660	33.9900	90,427
Receivables			
USD	5,531	28.9530	160,147
RMB	4,390	4.2460	18,638
EUR	738	33.9900	25,074
Financial assets at FVTPL			
USD	1,634	28.9530	47,303
Financial assets at FVTOCI			
USD	582,911	28.9530	16,877,035
RMB	266,945	4.2460	1,133,448
EUR	50,637	33.9900	1,721,150
Financial assets at amortized cost			
USD	5,423	28.9530	157,013
EUR	9,643	33.9900	327,762
<u>Financial liabilities</u>			
Guarantee deposits received			
USD	1,530	28.9530	44,298

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

(Continued)

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets at FVTOCI			
USD	\$ 448,736	29.984	\$ 13,454,911
EUR	72,714	33.600	2,443,192
RMB	241,507	4.297	1,037,756
Financial assets at amortized cost			
USD	5,425	29.984	162,675
EUR	9,616	33.600	323,088
<u>Financial liabilities</u>			
Guarantee deposits received			
USD	10,220	29.984	306,436 (Concluded)

September 30, 2019

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

iii. Stress testing

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

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

Assuming the U.S. 10 year Treasury yield increased by 1% as of September 30, 2020, December 31, 2019 and September 30, 2019, the losses on financial assets of the BPCTLI would have been \$948,913 thousand, \$813,157 thousand and \$841,781 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

	September 30, 2020		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 11,702,020	\$ 11,782,704	37
Domestic investment - corporate bonds (twAAA - twAA)	3,226,240	3,226,240	10
Overseas investment - government bonds	2,043,812	2,104,294	7
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	12,462,621	12,463,691	39
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,150,202</u>	<u>2,150,202</u>	<u>7</u>
	<u>\$ 31,584,895</u>	<u>\$ 31,727,131</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>
	September 30, 2019		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 14,361,924	\$ 14,395,092	40
Domestic investment - corporate bonds (twAAA - twAA)	2,709,112	2,709,112	8
Overseas investment - government bonds	1,490,759	1,558,855	4
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	15,052,280	15,052,979	42
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,194,119</u>	<u>2,194,119</u>	<u>6</u>
	<u>\$ 35,808,194</u>	<u>\$ 35,910,157</u>	<u>100</u>

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 refers to the BPCTLI's inability to realize assets or provide sufficient funds to pay 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.

	September 30, 2020			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 112,397	\$ 44,798	\$ -	\$ -
Cross-currency swap contracts	-	-	(1,759)	-
	<u>\$ 112,397</u>	<u>\$ 44,798</u>	<u>\$ (1,759)</u>	<u>\$ -</u>
	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	<u>\$ 461,211</u>	<u>\$ 61,777</u>	<u>\$ -</u>	<u>\$ -</u>

	September 30, 2019			
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 128,204	\$ 1,585	\$ -	\$ -

f. Insurance contracts

To pursue a sustainable development, to protect the interests of the policyholders and to ensure that capital is adequate for fulfilling its repayment obligations, BPCTLI has formed risk management policies, set up a risk management committee under the board of directors and a risk management department, which is independent from its operation departments, in accordance with the Risk Management Practice Manual for Insurance Industry and practice guideline No. 09802512072 issued by the Taiwan Financial Supervisory Commission.

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

Insurance risk refers to the possibility of BPCTLI's not having sufficient assets to meet future obligations on an insured event. The risk on an insurance contract is random and is thus unpredictable.

BPCTLI's risk exposures involve mortality, morbidity, withdrawal rates, interest rates and fee rates, as well as the uncertainty of the returns on insurance premium investments. Based on the nature of an insurance contract, the occurrence of a covered event, the uncertainty of the amount and the timing are the inherent risks. For life, injury or health insurance, underwriting risks include mortality, accident or morbidity. The significant insurance liability risks are the frequency and severity of the accident covered by the insurance and the actual liability payment exceeding the expected liability payment. BPCTLI is also exposed to loss from natural and man-made disasters, and the frequency and severity of and loss on these disasters are unpredictable. The risks on annuity insurance contracts pertain to the constantly improving health care in society, which helps extend people's life span.

The exposure to insurance risk is influenced by the policyholders' behavior, such as reducing insurance coverage in the future, stopping paying insurance premium or terminating the insurance contract.

BPCTLI spreads out its insurance risk by developing appropriate policy pricing and underwriting strategies and acquiring a sufficient number of policyholders in each risk range so that the variances in the average amounts of claim payments decrease as the number of claims increases. For added safety, BPCTLI manages its insurance risks through issuing a large number of mixed policies and obtaining reinsurance against natural disasters with reinsurance companies to avoid large claims.

2) Concentration of insurance risk and the development of claims

BPCTLI sells its products all over Taiwan and has no concentration of credit risk in a particular geographic region, clientele, age, or profession. To prevent the accumulated risk from going beyond what BPCTLI can tolerate, BPCTLI has evaluated the insurance risk associated with each product and obtained reinsurance against natural disasters with reinsurance companies to avoid the risk of large claims.

The following table shows the development of claims (the cases within one year are not included), and it explains how BPCTLI evaluates claims through development ages. The circumstance and development of reserve claims may change in the future. Thus, actual future claims cannot be determined just by using the following tables.

a) Development of direct business loss

	Development Ages											Claim Reserve	
	1	2	3	4	5	6	7	8	9	10	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	28,916	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	42,378	42,379	42,379	42,379	42,379	42,379	42,378	-
2016	26,485	31,219	31,407	31,432	31,439	31,444	31,445	31,445	31,445	31,445	31,445	31,445	6
2017	53,250	63,055	58,484	58,645	58,657	58,665	58,666	58,666	58,666	58,666	58,666	58,666	21
2018	36,190	45,800	46,157	46,426	46,437	46,444	46,445	46,445	46,445	46,445	46,445	46,445	288
2019	52,386	64,040	64,589	65,919	65,931	65,939	65,940	65,940	65,940	65,940	65,940	65,940	1,900
2020	60,402	74,933	75,606	77,253	77,268	77,278	77,279	77,279	77,279	77,279	77,279	77,279	16,877
													19,092
													Reported but not paid
													45,038
													Balance of claim reserve
													\$ 64,130

b) Development of retained business

	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	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	38,009	38,010	38,010	38,010	38,010	38,010	38,010	1
2016	25,930	30,590	30,778	30,802	30,810	30,815	30,816	30,816	30,816	30,816	30,816	30,815	5
2017	51,121	58,887	56,315	56,476	56,488	56,496	56,497	56,497	56,497	56,497	56,497	56,497	21
2018	35,432	44,832	45,160	45,403	45,413	45,420	45,421	45,421	45,421	45,421	45,421	45,421	261
2019	47,585	59,375	59,924	60,792	60,804	60,812	60,813	60,813	60,813	60,813	60,813	60,813	1,438
2020	57,175	70,294	70,967	72,160	72,175	72,185	72,186	72,186	72,186	72,186	72,186	72,186	15,011
													16,737
													Reported but not paid
													34,157
													Balance of claim reserve
													\$ 50,894

3) Sensitivity analysis of insurance risk

Based on relevant insurance laws and regulations, when calculating the liability reserve, assumptions used at the time of purchase are locked in, but such assumptions may change as time passes. According to IFRS 4 “Insurance Contracts,” a liability adequacy test is needed to determine whether BPCTLI has sufficient insurance liability. BPCTLI performed a sensitivity analysis with changes in the assumptions on death rate, illness rate, and withdrawal rate. The results are as follows:

Insurance contracts and investment contracts with a discretionary participation feature.

September 30, 2020			
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 48,268	\$ 38,614
Discount rate	(0.25%)	(48,376)	(38,701)
Mortality rate	10.00%	(20,394)	(16,315)
Mortality rate	(10.00%)	20,389	16,311
Withdrawal rate	30.00%	13,460	10,768
Withdrawal rate	(30.00%)	(13,351)	(10,681)
Illness rate/loss rate	15.00%	(15,271)	(12,217)
Expense rate	10.00%	(49,884)	(39,907)

	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)

	September 30, 2019		
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 50,652	\$ 40,522
Discount rate	(0.25%)	(50,765)	(40,612)
Mortality rate	10.00%	(18,838)	(15,071)
Mortality rate	(10.00%)	18,833	15,067
Withdrawal rate	30.00%	11,346	9,077
Withdrawal rate	(30.00%)	(11,241)	(8,993)
Illness rate/loss rate	15.00%	(13,204)	(10,563)
Expense rate	10.00%	(34,685)	(27,748)

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

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

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

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

4) Credit risk, liquidity risk, and market risk

a) Market risk

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

g. Transfers of financial assets

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

September 30, 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	\$ 32,681,415	\$ 32,662,850	\$ 32,681,415	\$ 32,662,850	\$ 18,565
Financial assets at FVTOCI - securities sold under repurchase agreements	21,645,322	22,192,413	21,645,322	22,192,413	(547,091)

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)

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

h. Offsetting financial assets and financial liabilities

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

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

September 30, 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	\$ 863,153	\$ -	\$ 863,153	\$ (863,153)	\$ -	\$ -

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	\$ 54,855,263	\$ -	\$ 54,855,263	\$ (53,923,901)	\$ -	\$ 931,362

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

September 30, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 1,720,845	\$ -	\$ 1,720,845	\$ (1,720,845)	\$ -	\$ -

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

45. 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%.

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

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

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 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	\$ 37,773,193	15.91
2	Group B Real estate development	20,253,868	8.53
3	Group C Computers and computing peripheral equipment manufacturing	14,485,772	6.10
4	Group D Harbor services	12,596,357	5.31
5	Group E Petroleum and coal products manufacturing	11,921,577	5.02
6	Group F Harbor services	11,812,115	4.98
7	Group G Iron and steel smelting	10,903,510	4.59
8	Group H Real estate development	10,692,144	4.50
9	Group I Financial lease	10,610,411	4.47
10	Group J Shipping agency	9,744,762	4.10

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 40,485,293	18.13
2	Group D Harbor services	15,157,173	6.79
3	Group B Real estate development	14,381,437	6.44
4	Group C Computers and computing peripheral equipment manufacturing	12,629,202	5.65
5	Group E Petroleum and coal products manufacturing	11,167,543	5.00
6	Group J Shipping agency	10,560,573	4.73
7	Group G Iron and steel smelting	10,445,031	4.68
8	Group K Cotton and textile	10,263,162	4.60
9	Group H Real estate development	8,168,879	3.66
10	Group I Liquid crystal panel and components manufacturing	6,881,630	3.08

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 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	\$ 1,299,000	17.94
2	Group B Other retail sale in nonspecialized stores	1,060,000	14.64
3	Group C Motor bus transportation	948,000	13.09
4	Group D Real estate development	940,000	12.98
5	Group E Real estate development	920,000	12.70
6	Group F Real estate development	858,400	11.85
7	Group G Real estate development	798,200	11.02
8	Group H Real estate development	798,200	11.02
9	Group I Sheet glass and glass products	784,000	10.83
10	Group J Shipping agency	700,000	9.67

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group K Other financial intermediation not elsewhere classified	\$ 1,450,000	21.86
2	Group D Real estate development	1,010,000	15.22
3	Group A Iron and steel rolls over extends and crowding	1,002,000	15.10
4	Group I Sheet glass and sheet glass products	900,000	13.57
5	Group F Real estate development	820,200	12.36
6	Group H Real estate development	800,000	12.06
7	Group E Real estate development	765,000	11.53
8	Group L Manmade fiber manufacturing	750,000	11.31
9	Group J Shipping agency	700,000	10.55
10	Group M Wholesale of electronic and communication equipment and parts	650,000	9.80

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

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

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

c. Interest rate sensitivity information - Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
September 30, 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	\$ 2,457,231,163	\$ 107,957,809	\$ 68,824,587	\$ 369,285,884	\$ 3,003,299,443
Interest rate-sensitive liabilities	990,910,077	1,564,610,409	97,818,801	60,746,902	2,714,086,189
Interest rate sensitivity gap	1,466,321,086	(1,456,652,600)	(28,994,214)	308,538,982	289,213,254
Net worth					201,433,562
Ratio of interest rate-sensitive assets to liabilities					110.66
Ratio of interest rate sensitivity gap to net worth					143.58

**Interest Rate Sensitivity
September 30, 2019**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,300,933,555	\$ 97,408,620	\$ 15,021,251	\$ 322,370,618	\$ 2,735,734,044
Interest rate-sensitive liabilities	922,098,833	1,414,420,843	93,837,568	52,540,354	2,482,897,598
Interest rate sensitivity gap	1,378,834,722	(1,317,012,223)	(78,816,317)	269,830,264	252,836,446
Net worth					199,165,742
Ratio of interest rate-sensitive assets to liabilities					110.18
Ratio of interest rate sensitivity gap to net worth					126.95

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

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

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

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

**Interest Rate Sensitivity
September 30, 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	\$ 15,415,780	\$ 1,028,273	\$ 335,795	\$ 2,186,025	\$ 18,965,873
Interest rate-sensitive liabilities	18,618,500	2,101,394	2,334,525	-	23,054,419
Interest rate sensitivity gap	(3,202,720)	(1,073,121)	(1,998,730)	2,186,025	(4,088,546)
Net worth					1,240,955
Ratio of interest rate-sensitive assets to liabilities					82.27
Ratio of interest rate sensitivity gap to net worth					(329.47)

Interest Rate Sensitivity
September 30, 2019

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 11,882,871	\$ 990,380	\$ 193,677	\$ 1,731,279	\$ 14,798,207
Interest rate-sensitive liabilities	13,416,616	1,628,067	1,397,041	-	16,441,724
Interest rate sensitivity gap	(1,533,745)	(637,687)	(1,203,364)	1,731,279	(1,643,517)
Net worth					771,836
Ratio of interest rate-sensitive assets to liabilities					90
Ratio of interest rate sensitivity gap to net worth					(212.94)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

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

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

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

d. Profitability

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

(%)

Items	September 30, 2020	September 30, 2019
Return on total assets	Before income tax	0.50
	After income tax	0.43
Return on equity	Before income tax	8.48
	After income tax	7.20
Net income ratio	32.49	36.44

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items	September 30, 2020	September 30, 2019
Return on total assets	Before income tax	6.19
	After income tax	6.20
Return on equity	Before income tax	7.12
	After income tax	7.13
Net income ratio	98.52	99.17

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		September 30, 2020	September 30, 2019
Return on total assets	Before income tax	0.46	0.56
	After income tax	0.39	0.47
Return on equity	Before income tax	7.22	8.70
	After income tax	6.14	7.33
Net income ratio		30.30	34.53

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		September 30, 2020	September 30, 2019
Return on total assets	Before income tax	0.95	0.98
	After income tax	0.81	0.93
Return on equity	Before income tax	7.94	7.75
	After income tax	6.81	7.35
Net income ratio		63.24	76.04

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		September 30, 2020	September 30, 2019
Return on total assets	Before income tax	2.70	1.52
	After income tax	2.48	1.38
Return on equity	Before income tax	13.19	7.89
	After income tax	12.16	7.16
Net income ratio		41.35	32.36

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

(%)

Items		September 30, 2020	September 30, 2019
Return on total assets	Before income tax	0.90	0.67
	After income tax	0.75	0.57
Return on equity	Before income tax	11.97	10.72
	After income tax	9.95	9.04
Net income ratio		55.99	48.96

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

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

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

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

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

e. Maturity analysis of assets and liabilities - Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
September 30, 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	\$ 3,311,989,383	\$ 351,890,200	\$ 352,840,117	\$ 198,703,837	\$ 207,473,401	\$ 359,421,500	\$ 1,841,660,328
Main capital outflow on maturity	3,879,918,261	215,981,717	200,194,163	474,698,930	489,114,169	671,414,749	1,828,514,533
Gap	(567,928,878)	135,908,483	152,645,954	(275,995,093)	(281,640,768)	(311,993,249)	13,145,795

Maturity Analysis of Assets and Liabilities
September 30, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,108,092,336	\$ 366,776,053	\$ 369,530,977	\$ 208,896,829	\$ 190,269,939	\$ 331,850,400	\$ 1,640,768,138
Main capital outflow on maturity	3,600,100,870	212,441,771	177,918,664	434,848,245	481,050,141	636,278,410	1,657,563,639
Gap	(492,008,534)	154,334,282	191,612,313	(225,951,416)	(290,780,202)	(304,428,010)	(16,795,501)

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

Maturity Analysis of Assets and Liabilities
September 30, 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	\$ 26,632,315	\$ 9,983,554	\$ 4,497,599	\$ 2,245,383	\$ 1,448,136	\$ 8,457,643
Main capital outflow on maturity	31,436,540	11,753,932	5,005,753	4,265,681	6,099,262	4,311,912
Gap	(4,804,225)	(1,770,378)	(508,154)	(2,020,298)	(4,651,126)	4,145,731

Maturity Analysis of Assets and Liabilities
September 30, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 24,764,147	\$ 8,543,192	\$ 4,466,859	\$ 2,394,537	\$ 1,195,782	\$ 8,163,777
Main capital outflow on maturity	29,094,506	12,818,156	5,356,091	3,174,087	4,292,079	3,454,093
Gap	(4,330,359)	(4,274,964)	(889,232)	(779,550)	(3,096,297)	4,709,684

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

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

September 30, 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	\$ 25,396,549	\$ 17,969,580	\$ 1,252,144	\$ -	\$ -
	Bonds	-	500,000	500,000	1,992,705	14,649,105
	Cash in bank	218,448	-	-	200	-
	Total	25,614,997	18,469,580	1,752,144	1,992,905	14,649,105
Source of funds	Borrowings	16,248,200	-	-	-	-
	Securities sold under repurchase agreements	37,567,003	2,241,645	13,025	-	-
	Total	53,815,203	2,241,645	13,025	-	-
Net flows		(28,200,206)	16,227,935	1,739,119	1,992,905	14,649,105
Accumulated capital net flows		(28,200,206)	(11,972,271)	(10,233,152)	(8,240,247)	6,408,858

September 30, 2019

Items		Period				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Use of funds	Bills	\$ 19,606,314	\$ 16,136,176	\$ 436,247	\$ -	\$ -
	Bonds	-	106,536	287,140	387,140	14,300,000
	Cash in bank	181,178	-	-	200	-
	Total	19,787,492	16,242,712	723,387	387,340	14,300,000
Source of funds	Borrowings	10,650,000	-	-	-	-
	Securities sold under repurchase agreements	33,268,370	1,173,723	3,007	-	-
	Total	43,918,370	1,173,723	3,007	-	-
Net flows		(24,130,878)	15,068,989	720,380	387,340	14,300,000
Accumulated capital net flows		(24,130,878)	(9,061,889)	(8,341,509)	(7,954,169)	6,345,831

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

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

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

Balance Sheets of Trust Accounts

Trust Assets	September 30,	December 31,	September 30,	Trust Liabilities	September 30,	December 31,	September 30,
	2020	2019	2019		2020	2019	2019
Cash in banks	\$ 11,270,274	\$ 7,021,670	\$ 5,093,100	Payables			
Short-term investments				Accrued expense	\$ 691	\$ 643	\$ 1,469
Mutual funds	167,816,903	169,141,039	171,200,610	Others	19	9	31
Stocks	1,019,691	1,325,432	1,227,745		710	652	1,500
Debt instruments	5,827,496	5,066,402	4,806,020	Accounts payable on securities under custody	176,773,247	171,703,651	169,748,923
Structured products	66,967	107,364	111,073	Trust capital			
	174,731,057	175,640,237	177,345,448	Cash	183,846,215	180,266,162	180,624,811
Securities lending	169,571	104,114	115,031	Real estate	88,251,688	83,731,346	79,808,331
Receivables	6,456	4,709	144,605	Superficies	218,565	56,660	-
Real estate				Leasehold	-	60,940	60,940
Land	65,643,853	64,162,781	61,135,189	Securities	869,698	1,288,418	1,243,193
Buildings	3,020	1,600	7,600	Others	125,789	84,242	92,403
Construction in process	21,494,265	18,596,003	18,035,653		273,311,955	265,487,768	261,829,678
	87,141,138	82,760,384	79,178,442	Reserves and retained earnings			
Intangible assets				Net income	143,075	173,816	103,369
Leasehold	-	60,940	60,940	Appropriation	(325,829)	(298,330)	(294,031)
Superficies	138,662	56,660	-	Retained earnings	327,307	284,808	297,050
	138,662	117,600	60,940		144,553	160,294	106,388
Other assets	60	-	-	Total	\$ 450,230,465	\$ 437,352,365	\$ 431,686,489
Securities under custody	176,773,247	171,703,651	169,748,923				
Total	\$ 450,230,465	\$ 437,352,365	\$ 431,686,489				

Trust Property List

Investment Items	September 30, 2020	December 31, 2019	September 30, 2019
Cash in banks	\$ 11,270,274	\$ 7,021,670	\$ 5,093,100
Short-term investments			
Mutual funds	167,816,903	169,141,039	171,200,610
Stocks	1,019,691	1,325,432	1,227,745
Debt instruments	5,827,496	5,066,402	4,806,020
Structured products	66,967	107,364	111,073
Securities lending	169,571	104,114	115,031
Receivables			
Accrued interest	1,757	1,851	3,180
Cash dividends	2,819	83	260
Mutual funds	1,440	2,276	140,281
Others	440	499	884
Real estate			
Land	65,643,853	64,162,781	61,135,189
Buildings	3,020	1,600	7,600
Construction in process	21,494,265	18,596,003	18,035,653
Intangible assets			
Leasehold	-	60,940	60,940
Superficies	138,662	56,660	-
Other assets	60	-	-
Securities under custody	<u>176,773,247</u>	<u>171,703,651</u>	<u>169,748,923</u>
Total	<u>\$ 450,230,465</u>	<u>\$ 437,352,365</u>	<u>\$ 431,686,489</u>

**Statements of Income on Trust Accounts
For the Nine Months Ended September 30, 2020 and 2019**

	2020	2019
Revenues		
Interest revenue	\$ 4,899	\$ 4,550
Lending stock	10,866	3,220
Cash dividends	37,115	58,594
Realized gain on investment - stocks	24,763	4,694
Unrealized gain on investment - stocks	170,709	205,343
Unrealized gain on investment - lending stock	27,906	-
Realized gain on investment - mutual funds	236	200
Unrealized gain on investment - mutual funds	22,345	-
Beneficial certificate appropriation	3,304	-
Others	<u>2,521</u>	<u>82</u>
Total revenues	<u>304,664</u>	<u>276,683</u>
Expenses		
Management fees	3,899	3,153
Monitoring fees	4	1
Taxes	21	31
Service charge	558	308
Postage	-	102
Realized loss on investment - stocks	3,290	-
Unrealized loss on investment - stocks	124,070	168,622
Unrealized loss on investment - lending stock	17,430	-
Realized loss on investment - mutual funds	2,617	43
Unrealized loss on investment - mutual funds	9,569	-
Others	<u>131</u>	<u>1,054</u>
Total expenses	<u>161,589</u>	<u>173,314</u>
Income before income tax	143,075	103,369
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 143,075</u>	<u>\$ 103,369</u>

b. Nature of trust business operations under the Trust Law: Note 1.

48. 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 marketing expenses paid by TCB were based on the arrangements.

As of September 30, 2020, December 31, 2019 and September 30, 2019, TCB's accrued receivables were \$6,794 thousand, \$3,455 thousand and \$2,820 thousand, respectively. TCB's revenues from cross-selling transactions were \$16,459 thousand and \$8,779 thousand for the nine months ended September 30, 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 September 30, 2020, December 31, 2019 and September 30, 2019, TCB's accrued receivables were \$2,379 thousand, \$2,358 thousand and \$1,929 thousand, respectively. TCB's revenues from cross-selling transactions were \$23,414 thousand and \$24,023 thousand for the nine months ended September 30, 2020 and 2019, respectively.

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

Table 3 (attached).

50. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

51. CASH FLOW INFORMATION

a. Non-Cash financing activities

Undistributed cash dividends approved by stockholders' meetings are \$377,140 thousand, \$339,653 thousand and \$339,653 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

b. Changes in liabilities arising from financing activities

For the nine months ended September 30, 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
Due to the Central Bank and other banks	\$ -	\$ 18,529,930	\$ -	\$ -	\$ -	\$ 18,529,930
Commercial paper issued	31,104,638	4,825,000	-	-	9,205	35,938,843
Bonds payable	65,000,000	3,200,000	-	-	-	68,200,000
Other borrowings	3,432,028	(2,243,283)	-	-	(7,556)	1,181,189
Financial liabilities designated as at fair value through profit or loss - bank debentures	12,052,429	(12,096,000)	-	669	42,902	-
Guarantee deposits received	2,050,163	(71,086)	-	-	5,061	1,984,138
Lease liabilities	1,651,391	(445,217)	22,713	-	321,203	1,550,090
Other liabilities - other	114,606	185,428	-	-	(2,982)	297,052
	<u>\$ 115,405,255</u>	<u>\$ 11,884,772</u>	<u>\$ 22,713</u>	<u>\$ 669</u>	<u>\$ 367,833</u>	<u>\$ 127,681,242</u>

For the nine months ended September 30, 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	\$ -	\$ -	\$ 13,995	\$ 1,009,641	\$ 12,507,591
Commercial paper issued	26,091,523	5,851,000	-	-	(4,848)	31,937,675
Bonds payable	55,000,000	5,000,000	-	-	-	60,000,000
Other borrowings	2,425,405	948,433	-	-	(19,028)	3,354,810
Guarantee deposits received	1,334,404	602,293	-	-	(9,302)	1,927,395
Lease liabilities	1,528,139	(407,392)	575,519	-	(23,654)	1,672,612
Other liabilities - other	91,155	25,047	-	-	10,508	126,710
	<u>\$ 97,954,581</u>	<u>\$ 12,019,381</u>	<u>\$ 575,519</u>	<u>\$ 13,995</u>	<u>\$ 963,317</u>	<u>\$ 111,526,793</u>

52. OTHER IMPORTANT MATTERS

Since the outbreak of the COVID-19 epidemic in 2020 which has impacted global industries and economic activities and also may affect the Company's operating results. The degree of impact will depend on the subsequent management and control of the COVID-19 epidemic and the results of the various economic activities. As of the date of release of these consolidated financial statements, assessed that this had no significant impact on the Company. The Company will continue to monitor the development of the epidemic, carefully evaluate and actively respond to the impact of the epidemic on the Company's financial status and operating performance.

53. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company: Table 5 (attached).
- 2) Endorsements/guarantees provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company: None.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company: Table 6 (attached).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: 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: Table 8 (attached).
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached).
 - 11) Percentage share in investees and related information: Not applicable.
 - 12) Derivative transactions: Notes 8, 41 and 44 to the consolidated financial statements.
 - 13) Other significant transactions which may affect the decisions of users of financial reports: None.
- c. Investments in Mainland China:
- Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China: Table 10 (attached)
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 11 (attached).
- e. Information on major shareholders: Table 12 (attached).

54. OPERATING SEGMENTS

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

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

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

The revenue, expenses and related information of the Company's reportable segments for the nine months ended September 30, 2020 and 2019 are as follows:

	For the Nine Months Ended September 30, 2020				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 25,087,325	\$ 849,021	\$ 25,936,346	\$ 3,600	\$ 25,939,946
Net revenues and gains other than interest	<u>10,213,764</u>	<u>14,544,357</u>	<u>24,758,121</u>	<u>(12,573,985)</u>	<u>12,184,136</u>
Net revenues	35,301,089	15,393,378	50,694,467	(12,570,385)	38,124,082
Bad-debt expenses and provision for losses on commitment and guarantees	(5,599,670)	(53,761)	(5,653,431)	-	(5,653,431)
Net change in reserves for insurance liabilities	-	1,088,654	1,088,654	-	1,088,654
Operating expenses	<u>(17,123,862)</u>	<u>(2,064,316)</u>	<u>(19,188,178)</u>	<u>214,374</u>	<u>(18,973,804)</u>
Income before income tax	<u>\$ 12,577,557</u>	<u>\$ 14,363,955</u>	<u>\$ 26,941,512</u>	<u>\$ (12,356,011)</u>	<u>\$ 14,585,501</u>
	For the Nine Months Ended September 30, 2019				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 25,518,077	\$ 908,625	\$ 26,426,702	\$ 5,250	\$ 26,431,952
Net revenues and gains other than interest	<u>8,937,717</u>	<u>14,309,567</u>	<u>23,247,284</u>	<u>(13,408,889)</u>	<u>9,838,395</u>
Net revenues	34,455,794	15,218,192	49,673,986	(13,403,639)	36,270,347
Bad-debt expenses and provision for losses on commitment and guarantees	(3,156,354)	(9,392)	(3,165,746)	-	(3,165,746)
Net change in reserves for insurance liabilities	-	1,355,370	1,355,370	-	1,355,370
Operating expenses	<u>(17,170,710)</u>	<u>(1,863,203)</u>	<u>(19,033,913)</u>	<u>194,983</u>	<u>(18,838,930)</u>
Income before income tax	<u>\$ 14,128,730</u>	<u>\$ 14,700,967</u>	<u>\$ 28,829,697</u>	<u>\$ (13,208,656)</u>	<u>\$ 15,621,041</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES

SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				September 30, 2020	December 31, 2019	September 30, 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
				September 30, 2020	December 31, 2019	September 30, 2019	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the nine months ended September 30, 2020 and 2019 are not reviewed.

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
 SEPTEMBER 30, 2020 AND 2019
 (In Thousands of New Taiwan Dollars, %)

Period		September 30, 2020					September 30, 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	\$ 5,918,363	\$ 780,621,540	0.76	\$ 9,077,684	153.38	\$ 4,086,692	\$ 706,238,813	0.58	\$ 8,807,359	215.51
	Unsecured	442,668	686,247,891	0.06	7,293,165	1,647.55	443,118	635,911,592	0.07	6,223,294	1,404.43
Consumer banking	Housing mortgage (Note 4)	803,614	546,152,572	0.15	8,259,309	1,027.77	1,389,860	527,638,316	0.26	8,031,248	577.85
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	11,201	12,734,084	0.09	213,555	1,906.57	12,438	12,024,396	0.10	145,081	1,166.43
	Other (Note 6)	Secured	812,115	300,792,291	0.27	3,276,740	403.48	1,020,414	280,225,972	0.36	3,337,268
Unsecured		10,450	10,238,984	0.10	164,990	1,578.85	19,123	9,764,587	0.20	157,486	823.54
Loan		7,998,411	2,336,787,362	0.34	28,285,443	353.64	6,971,645	2,171,803,676	0.32	26,701,736	383.00
		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		5,996	4,299,874	0.14	59,625	994.41	10,369	4,187,469	0.25	61,867	596.65
Accounts receivable factored without recourse (Note 7)		-	198,652	-	8,529	-	-	207,075	-	8,758	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)					442				704		
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)					4,010				5,591		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)					8,745				9,412		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)					45,797				44,442		

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

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

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

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

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

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

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

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Cash and cash equivalents	\$ 87,750	\$ 47,435	\$ 76,905	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income	22,150	21,275	20,150	Commercial paper issued, net	\$ 28,900,625	\$ 27,190,483	\$ 27,138,563
Receivables	141	148	146	Payables	299,964	287,565	253,881
Current tax assets	2,132,233	2,747,921	1,802,432	Current tax liabilities	2,211,764	2,762,192	1,839,592
Investments accounted for using equity method	260,665,871	248,842,057	244,441,760	Bonds payable	5,700,000	-	-
Properties and equipment, net	12,211	6,378	2,049	Other financial liabilities	3,934	2,865	2,846
Right-of-use assets, net	45,691	63,710	69,717	Lease liabilities	46,742	64,540	70,395
Intangible assets	217	268	206	Other liabilities	11,997	10,096	9,261
Deferred tax assets	324	334	293	Total liabilities	<u>37,175,026</u>	<u>30,317,741</u>	<u>29,314,538</u>
Other assets	<u>8,357</u>	<u>8,139</u>	<u>6,134</u>	<u>Equity</u>			
				Capital stock	133,342,237	129,458,483	129,458,483
				Capital surplus	57,974,241	57,973,141	57,973,141
				Retained earnings	23,181,349	25,875,976	21,947,618
				Other equity	<u>11,302,092</u>	<u>8,112,324</u>	<u>7,726,012</u>
				Total equity	<u>225,799,919</u>	<u>221,419,924</u>	<u>217,105,254</u>
Total	<u>\$ 262,974,945</u>	<u>\$ 251,737,665</u>	<u>\$ 246,419,792</u>	Total	<u>\$ 262,974,945</u>	<u>\$ 251,737,665</u>	<u>\$ 246,419,792</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,305,489	\$ 4,701,860	\$ 12,238,868	\$ 13,108,851
Other revenues and gains	<u>1,340</u>	<u>1,116</u>	<u>4,978</u>	<u>2,652</u>
Total revenues and gains	<u>4,306,829</u>	<u>4,702,976</u>	<u>12,243,846</u>	<u>13,111,503</u>
Expenses and losses				
Operating expenses	71,917	61,087	199,908	163,398
Other expenses and losses	<u>28,082</u>	<u>30,714</u>	<u>104,299</u>	<u>97,406</u>
Total expenses and losses	<u>99,999</u>	<u>91,801</u>	<u>304,207</u>	<u>260,804</u>
Income before income tax	4,206,830	4,611,175	11,939,639	12,850,699
Income tax benefit	<u>268</u>	<u>35,467</u>	<u>19,988</u>	<u>54,803</u>
Net income	4,207,098	4,646,642	11,959,627	12,905,502
Other comprehensive income (loss)	<u>136,937</u>	<u>(907,490)</u>	<u>3,423,239</u>	<u>5,343,339</u>
Total comprehensive income	<u>\$ 4,344,035</u>	<u>\$ 3,739,152</u>	<u>\$ 15,382,866</u>	<u>\$ 18,248,841</u>
Earnings per share (New Taiwan dollars)				
Basic	<u>\$0.32</u>	<u>\$0.35</u>	<u>\$0.90</u>	<u>\$0.97</u>
Diluted	<u>\$0.32</u>	<u>\$0.35</u>	<u>\$0.90</u>	<u>\$0.97</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	Capital Stock		Retained Earnings			Other Equity					Total Equity
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	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	
Unclaimed dividends	-	-	1,100	-	-	-	-	-	-	-	1,100
Appropriation of the 2019 earnings											
Legal reserve	-	-	-	1,695,232	-	(1,695,232)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,003,971)	-	-	-	-	(11,003,971)
Stock dividends	388,376	3,883,754	-	-	-	(3,883,754)	-	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designed as at fair value through profit or loss upon derecognition	-	-	-	-	-	301	-	-	(301)	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	233,170	-	(233,170)	-	-	-
Total comprehensive income											
Net income for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	-	-	-	-	11,959,627
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,117,631)	4,449,432	(669)	92,107	3,423,239
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	(1,117,631)	4,449,432	(669)	92,107	15,382,866
BALANCE AT SEPTEMBER 30, 2020	<u>13,334,224</u>	<u>\$ 133,342,237</u>	<u>\$ 57,974,241</u>	<u>\$ 9,622,864</u>	<u>\$ 996,026</u>	<u>\$ 12,562,459</u>	<u>\$ (2,360,449)</u>	<u>\$ 13,216,533</u>	<u>\$ -</u>	<u>\$ 446,008</u>	<u>\$ 225,799,919</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
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,426,589)	-	-	-	-	(9,426,589)
Stock dividends	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	30,023	-	(30,023)	-	-	-
Total comprehensive income											
Net income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	-	-	-	-	12,905,502
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	93,366	5,067,371	(13,995)	196,597	5,343,339
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	12,905,502	93,366	5,067,371	(13,995)	196,597	18,248,841
BALANCE AT SEPTEMBER 30, 2019	<u>12,945,848</u>	<u>\$ 129,458,483</u>	<u>\$ 57,973,141</u>	<u>\$ 7,927,632</u>	<u>\$ 996,026</u>	<u>\$ 13,023,960</u>	<u>\$ (188,973)</u>	<u>\$ 7,727,380</u>	<u>\$ 1,671</u>	<u>\$ 185,934</u>	<u>\$ 217,105,254</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	For the Nine Months Ended September 30	
	2020	2019
Cash flows from operating activities		
Income before income tax	\$ 11,939,639	\$ 12,850,699
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(12,238,868)	(13,108,851)
Depreciation and amortization expenses	19,825	18,607
Interest expense	104,299	97,406
Interest revenue	(2,489)	(22)
Net changes in operating assets and liabilities		
Decrease in receivables	7	-
Decrease (increase) in other assets	(218)	2,315
Increase (decrease) in payables	(88)	22,361
Increase in other liabilities	<u>1,901</u>	<u>2,289</u>
Cash used in operations	(175,992)	(115,196)
Interest received	2,489	22
Dividends received	3,837,418	3,337,271
Interest paid	(79,483)	(101,693)
Income tax refunded	<u>85,258</u>	<u>85,640</u>
Net cash generated from operating activities	<u>3,669,690</u>	<u>3,206,044</u>
Cash flows from investing activities		
Acquisition of properties and equipment	(7,588)	(96)
Acquisition of intangible assets	<u>-</u>	<u>(94)</u>
Net cash used in investing activities	<u>(7,588)</u>	<u>(190)</u>
Cash flows from financing activities		
Increase in commercial paper issued	1,700,000	6,290,000
Proceeds from the issuance of corporate bonds	5,700,000	-
Increase in guarantee deposits received	1,069	1,090
Repayments of the principal portion of lease liabilities	(18,885)	(18,743)
Dividends paid	<u>(11,003,971)</u>	<u>(9,426,589)</u>
Net cash used in financing activities	<u>(3,621,787)</u>	<u>(3,154,242)</u>
Net increase in cash and cash equivalents	40,315	51,612
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>\$ 87,750</u>	<u>\$ 76,905</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Cash and cash equivalents	\$ 53,324,631	\$ 57,939,887	\$ 46,090,345	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	327,533,898	275,152,522	275,415,337	Deposits from the Central Bank and other banks	\$ 241,090,545	\$ 230,034,229	\$ 242,720,696
Financial assets at fair value through profit or loss	32,440,417	13,105,474	27,960,714	Due to the Central Bank and other banks	18,529,930	-	-
Financial assets at fair value through other comprehensive income	379,499,255	329,128,892	307,472,241	Financial liabilities at fair value through profit or loss	3,178,300	16,021,128	13,840,120
Investments in debt instruments at amortized cost	574,891,137	554,148,605	551,167,766	Securities sold under repurchase agreements	7,179,436	7,976,909	6,996,998
Receivables, net	18,598,398	18,796,079	17,994,039	Payables	47,240,082	37,869,519	46,546,674
Current tax assets	2,325,735	1,182,787	1,298,667	Current tax liabilities	653,796	2,131,559	1,421,155
Discounts and loans, net	2,308,082,813	2,182,264,644	2,144,589,194	Deposits and remittances	3,126,418,272	2,898,402,875	2,830,295,494
Investments accounted for using equity method	2,221,304	2,115,170	2,100,041	Bank debentures	62,500,000	65,000,000	60,000,000
Other financial assets, net	13,144,935	18,843,570	19,353,542	Other financial liabilities	3,845,532	4,137,499	3,105,055
Properties and equipment, net	33,409,742	33,521,394	33,652,302	Provisions	7,913,135	8,221,785	7,815,020
Right-of-use assets, net	1,546,566	1,687,382	1,695,154	Lease liabilities	1,510,080	1,614,958	1,631,816
Investment properties, net	7,423,619	7,443,865	7,156,469	Deferred tax liabilities	3,368,650	3,216,996	3,238,184
Intangible assets	3,785,266	3,635,766	3,604,344	Other liabilities	1,118,905	1,191,720	1,283,723
Deferred tax assets	1,993,524	2,221,537	1,492,167	Total liabilities	<u>3,524,546,663</u>	<u>3,275,819,177</u>	<u>3,218,894,935</u>
Other assets, net	<u>1,734,270</u>	<u>1,661,390</u>	<u>965,339</u>	<u>Equity</u>			
				Capital stock	104,507,300	96,765,300	96,765,300
				Capital surplus	58,767,245	58,767,245	58,767,245
				Retained earnings	64,383,129	64,412,169	60,708,439
				Other equity	9,751,173	7,085,073	6,871,742
				Total equity	<u>237,408,847</u>	<u>227,029,787</u>	<u>223,112,726</u>
Total	<u>\$ 3,761,955,510</u>	<u>\$ 3,502,848,964</u>	<u>\$ 3,442,007,661</u>	Total	<u>\$ 3,761,955,510</u>	<u>\$ 3,502,848,964</u>	<u>\$ 3,442,007,661</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

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

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Cash and cash equivalents	\$ 98,448	\$ 49,845	\$ 61,178	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	45,090,855	35,154,903	37,185,393	Call loans from banks	\$ 16,248,200	\$ 13,650,000	\$ 10,650,000
Financial assets at fair value through other comprehensive income	16,770,513	15,775,179	13,696,595	Financial liabilities at fair value through profit or loss	419	-	-
Investments in debt instruments at amortized cost	1,259,516	1,254,086	1,254,886	Securities sold under repurchase agreements	39,813,513	31,755,956	34,433,878
Receivables, net	410,728	296,356	159,769	Payables	111,427	319,575	575,923
Current tax assets	-	38,977	25,814	Current tax liabilities	7,351	-	-
Other financial assets	120,200	120,200	120,200	Provisions	387,316	408,722	420,222
Properties and equipment, net	11,676	12,203	12,403	Lease liabilities	22,513	29,258	31,568
Right-of-use assets, net	22,025	28,896	31,276	Other liabilities	<u>265,702</u>	<u>80,482</u>	<u>75,972</u>
Intangible assets	16,749	6,881	6,481	Total liabilities	<u>56,856,441</u>	<u>46,243,993</u>	<u>46,187,563</u>
Other assets, net	<u>297,051</u>	<u>266,344</u>	<u>267,612</u>	<u>Equity</u>			
				Capital stock	4,877,740	4,560,710	4,560,710
				Capital surplus	312,633	312,633	312,633
				Retained earnings	1,838,705	1,790,303	1,686,533
				Other equity	<u>212,242</u>	<u>96,231</u>	<u>74,168</u>
				Total equity	<u>7,241,320</u>	<u>6,759,877</u>	<u>6,634,044</u>
Total	<u>\$ 64,097,761</u>	<u>\$ 53,003,870</u>	<u>\$ 52,821,607</u>	Total	<u>\$ 64,097,761</u>	<u>\$ 53,003,870</u>	<u>\$ 52,821,607</u>

Taiwan Cooperative Securities Co., Ltd.

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

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 30,676,208	\$ 21,963,088	\$ 27,965,154	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income - noncurrent	46,467	52,948	54,548	Current liabilities	\$ 25,568,319	\$ 17,165,289	\$ 23,241,468
Properties and equipment, net	53,522	59,128	59,072	Lease liabilities	122,325	152,502	124,083
Right-of-use assets, net	120,905	151,382	160,609	Deferred tax liabilities	135	2,553	3,373
Intangible assets	45,332	51,253	48,827	Other liabilities	<u>3,787</u>	<u>4,725</u>	<u>4,513</u>
Deferred tax assets	5,500	4,683	4,482	Total liabilities	<u>25,694,566</u>	<u>17,325,069</u>	<u>23,373,437</u>
Other noncurrent assets	<u>414,408</u>	<u>426,267</u>	<u>424,851</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	690,152	363,647	320,787
				Other equity	<u>(41,016)</u>	<u>1,393</u>	<u>4,679</u>
				Total equity	<u>5,667,776</u>	<u>5,383,680</u>	<u>5,344,106</u>
Total	<u>\$ 31,362,342</u>	<u>\$ 22,708,749</u>	<u>\$ 28,717,543</u>	Total	<u>\$ 31,362,342</u>	<u>\$ 22,708,749</u>	<u>\$ 28,717,543</u>

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 97,354	\$ 66,811	\$ 67,447	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	222,068	303,195	366,513	Current liabilities	\$ 4,438,260	\$ 4,035,123	\$ 3,747,195
Financial assets at fair value through other comprehensive income	22,150	21,275	20,150	Lease liabilities	11,634	18,534	20,806
Accounts receivable, net	1,140,101	1,551,127	1,326,410	Deferred tax liabilities	36,001	47,930	35,617
Investments accounted for using the equity method	993,056	962,512	962,434	Other liabilities	<u>78,862</u>	<u>102,317</u>	<u>112,137</u>
Properties and equipment, net	41,518	14,405	13,647	Total liabilities	<u>4,564,757</u>	<u>4,203,904</u>	<u>3,915,755</u>
Investment properties, net	4,645,109	3,962,999	3,404,788	<u>Equity</u>			
Right-of-use assets, net	11,393	18,314	20,621	Capital stock	2,825,280	2,825,280	2,825,280
Intangible assets	5,178	7,223	7,989	Capital surplus	2,553	2,553	2,553
Deferred tax assets	223,380	221,546	210,610	Retained earnings	528,045	593,972	522,440
Long-term lease payments receivable	151,796	260,534	513,410	Other equity	<u>(110,163)</u>	<u>(103,704)</u>	<u>(94,190)</u>
Other assets	<u>257,369</u>	<u>132,064</u>	<u>257,819</u>	Total equity	<u>3,245,715</u>	<u>3,318,101</u>	<u>3,256,083</u>
Total	<u>\$ 7,810,472</u>	<u>\$ 7,522,005</u>	<u>\$ 7,171,838</u>	Total	<u>\$ 7,810,472</u>	<u>\$ 7,522,005</u>	<u>\$ 7,171,838</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Cash and cash equivalents	\$ 4,931,319	\$ 9,434,455	\$ 6,469,466	<u>Liabilities</u>			
Receivables	450,520	470,732	691,636	Payables	\$ 1,284,484	\$ 5,432,756	\$ 2,153,825
Current tax assets	99,428	99,428	99,428	Current tax liabilities	253,266	50,492	20,687
Investments	37,746,272	40,081,922	40,338,377	Financial liabilities at fair value through profit or loss	42,769	-	15,853
Reinsurance assets	106,854	84,674	80,078	Lease liabilities	18,569	26,530	30,192
Equipment, net	112,013	143,190	73,854	Insurance liabilities	26,928,422	28,026,195	28,223,491
Right-of-use assets, net	18,238	26,246	29,948	Reserve for insurance contracts with financial instruments features	3,244,177	6,068,784	7,213,758
Deferred tax assets	172,186	13,977	-	Reserve for foreign exchange valuation	179,514	230,520	241,212
Other assets	1,185,923	1,152,976	1,112,354	Deferred tax liabilities	277,335	185,626	203,615
Separate-account assets	<u>97,742,900</u>	<u>109,228,185</u>	<u>103,525,904</u>	Other liabilities	426,867	736,556	474,405
				Separate-account liabilities	<u>97,742,900</u>	<u>109,228,185</u>	<u>103,525,904</u>
				Total liabilities	<u>130,398,303</u>	<u>149,985,644</u>	<u>142,102,942</u>
				<u>Equity</u>			
				Capital stock	6,881,166	6,719,466	6,719,466
				Capital surplus	9,310	9,310	9,310
				Retained earnings	2,309,194	1,931,380	1,807,125
				Other equity	<u>2,967,680</u>	<u>2,089,985</u>	<u>1,782,202</u>
				Total equity	<u>12,167,350</u>	<u>10,750,141</u>	<u>10,318,103</u>
Total	<u>\$ 142,565,653</u>	<u>\$ 160,735,785</u>	<u>\$ 152,421,045</u>	Total	<u>\$ 142,565,653</u>	<u>\$ 160,735,785</u>	<u>\$ 152,421,045</u>

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 410,958	\$ 419,658	\$ 407,873	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	1,989	1,899	1,905	Current liabilities	\$ 70,174	\$ 68,366	\$ 68,216
Properties and equipment, net	3,856	2,624	2,982	Lease liabilities	3,053	4,913	6,105
Right-of-use assets, net	3,006	4,607	5,901	Other liabilities	<u>1,537</u>	<u>1,053</u>	<u>921</u>
Intangible assets	7,117	5,265	1,569	Total liabilities	<u>74,764</u>	<u>74,332</u>	<u>75,242</u>
Prepaid equipment	1,777	756	3,741	<u>Equity</u>			
Other assets	<u>56,215</u>	<u>56,239</u>	<u>56,239</u>	Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Retained earnings	34,579	41,231	29,477
				Other equity	<u>(285)</u>	<u>(375)</u>	<u>(369)</u>
				Total equity	<u>410,154</u>	<u>416,716</u>	<u>404,968</u>
Total	<u>\$ 484,918</u>	<u>\$ 491,048</u>	<u>\$ 480,210</u>	Total	<u>\$ 484,918</u>	<u>\$ 491,048</u>	<u>\$ 480,210</u>

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2020	December 31, 2019	September 30, 2019	Liabilities and Equity	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 1,068,354	\$ 716,326	\$ 1,020,443	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	-	318,001	-	Current liabilities	\$ 8,182	\$ 9,561	\$ 15,728
Investments accounted for using equity method	2,307	3,294	-	Lease liabilities	8,738	9,376	10,196
Properties and equipment, net	845	655	747	Other liabilities	<u>121</u>	<u>159</u>	<u>159</u>
Right-of-use assets, net	8,638	9,302	10,136	Total liabilities	<u>17,041</u>	<u>19,096</u>	<u>26,083</u>
Intangible assets	138	4	7	<u>Equity</u>			
Other assets	<u>474</u>	<u>474</u>	<u>474</u>	Capital stock	1,024,642	1,000,000	1,000,000
				Retained earnings	59,600	57,421	39,816
				Other equity	<u>(20,527)</u>	<u>(28,461)</u>	<u>(34,092)</u>
				Total equity	<u>1,063,715</u>	<u>1,028,960</u>	<u>1,005,724</u>
Total	<u>\$ 1,080,756</u>	<u>\$ 1,048,056</u>	<u>\$ 1,031,807</u>	Total	<u>\$ 1,080,756</u>	<u>\$ 1,048,056</u>	<u>\$ 1,031,807</u>

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	2019
Interest revenues	\$ 39,065,888	\$ 44,069,342
Less: Interest expenses	<u>(13,978,563)</u>	<u>(18,551,265)</u>
Net interest	25,087,325	25,518,077
Net revenues and gains other than interest	<u>10,213,764</u>	<u>8,937,717</u>
Total net revenues	35,301,089	34,455,794
Bad-debt expenses and provision for losses on commitment and guarantees	(5,599,670)	(3,156,354)
Operating expenses	<u>(17,123,862)</u>	<u>(17,170,710)</u>
Income before income tax	12,577,557	14,128,730
Income tax expense	<u>(1,880,369)</u>	<u>(2,232,276)</u>
Net income	10,697,188	11,896,454
Other comprehensive income	<u>2,881,872</u>	<u>4,435,031</u>
Total comprehensive income	<u>\$ 13,579,060</u>	<u>\$ 16,331,485</u>
Earnings per share (NT\$)		
Basic	<u>\$1.02</u>	<u>\$1.14</u>

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Net interest	\$ 247,144	\$ 184,799
Net revenues and gains other than interest	<u>318,097</u>	<u>282,618</u>
Total net revenues	565,241	467,417
Reversal of allowance (impairment losses) for credit losses and provision	(34,631)	16,509
Operating expenses	<u>(113,541)</u>	<u>(109,090)</u>
Income before income tax	417,069	374,836
Income tax expense	<u>(59,600)</u>	<u>(19,394)</u>
Net income	357,469	355,442
Other comprehensive income	<u>123,974</u>	<u>23,253</u>
Total comprehensive income	<u>\$ 481,443</u>	<u>\$ 378,695</u>
Earnings per share (NT\$)		
Basic	<u>\$0.73</u>	<u>\$0.73</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Revenues	\$ 1,365,492	\$ 1,006,210
Service charge	(49,646)	(29,135)
Other operating costs	(99,501)	(136,404)
Employee benefits	(393,763)	(319,852)
Other operating expenses	(278,062)	(235,806)
Other gains and losses	<u>2,064</u>	<u>22,554</u>
Income before income tax	546,584	307,567
Income tax expense	<u>(42,748)</u>	<u>(28,217)</u>
Net income	503,836	279,350
Other comprehensive income (loss)	<u>(21,004)</u>	<u>7,906</u>
 Total comprehensive income	 <u>\$ 482,832</u>	 <u>\$ 287,256</u>
 Earnings per share (NT\$)		
Basic	<u>\$1.07</u>	<u>\$0.59</u>

Co-operative Assets Management Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2020	2019
Operating revenues	\$ 356,630	\$ 345,892
Operating expenses	<u>(185,562)</u>	<u>(155,420)</u>
Operating benefits	171,068	190,472
Non-operating gains and losses	<u>22,363</u>	<u>22,231</u>
Income before income tax	193,431	212,703
Income tax expenses	<u>(41,945)</u>	<u>(42,665)</u>
Net income	151,486	170,038
Other comprehensive loss	<u>(6,459)</u>	<u>(22,896)</u>
 Total comprehensive income	 <u>\$ 145,027</u>	 <u>\$ 147,142</u>
 Earnings per share (NT\$)		
Basic	<u>\$0.54</u>	<u>\$0.60</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020	2019
Operating revenues	\$ (2,486,083)	\$ 14,236,611
Operating costs	4,013,753	(13,019,081)
Operating expenses	<u>(498,842)</u>	<u>(475,934)</u>
Income before income tax	1,028,828	741,596
Income tax expenses	<u>(173,499)</u>	<u>(116,449)</u>
Net income	855,329	625,147
Other comprehensive income	<u>877,695</u>	<u>1,780,157</u>
Total comprehensive income	<u>\$ 1,733,024</u>	<u>\$ 2,405,304</u>
Earnings per share (NT\$)		
Basic	<u>\$1.24</u>	<u>\$0.91</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020	2019
Operating revenues	\$ 305,129	\$ 268,565
Operating expenses	<u>(278,600)</u>	<u>(242,228)</u>
Operating gain	26,529	26,337
Non-operating gains and losses	<u>2,383</u>	<u>1,911</u>
Gain before income tax	28,912	28,248
Income tax expenses	<u>-</u>	<u>-</u>
Net income	28,912	28,248
Other comprehensive income (loss)	<u>90</u>	<u>(33)</u>
Total comprehensive income	<u>\$ 29,002</u>	<u>\$ 28,215</u>
Earnings per share (NT\$)		
Basic	<u>\$0.95</u>	<u>\$0.93</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Nine Months Ended September 30, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020	2019
Operating revenues	\$ 90,374	\$ 82,267
Operating expenses	<u>(27,634)</u>	<u>(24,471)</u>
Operating income	62,740	57,796
Non-operating gains and losses	<u>393</u>	<u>569</u>
Income before income tax	63,133	58,365
Income tax expenses	<u>(4)</u>	<u>(169)</u>
Net income	63,129	58,196
Other comprehensive loss	<u>(3,735)</u>	<u>(5,453)</u>
Total comprehensive income	<u>\$ 59,394</u>	<u>\$ 52,743</u>
Earnings per share (NT\$)		
Basic	<u>\$0.62</u>	<u>\$0.57</u>
		(Concluded)

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Business Segment Items	For the Nine Months Ended September 30, 2020				
	Banking	Bill Finance	Insurance	Others	Consolidated
Net interest	\$ 25,193,845	\$ (17,551)	\$ 597,900	\$ 165,752	\$ 25,939,946
Net revenues and gains other than interest	9,704,517	602,616	89,047	1,787,956	12,184,136
Total net revenues	34,898,362	585,065	686,947	1,953,708	38,124,082
Bad-debt expenses and provision for losses on commitment and guarantees	(5,588,908)	(34,631)	-	(29,892)	(5,653,431)
Net change in reserves for insurance liabilities	-	-	1,088,654	-	1,088,654
Operating expenses	(17,166,137)	(106,777)	(498,733)	(1,202,157)	(18,973,804)
Income before income tax	12,143,317	443,657	1,276,868	721,659	14,585,501
Income tax expenses	(1,887,066)	(59,600)	(173,499)	(77,947)	(2,198,112)
Net income	10,256,251	384,057	1,103,369	643,712	12,387,389

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 185,743	\$ 185,743	3-8	Short-term financing	\$ -	Operating use	\$ 1,857	Real estate	\$ 390,927	\$ 331,810 (Note 3)	\$ 1,327,240 (Note 3)
		Hanky&Partners (Taiwan) Ltd.	Receivables on lending funds	No	219,271	211,307	211,307	3-8	Short-term financing	-	Operating use	2,113	Real estate	301,750	331,810 (Note 3)	1,327,240 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	35,000	29,446	29,446	3-8	Short-term financing	-	Operating use	294	Real estate	48,769	331,810 (Note 3)	1,327,240 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	50,000	12,500	12,500	3-8	Short-term financing	-	Operating use	125	-	-	331,810 (Note 3)	1,327,240 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	35,000	33,250	33,250	3-8	Short-term financing	-	Operating use	333	Guarantee	5,250	331,810 (Note 3)	1,327,240 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	100,000	100,000	100,000	3-8	Short-term financing	-	Operating use	1,000	Stocks	56,400	331,810 (Note 3)	1,327,240 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	40,000	40,000	32,222	3-8	Short-term financing	-	Operating use	322	Real estate	56,073	331,810 (Note 3)	1,327,240 (Note 3)
		Shin Wei Navigation Co., Ltd.	Receivables on lending funds	No	50,000	42,901	42,901	3-8	Short-term financing	-	Operating use	429	Guarantee	5,000	331,810 (Note 3)	1,327,240 (Note 3)
	Anli Lines Corp.	Receivables on lending funds	No	30,000	29,446	29,446	3-8	Short-term financing	-	Operating use	294	Stocks	46,000	331,810 (Note 3)	1,327,240 (Note 3)	

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

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

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 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	September 30, 2020				Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Taiwan Cooperative Venture Capital Co., Ltd.	<u>Convertible bond</u> Oakda Capital Ltd.	-	Financial assets at fair value through profit or loss	-	\$ 10,000	-	\$ 10,000	
Co-operative Assets Management Co., Ltd.	<u>Stock</u> Cooperative Financial International Lease Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	993,056	100.00	993,056	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	22,150	5.00	22,150	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	1,989	0.38	1,989	
Taiwan Cooperative Venture Capital Co., Ltd.	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	24,040	2.38	24,040	
	Acmept Energy Services Co., Ltd.	-	Financial assets at fair value through profit or loss	1,058	40,892	3.26	40,892	
	Inrestec Inc.	-	Financial assets at fair value through profit or loss	2,000	37,380	1.96	37,380	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	132,906	2.82	132,906	
	Lung Teh Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	2,000	52,700	2.86	52,700	
	Eland Information Co., Ltd.	-	Financial assets at fair value through profit or loss	578	26,103	3.33	26,103	
	M2 Communication Inc.	-	Financial assets at fair value through profit or loss	250	352	0.99	352	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	22,728	2.41	22,728	
	Tachyon Intelligence Robot Company	-	Financial assets at fair value through profit or loss	95	987	2.95	987	
	Phu Vinh Industrial Construction, Llc	-	Financial assets at fair value through profit or loss	2,000	125,760	12.50	125,760	
	ULSee Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	651	28,191	0.45	28,191	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Cloud Mile Inc.	-	Financial assets at fair value through profit or loss	838	\$ 52,163	4.55	\$ 52,163	
	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	46,665	8.54	46,665	
	COSPM Media Fabrication Co., Ltd.	-	Financial assets at fair value through profit or loss	680	17,000	19.54	17,000	
	Winking Entertainment Ltd.	-	Financial assets at fair value through profit or loss	3,226	29,362	5.51	29,362	
	TA Chen Stainless Pipe Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,102	21,646	0.09	21,646	
	PharmaEssentia Corporation	-	Financial assets at fair value through other comprehensive income	329	32,940	0.13	32,940	
	Quang Viet Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income	194	21,631	0.19	21,631	
	Kuo Yang Construction Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,375	33,756	0.20	33,756	
	Adimmune Corporation	-	Financial assets at fair value through other comprehensive income	516	35,398	0.12	35,398	
	Mesh Cooperative Ventures, Inc.	-	Investments accounted for using equity method	330	2,307	33.00	2,307	

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 1,106,231	\$ 577,135	\$ 77,024	\$ 55,173	6.96	9.56

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 (In Thousands of New Taiwan Dollars)

1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Date of Transaction	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss) on Disposal	Terms	Relationship Between the Counterparty and the Company
2020.6.24	SC Lowy Primary Investments, Ltd.	Midterm unsecured loan for enterprise (International syndicated loans)	\$ - (Note 1)	\$ 47,921 (US\$ 1,597)	\$ 47,921 (US\$ 1,597)	None	None
2020.6.24	SC Lowy Primary Investments, Ltd.	Midterm unsecured loan for enterprise (International syndicated loans)	- (Note 2)	28,055 (US\$ 935)	28,055 (US\$ 935)	None	None

Note 1: Book value equals the amount of the original loan of US\$9,642 thousand minus the allowance for bad debts of US\$9,642 thousand.

Note 2: Book value equals the amount of the original loan of US\$5,679 thousand minus the allowance for bad debts of US\$5,679 thousand.

Co-operative Assets Management Co., Ltd.

Date of Transaction	Counterparty	Form of Nonperforming Loan	Book Value (Note 4)	Selling Price	Gain (Loss) on Disposal	Terms	Relationship Between the Counterparty and the Company
2020.3.19	Client	Residential mortgage loan	\$ 1,611 (Note 3)	\$ 2,000	\$ 389	None	None

Note 3: Book value equals the amount of the original loan minus the allowance for bad debts.

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

SEPTEMBER 30, 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. Taiwan Cooperative Securities Co., Ltd.	Parent company Sister company	\$ 2,211,764 884,721	- -	\$ - -	- -	\$ - -	\$ - -

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 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)	\$ 329,743	100	\$ 329,743	\$ 5,931,343	\$ -
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)	(385,676)	100	(385,676)	2,370,167	-
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)	153,370	100	153,370	3,225,101	-
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)	14,430	100	14,430	2,307,630	-

Accumulated Investment in Mainland China as of September 30, 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)	\$ 142,584,120

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 September 30, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 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)	\$ 39,713	100	\$ 39,713	\$ 993,056	\$ -

Accumulated Investment in Mainland China as of September 30, 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)	\$ 1,947,429

(Continued)

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

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

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 payables - consolidated tax return	\$ 2,211,764	Note 4	0.06
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	2,211,764	Note 4	0.06
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	561,086	Note 4	0.01
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Deposits from banks	561,086	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	7,461,974	Note 4	0.19
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	7,461,974	Note 4	0.19
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,948,620	Note 4	0.05
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,948,620	Note 4	0.05
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	451,784	Note 4	1.19
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	451,784	Note 4	1.19
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	169,482	Note 4	0.44
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Gains (losses) on financial assets and liabilities at fair value through profit or loss	169,482	Note 4	0.44
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	4,900,000	Note 4	0.12
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	4,900,000	Note 4	0.12
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	1,459,648	Note 4	0.04
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Securities sold under repurchase agreements	1,459,648	Note 4	0.04

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents	\$ 109,628	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Deposits and remittances	109,628	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment accumulated earnings	580,423	Note 4	1.52
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Call loans to securities firms	289,900	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other borrowings	289,900	Note 4	0.01
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Settlement payable	884,721	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	884,721	Note 4	0.02
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	119,933	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	121,347	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	1,448	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	30,784	Note 4	0.08
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	31,934	Note 4	0.08

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

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

Note 2: Transaction flows are as follows:

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

(Continued)

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

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

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.**INFORMATION ON MAJOR SHAREHOLDERS
SEPTEMBER 30, 2020**

Name of Major Shareholder	Shareholding	
	Number of Shares	Percentage of Ownership (%)
Ministry of Finance, Taiwan	3,475,464,779	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.