

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

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of Taiwan Cooperative Financial Holding Co., Ltd. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Cooperative Financial Holding Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

By

CHUNG-DAR LEI
Chairman

March 22, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, International Financial Reporting Standards, International Accounting Standards, Interpretation of IFRS and Interpretations of IAS endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries for the year ended December 31, 2020 were as follows:

Impairment Assessment of Loans

The discounts and loans of the Company as of December 31, 2020 are accounted for 55% of the consolidated total assets. Therefore, the assessment of the impairment loss of discounts and loans may have significant impacts on the consolidated financial statements. Besides assessing expected credit losses of loans in accordance with IFRS 9 “Financial Instruments”, the management of Taiwan Cooperative Bank, Ltd.(TCB) complies with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” related regulations (collectively, the Regulations) when assessing classification of credit assets and recognizing allowance for possible losses.

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

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

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

1. We obtained an understanding of the design of the TCB’s relevant internal controls on impairment assessment of loans.
2. We tested and confirmed that TCB’s credit assets were classified and evaluated for impairment in accordance with the Regulations, which require the consideration of the length of time the loans have been overdue and the value of the collaterals in calculating the provision for impairment loss.

Reserve of Life Policy-failure to Quote the Correct Insurance Information

The reserve for life insurance policy contracts and financial instruments with discretionary participation features of the Company were recognized in compliance with the Regulations Governing the Recognition of Reserves by Insurance Enterprises.

The management of BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) refers to the deposit logic of the commodity calculation instructions submitted to the competent authority at the time of insurance pricing to measure the life insurance liability reserve liabilities of each valid long-term insurance policy. The changes to the deposit logic must be approved by the competent authority in advance. Except for those who approve it, BPCTLI shall not arbitrarily change the formulas and parameters used in the product calculation instructions submitted to the competent authority at the time of pricing of insurance types, because failure to quote the correct policy information will have a significant impact on the allocation of insurance liabilities. Thus, adequacy of life insurance policy reserve is deemed a key audit matter. For the relevant accounting policies and critical accounting judgements and estimations, refer to Notes 4 and 5 to the consolidated financial statements. For the relevant information about the assessment of the insurance liabilities, refer to Note 29 to the consolidated financial statements.

With respect to the abovementioned key audit matter, the procedures we performed were as follows:

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

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

Management is responsible for the preparation and fair presentation of the 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, International Financial Reporting Standards, International Accounting Standards, Interpretation of IFRS and Interpretations of IAS endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the consolidated financial statements of Taiwan Cooperative Financial Holding Co., Ltd. and its subsidiaries, for the year ended December 31, 2020 and are therefore deemed to be the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

Notice to Readers

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 50,865,216	1	\$ 60,006,782	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 41 and 42)	371,470,642	9	263,817,306	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 41 and 42)	78,730,563	2	60,475,818	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4 and 9)	429,136,054	10	381,855,600	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 42)	728,266,474	18	557,848,944	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	1,278,803	-	1,436,329	-
RECEIVABLES, NET (Notes 4, 12 and 41)	37,306,638	1	34,284,712	1
CURRENT TAX ASSETS (Notes 4 and 38)	2,201,243	-	1,231,624	-
DISCOUNTS AND LOANS, NET (Notes 4, 13, 41 and 42)	2,275,331,514	55	2,193,417,017	59
REINSURANCE ASSETS, NET (Note 4)	151,280	-	84,674	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 14)	139,175	-	134,794	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15, 31 and 42)	115,485,762	3	128,596,256	3
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	11,418,672	-	10,826,441	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	33,451,779	1	33,771,493	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	1,704,880	-	1,723,612	-
INTANGIBLE ASSETS (Notes 4 and 19)	3,888,623	-	3,711,718	-
DEFERRED TAX ASSETS (Notes 4 and 38)	2,831,695	-	2,491,061	-
OTHER ASSETS, NET (Notes 4, 18, 20 and 30)	<u>3,382,377</u>	<u>-</u>	<u>3,774,376</u>	<u>-</u>
TOTAL	<u>\$ 4,147,041,390</u>	<u>100</u>	<u>\$ 3,739,488,557</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 41)	\$ 231,993,626	5	\$ 242,966,181	7
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	37,118,610	1	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 27 and 41)	4,832,498	-	16,047,300	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 11, 23 and 41)	55,775,026	1	45,554,849	1
COMMERCIAL PAPER ISSUED, NET (Note 24)	31,801,343	1	31,104,638	1
PAYABLES (Notes 4, 25 and 41)	48,083,228	1	50,852,309	1
CURRENT TAX LIABILITIES (Notes 4 and 38)	1,113,261	-	2,185,489	-
DEPOSITS AND REMITTANCES (Notes 26 and 41)	3,269,871,544	79	2,891,805,142	77
BONDS PAYABLE (Note 27)	71,600,000	2	65,000,000	2
OTHER BORROWINGS (Notes 24 and 28)	815,302	-	3,432,028	-
PROVISIONS (Notes 4, 29 and 30)	38,262,395	1	42,956,006	1
OTHER FINANCIAL LIABILITIES (Notes 4, 16 and 31)	111,109,742	3	113,837,618	3
LEASE LIABILITIES (Notes 4 and 18)	1,649,746	-	1,651,391	-
DEFERRED TAX LIABILITIES (Notes 4, 17 and 38)	3,789,000	-	3,453,105	-
OTHER LIABILITIES (Note 32)	<u>1,544,512</u>	<u>-</u>	<u>1,735,197</u>	<u>-</u>
Total liabilities	<u>3,909,359,833</u>	<u>94</u>	<u>3,512,581,253</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC				
Capital stock				
Common stock	<u>133,342,237</u>	<u>3</u>	<u>129,458,483</u>	<u>3</u>
Capital surplus	<u>57,974,241</u>	<u>2</u>	<u>57,973,141</u>	<u>2</u>
Retained earnings				
Legal reserve	9,622,864	-	7,927,632	-
Special reserve	995,669	-	996,026	-
Unappropriated earnings	<u>16,748,682</u>	<u>1</u>	<u>16,952,318</u>	<u>1</u>
Total retained earnings	<u>27,367,215</u>	<u>1</u>	<u>25,875,976</u>	<u>1</u>
Other equity	<u>12,366,076</u>	<u>-</u>	<u>8,112,324</u>	<u>-</u>
Total equity attributable to owners of TCFHC	231,049,769	6	221,419,924	6
NON-CONTROLLING INTERESTS	<u>6,631,788</u>	<u>-</u>	<u>5,487,380</u>	<u>-</u>
Total equity	<u>237,681,557</u>	<u>6</u>	<u>226,907,304</u>	<u>6</u>
TOTAL	<u>\$ 4,147,041,390</u>	<u>100</u>	<u>\$ 3,739,488,557</u>	<u>100</u>

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 33 and 41)	\$ 52,869,172	102	\$ 60,460,031	123	(13)
INTEREST EXPENSE (Notes 4, 33 and 41)	<u>(17,972,958)</u>	<u>(35)</u>	<u>(25,114,232)</u>	<u>(51)</u>	(28)
NET INTEREST	<u>34,896,214</u>	<u>67</u>	<u>35,345,799</u>	<u>72</u>	(1)
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 34 and 41)	7,722,888	15	6,949,056	14	11
Premium income (loss), net (Notes 4, 31 and 35)	37,650	-	(354,629)	(1)	111
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 36 and 41)	(6,190,828)	(12)	3,318,843	7	(287)
Gains on disposal of investment properties, net (Note 4)	95,262	-	2,126	-	4,381
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	4,675,777	9	2,483,595	5	88
Gains on derecognition of financial assets at amortized cost, net (Notes 4 and 10)	-	-	19,346	-	(100)
Foreign exchange gains, net (Note 4)	11,064,690	22	1,739,311	4	536
Impairment losses on assets (Notes 4, 9 and 10)	(48,476)	-	(18,770)	-	158
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	7,962	-	10,469	-	(24)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Losses on reclassification of overlay approach (Notes 4 and 8)	\$ (637,501)	(1)	\$ (719,134)	(2)	(11)
Other noninterest gains, net (Notes 16 and 41)	<u>142,349</u>	<u>-</u>	<u>320,113</u>	<u>1</u>	(56)
Total net revenues and gains other than interest	<u>16,869,773</u>	<u>33</u>	<u>13,750,326</u>	<u>28</u>	23
TOTAL NET REVENUES	<u>51,765,987</u>	<u>100</u>	<u>49,096,125</u>	<u>100</u>	5
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 13)	<u>(7,100,682)</u>	<u>(14)</u>	<u>(4,117,955)</u>	<u>(8)</u>	72
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Notes 4 and 29)	<u>1,019,296</u>	<u>2</u>	<u>1,531,720</u>	<u>3</u>	(33)
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 30 and 37)					
Employee benefits	(16,573,977)	(32)	(16,787,527)	(34)	(1)
Depreciation and amortization	(2,169,071)	(4)	(1,904,366)	(4)	14
General and administrative	<u>(7,118,856)</u>	<u>(14)</u>	<u>(7,094,353)</u>	<u>(15)</u>	-
Total operating expenses	<u>(25,861,904)</u>	<u>(50)</u>	<u>(25,786,246)</u>	<u>(53)</u>	-
INCOME BEFORE INCOME TAX	19,822,697	38	20,723,644	42	(4)
INCOME TAX EXPENSE (Notes 4 and 38)	<u>(2,687,706)</u>	<u>(5)</u>	<u>(3,111,228)</u>	<u>(6)</u>	(14)
NET INCOME	<u>17,134,991</u>	<u>33</u>	<u>17,612,416</u>	<u>36</u>	(3)

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2020</u>		<u>2019</u>		<u>Percentage Increase (Decrease)</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)					
Remeasurement of defined benefit plans	\$ (224,204)	-	\$ (331,334)	(1)	(32)
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(669)	-	(14,696)	-	(95)
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	<u>246,718</u>	<u>-</u>	<u>2,644,141</u>	<u>6</u>	(91)
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>21,845</u>	<u>-</u>	<u>2,298,111</u>	<u>5</u>	(99)
Items that may be reclassified subsequently to profit or loss (Notes 4, 8, 14 and 38)					
Exchange differences on the translation of financial statements of foreign operations	(2,636,443)	(5)	(1,210,502)	(2)	118
Unrealized gains on investments in debt instruments at fair value through other comprehensive income	6,494,153	13	4,667,538	9	39
Other comprehensive income on reclassification of overlay approach	637,501	1	719,134	1	(11)
Income tax attributable to other comprehensive income	<u>279,826</u>	<u>-</u>	<u>(133,542)</u>	<u>-</u>	310
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>4,775,037</u>	<u>9</u>	<u>4,042,628</u>	<u>8</u>	18
Other comprehensive income, net of income tax	<u>4,796,882</u>	<u>9</u>	<u>6,340,739</u>	<u>13</u>	(24)
TOTAL COMPREHENSIVE INCOME	<u>\$ 21,931,873</u>	<u>42</u>	<u>\$ 23,953,155</u>	<u>49</u>	(8)

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INCOME ATTRIBUTABLE TO:					
Owners of TCFHC	\$ 16,584,137	32	\$ 17,235,959	35	(4)
Non-controlling interests	<u>550,854</u>	<u>1</u>	<u>376,457</u>	<u>1</u>	46
	<u>\$ 17,134,991</u>	<u>33</u>	<u>\$ 17,612,416</u>	<u>36</u>	(3)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of TCFHC	\$ 20,632,716	40	\$ 22,563,511	46	(9)
Non-controlling interests	<u>1,299,157</u>	<u>2</u>	<u>1,389,644</u>	<u>3</u>	(7)
	<u>\$ 21,931,873</u>	<u>42</u>	<u>\$ 23,953,155</u>	<u>49</u>	(8)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	<u>\$1.24</u>		<u>\$1.29</u>		
Diluted	<u>\$1.24</u>		<u>\$1.29</u>		

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of TCFHC											
							Other Equity					
	Capital Stock (Note 40)		Capital Surplus	Retained Earnings (Note 9 and 40)			Exchange Differences in Translation of Financial Statement of Foreign Operations	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	Non-controlling Interests (Note 40)	Total Equity
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2019	12,568,785	\$ 125,687,847	\$ 57,964,343	\$ 6,451,448	\$ 996,026	\$ 14,761,844	\$ (282,339)	\$ 2,690,032	\$ 15,666	\$ (10,663)	\$ 4,199,805	\$ 212,474,009
Unclaimed dividends	-	-	8,798	-	-	-	-	-	-	-	-	8,798
Appropriation of the 2018 earnings												
Legal reserve	-	-	-	1,476,184	-	(1,476,184)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,426,589)	-	-	-	-	-	(9,426,589)
Stock dividends	377,063	3,770,636	-	-	-	(3,770,636)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(40,742)	-	40,742	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(102,069)	(102,069)
Total comprehensive income												
Net income for the year ended December 31, 2019	-	-	-	-	-	17,235,959	-	-	-	-	376,457	17,612,416
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(331,334)	(960,479)	6,269,497	(14,696)	364,564	1,013,187	6,340,739
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	16,904,625	(960,479)	6,269,497	(14,696)	364,564	1,389,644	23,953,155
BALANCE, DECEMBER 31, 2019	12,945,848	129,458,483	57,973,141	7,927,632	996,026	16,952,318	(1,242,818)	9,000,271	970	353,901	5,487,380	226,907,304
Unclaimed dividends	-	-	1,100	-	-	-	-	-	-	-	-	1,100
Reversal of special reserve	-	-	-	-	(357)	357	-	-	-	-	-	-
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	-	-	-	-	-	18,730	-	(18,730)	-	-	-	-
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)	-	-	-
Total comprehensive income												
Net income for the year ended December 31, 2020	-	-	-	-	-	16,584,137	-	-	-	-	550,854	17,134,991
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(224,204)	(2,114,385)	6,062,106	(669)	325,731	748,303	4,796,882
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	16,359,933	(2,114,385)	6,062,106	(669)	325,731	1,299,157	21,931,873
BALANCE, DECEMBER 31, 2020	<u>13,334,224</u>	<u>\$ 133,342,237</u>	<u>\$ 57,974,241</u>	<u>\$ 9,622,864</u>	<u>\$ 995,669</u>	<u>\$ 16,748,682</u>	<u>\$ (3,357,203)</u>	<u>\$ 15,043,647</u>	<u>\$ -</u>	<u>\$ 679,632</u>	<u>\$ 6,631,788</u>	<u>\$ 237,681,557</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 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 19,822,697	\$ 20,723,644
Adjustments for:		
Depreciation expense	1,948,452	1,719,508
Amortization expense	220,619	184,858
Expected credit losses/bad-debt expenses	6,967,671	4,012,003
Losses (gains) on financial assets and liabilities at fair value through profit or loss	6,190,828	(3,318,843)
Interest expense	17,972,958	25,114,232
Gains on derecognition of financial assets at amortized cost	-	(19,346)
Interest revenue	(52,869,172)	(60,460,031)
Dividend income	(1,927,121)	(1,064,736)
Net changes in reserves for insurance liabilities	(1,019,296)	(1,531,720)
Reversal of provision for losses on guarantees	78,393	54,961
Net changes in reserves for other liabilities	54,618	50,991
Share of gains of associates and joint ventures accounted for using equity method	(7,962)	(10,469)
Gains on reclassification of overlay approach	637,501	719,134
Losses on disposal of properties and equipment	25,372	2,743
Gains on disposal of investment properties	(95,262)	(2,126)
Gains on disposal of investments	(2,748,656)	(1,418,859)
Impairment losses on financial assets	48,604	22,665
Reversal of impairment losses on financial assets	(128)	(3,895)
Unrealized losses on foreign exchange	722,127	447,943
Gains on disposal of collaterals assumed	(20,359)	(15,557)
Others	2,870	(45)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(93,835,147)	14,927,113
Decrease (increase) in financial assets at fair value through profit or loss	(11,710,097)	12,915,705
Increase in financial assets at fair value through other comprehensive income	(45,613,070)	(64,719,900)
Increase in investments in debt instruments at amortized cost	(173,174,661)	(1,721,772)
Increase in securities purchased under resell agreements	(9,957)	-
Increase in receivables	(5,770,447)	(3,874,421)
Increase in discounts and loans	(88,252,492)	(136,393,590)
Increase in reinsurance assets	(67,551)	(31,200)
Decrease (increase) in other financial assets	10,073,097	(301,085)
Decrease (increase) other assets	586,594	(1,003,411)
Increase (decrease) in deposits from the Central Bank and other banks	(10,972,555)	16,701,375
Decrease in financial liabilities at fair value through profit or loss	(12,316,756)	(8,649,675)
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Increase in securities sold under repurchase agreements	\$ 10,241,738	\$ 1,185,556
Increase (decrease) in payables	740,062	(713,804)
Increase in deposits and remittances	378,066,402	165,330,793
Decrease in provision for employee benefits	(412,190)	(262,807)
Decrease in provisions	(3,610,514)	(4,521,868)
Increase (decrease) in other financial liabilities	(161,172)	630,352
Decrease in other liabilities	<u>(151,256)</u>	<u>(1,525,898)</u>
Cash used in operations	(50,345,218)	(26,821,482)
Interest received	56,677,969	62,506,639
Dividends received	2,128,122	1,278,751
Interest paid	(21,820,555)	(24,755,629)
Income tax paid	<u>(4,566,278)</u>	<u>(2,321,724)</u>
Net cash generated from (used in) operating activities	<u>(17,925,960)</u>	<u>9,886,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(3,500)	(3,300)
Acquisition of properties and equipment	(1,133,200)	(1,346,085)
Proceeds from disposal of properties and equipment	2	20
Increase in refundable deposits	(4,182,448)	(2,660,580)
Decrease in refundable deposits	3,938,708	2,999,539
Acquisition of intangible assets	(370,966)	(256,888)
Proceeds from disposal of collaterals assumed	139,748	153,121
Acquisition of collaterals assumed	-	(707)
Acquisition of investment properties	(911,060)	(1,140,832)
Proceeds from disposal of investment properties	479,637	16,123
Increase in other assets	(3,469)	(29,622)
Decrease in other assets	<u>20,208</u>	<u>12,026</u>
Net cash used in investing activities	<u>(2,026,340)</u>	<u>(2,257,185)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper issued	685,000	5,015,000
Increase in due to the Central Bank and other banks	37,118,610	-
Proceeds from the issuance of corporate bonds	10,000,000	-
Proceeds from the issuance of bank debentures	5,000,000	11,000,000
Repayments of bank debentures	(8,400,000)	(1,000,000)
Decrease in financial liabilities designated as at fair value through profit or loss	(12,096,000)	-
Increase in other borrowings	24,804,598	30,713,086
Decrease in other borrowings	(27,422,192)	(29,674,701)
Increase in guarantee deposits received	3,128,960	1,541,527
Decrease in guarantee deposits received	<u>(2,274,479)</u>	<u>(805,519)</u>
		(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Repayments of the principal portion of lease liabilities	\$ (620,825)	\$ (586,186)
Increase in other liabilities	-	29,568
Decrease in other liabilities	(11,070)	-
Cash 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>18,753,882</u>	<u>6,704,117</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>5,960,458</u>	<u>2,293,579</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,762,040	16,627,066
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>90,305,606</u>	<u>73,678,540</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 95,067,646</u>	<u>\$ 90,305,606</u>

Cash and cash equivalent reconciliations:

	December 31	
	2020	2019
Cash and cash equivalents in the consolidated balance sheets	\$ 50,865,216	\$ 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”	42,680,684	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”	1,268,846	1,436,329
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>252,900</u>	<u>-</u>
Cash and cash equivalents, end of the year	<u>\$ 95,067,646</u>	<u>\$ 90,305,606</u>

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, 1 offshore banking unit (OBU), 13 overseas branches, 8 overseas sub-branches and 2 representative offices as of December 31, 2020.

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2020 and 2019, TCFHC and its subsidiaries (collectively, the Company) had 9,527 and 9,430 employees, respectively.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by TCFHC's board of directors on March 22, 2021.

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

- a. Effects of initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the above New IFRSs in 2020 did not have any material impact on the Company's accounting policies.

- b. Impact of IFRSs endorsed by the FSC for application starting from 2021, but not yet applied by the Company

New IFRSs	Effective Date Announced by International Accounting Standards Board (IASB)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	
“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.	
Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform	

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

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

New IFRSs	Effective Date Announced by IASB (Note 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 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 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
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 will be 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” will be 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” will be 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 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.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

- IFRS 17 “Insurance Contracts” and related amendments

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

Level of aggregation

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

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

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

Recognition

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

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

- 3) For a group of onerous contracts, when the group becomes onerous.

Measurement

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

- 1) The initial recognition of an amount for the fulfillment cash flows;
- 2) All cash flows arising from the contracts in the group at that date;
- 3) The derecognition of the following at initial recognition date
 - a) Insurance acquisition cash flow assets; and
 - b) Any other assets and liabilities related the cash flows in the group of contracts were previously recognized

Subsequent measurement

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

Onerous contracts

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

Premium allocation approach

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

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

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

When using the PAA, the liability for remaining coverage shall be initially recognized as the following:

- 1) The premium received at the initial recognition;
- 2) The premium minus all insurance acquisition cash flows at that date; and
- 3) Plus or minus the following items derecognition at the initial recognition date.
 - a) Insurance acquisition cash flow assets; and
 - b) Any other assets and liabilities related to the cash flows in the group of contracts were previously recognized.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Foreign-currency Transactions

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income (FVTOCI) and investments in equity instruments at FVTOCI.

1) Financial asset at FVTPL

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

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 44.

2) Financial assets at amortized cost

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

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

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

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

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

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

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

Equity instruments

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

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

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

Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 44.

b) Financial guarantee contracts

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

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

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

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

2) Derecognition of financial liabilities

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

Derivatives

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

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

Overdue Loans

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

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

Purchase on Margin and Short Sale

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

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

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

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

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

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Security Lending

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

Investment in Associates and Joint Ventures

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

Reinsurance Contracts

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

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

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

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

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

Properties and Equipment

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

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

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

Leasing

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

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

a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

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

b. The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

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

Goodwill

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

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

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

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

Intangible Assets Other Than Goodwill

Separate acquisition

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

Acquisition as part of a business combination

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

Derecognition

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

Impairment of Properties and Equipment, Right-of-use Assets and Intangible Assets Other Than Goodwill

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

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

Investment-linked Products

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

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

Foreclosed Collaterals

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

Provisions

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

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

The reserves of insurance contracts are recognized in accordance with Regulations Governing the Reserves by Insurance Enterprises and attested by actuary with accreditation from Financial Supervisory Commission. According to the No. 10704504821 announced by the Insurance Bureau, except the Company's insurance with a term of less than one year, the insurance liabilities should be calculated based on the higher of its revenue or revenue calculated according to the regulation. The provision basis are summarized as follows:

Besides, although some of the Company's insurance contracts include discretionary participation features and guarantee elements, the Company does not recognize them separately, so the entire contract is classified as a liability.

Unearned premium reserve

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

Claim reserve

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

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

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

- b. Injury insurance

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

Life policy reserve

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

Deficiency reserve

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

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

Reserve for liability adequacy

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

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

Insurance contract with financial instrument features

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

Reserve for foreign exchange valuation

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

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

- a. Special reserve is reclassified to reserve for foreign exchange valuation for three years from the reclassification date. For the first year, the amount cannot be less than one third of the initial amount of net income. For the first two years, the cumulative amounts cannot less than two thirds of the initial amount of net income. In this reclassification, the recovered amount should be calculated in accordance with Regulations Governing the Reserves by Insurance Enterprises.
- b. Provisions: Except for provisions calculated at the total amounts of foreign investments multiplied by the ratio of exposures and the ratio of 0.05 percent, if there is the profit on non-hedging foreign exchange assets, the Company should provide a reserve at 50 percent of the profit.
- c. Write-off amounts: The loss on foreign exchange of the assets without hedge should be written off against the reserve at 50 percent of the loss. The balance of the reserve at the end of a month cannot be less than 20 percent of the amount at the end of the previous year's cumulative balances. The cumulative balance in 2012 refers to the initial amount of the reserve.
- d. The maximum cumulative reserve is 9.5 percent of the current year's total foreign investment.
- e. If the Company has savings on hedging cost, it should appropriate from the current year's net profit an amount the same as that of these savings. However, if the net profit is not enough for this appropriation, the appropriation should be made in the year a profit is made. This reserve should be used for capital increase or for offsetting the deficit at least once in three years.
- f. Ten percent of net profit should be provided as special reserve. However, exemption from this requirement may be obtained under the authorities' approval.

Recognition of Revenue

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

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

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

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

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

Premium Income and Policy Acquisition Cost

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

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

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

Government Grants

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

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

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

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

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

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

Preferential interest deposits for employees

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

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

Termination benefits

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

Share-based Payment

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

Taxation

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

Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

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

Business Combination

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

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

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

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

Classification of Insurance Contracts

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

If the level 1 input value cannot be obtained when the fair value of a financial instrument is estimated, the Company will periodically update each input value according to market conditions to measure its fair value. For the description of fair value evaluation method and input value, please refer to Note 44.

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

	December 31	
	2020	2019
Cash on hand	\$ 23,531,314	\$ 38,837,415
Notes and checks in clearing	5,709,157	6,067,358
Due from banks	<u>21,633,705</u>	<u>15,105,656</u>
	50,874,176	60,010,429
Less: Allowance for possible losses	<u>8,960</u>	<u>3,647</u>
	<u>\$ 50,865,216</u>	<u>\$ 60,006,782</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2020 and 2019 are shown in the consolidated statements of cash flows.

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

	December 31	
	2020	2019
Reserves for deposits - account A	\$ 103,930,664	\$ 22,529,019
Reserves for deposits - account B	83,714,410	74,559,407
Reserves for deposits - community financial institutions	65,382,499	60,777,063
Reserves for deposits - foreign-currency deposits	539,693	408,912
Deposits in the Central Bank	39,200,000	39,200,000
Due from the Central Bank - others	25,477,059	22,485,951
Due from the Central Bank - central government agencies' deposits	2,262,307	5,641,409
Call loans to banks	<u>50,964,010</u>	<u>38,215,545</u>
	<u>\$ 371,470,642</u>	<u>\$ 263,817,306</u>

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

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

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

	December 31	
	2020	2019
Financial assets mandatorily classified as at <u>fair value through profit or loss</u>		
Commercial paper	\$ 57,253,280	\$ 37,520,824
Negotiable certificates of deposit	7,598,419	4,999,773
Beneficial certificates	5,659,247	5,422,409
Investment in equity instruments	2,779,845	3,285,674
Corporate bonds	2,150,067	4,410,829
Convertible bonds	862,948	1,088,914
Government bonds	484,292	147,338
Acquired loans	166,140	303,196
Commercial paper contracts with reference rate	10,389	4,349
Bank debentures	-	873,028
Currency swap contracts	1,265,419	1,372,738
Futures exchange margins	296,381	157,086
Forward contracts	82,557	53,994
		(Continued)

	December 31	
	2020	2019
Convertible bonds assets swap contracts	\$ 63,476	\$ 181,040
Currency option contracts - buy	38,487	28,094
Cross-currency swap contracts	14,316	10,666
Interest rate swap contracts	5,300	496,817
Foreign-currency margin contracts	-	119,049
Financial assets at fair value through profit or loss	<u>\$ 78,730,563</u>	<u>\$ 60,475,818</u>
<u>Held-for-trading financial liabilities</u>		
Payable - security borrowing	\$ 410,521	\$ 139,434
Commercial paper contracts with reference rate	2	-
Currency swap contracts	4,317,870	3,796,160
Currency option contracts - sell	38,583	28,278
Forward contracts	33,803	13,462
Asset swap options contracts	17,881	2,989
Interest rate swap contracts	12,867	14,548
Foreign-currency margin contracts	921	-
Convertible bonds assets swap contracts	50	-
	<u>4,832,498</u>	<u>3,994,871</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 27)	-	12,052,429
Financial liabilities at fair value through profit or loss	<u>\$ 4,832,498</u>	<u>\$ 16,047,300</u>
		(Concluded)

As of December 31, 2020 and 2019, financial assets at fair value through profit or loss amounting to \$36,890,958 thousand and \$28,594,352 thousand, respectively, had been sold under repurchase agreements.

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

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

	December 31	
	2020	2019
Currency swap contracts	\$ 255,510,944	\$ 344,693,125
Interest rate swap contracts	1,700,000	15,836,460
Forward contracts	8,586,387	6,701,883
Currency option contracts - sell	4,967,696	5,016,696
Currency option contracts - buy	4,967,696	5,016,696
Cross-currency swap contracts	407,450	605,798
Foreign-currency margin contracts	43,300	644,945

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

		December 31, 2020			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Paid (Charged)	
Futures contracts	Stock index futures	Sell	50	\$ 254,149	\$ 254,103
		December 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Paid (Charged)	
Futures contracts	Stock index futures	Sell	10	\$ 23,696	\$ 23,988

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

		December 31, 2020			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Paid (Charged)	
Futures contracts	Interest rate futures	Buy	1	\$ 6,156	\$ 6,082
	Stock index futures	Buy	46	55,341	54,569
	Single-stock futures	Buy	349	159,329	165,451
	Commodity futures	Buy	104	28,272	29,903
	Interest rate futures	Sell	5	29,077	29,106
	Stock index futures	Sell	287	303,890	310,429
	Single-stock futures	Sell	32	4,394	4,292
	Commodity futures	Sell	235	386,133	415,006
	Foreign exchange futures	Sell	6	20,481	20,696
		December 31, 2019			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				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
	Stock index futures	Sell	451	188,670	188,812
	Single-stock futures	Sell	243	46,597	46,597
	Interest rate futures	Sell	36	232,686	232,585
	Commodity futures	Sell	9	19,743	20,009
	Foreign exchange futures	Sell	2	6,940	6,930

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

	December 31	
	2020	2019
Asset swap contracts	\$ 90,000	\$ 124,200

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

	December 31	
	2020	2019
Currency swap contracts	\$ -	\$ 104,930
Interest rate swap contracts	600,000	600,000

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

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

	December 31	
	2020	2019
Currency swap contracts	\$ 10,328,651	\$ 11,971,264
Cross-currency swap contracts	281,000	-

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:

	December 31	
	2020	2019
Beneficial certificates	\$ 4,659,902	\$ 4,745,210
Investment in equity instruments	471,590	579,428

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

	For the Year Ended December 31	
	2020	2019
Profit or loss on application of IFRS 9	\$ 898,615	\$ 1,052,931
Less: Profit or loss from application of IAS 39	<u>(261,114)</u>	<u>(333,797)</u>
Gain or loss on reclassification of overlay approach	<u>\$ 637,501</u>	<u>\$ 719,134</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
<u>Investment in equity instruments at FVTOCI</u>		
Listed shares and emerging market shares	\$ 17,514,458	\$ 12,108,964
Unlisted shares	<u>6,123,249</u>	<u>5,416,359</u>
	<u>23,637,707</u>	<u>17,525,323</u>
<u>Investments in debt instruments at FVTOCI</u>		
Government bonds	204,430,335	188,054,791
Corporate bonds	117,051,244	110,095,314
Bank debentures	<u>84,016,768</u>	<u>66,180,172</u>
	<u>405,498,347</u>	<u>364,330,277</u>
	<u>\$ 429,136,054</u>	<u>\$ 381,855,600</u>

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

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments in the amounts of \$27,517,497 thousand and \$11,431,960 thousand for the years ended December 31, 2020 and 2019, respectively. The accumulated unrealized gain or loss of financial assets at FVTOCI under other equity in the amounts of gain \$18,730 thousand and loss \$40,742 thousand have been transferred to retained earnings, respectively.

For the years ended of December 31, 2020 and 2019, the Company recognized dividends revenue \$1,927,121 thousand and \$1,064,736 thousand, respectively. Those related to investments derecognized during the year was \$1,036,871 thousand and \$418,114 thousand and those related to investments held at the end of the reporting period was \$890,250 thousand and \$646,622 thousand, respectively.

As of December 31, 2020 and 2019, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$134,016 thousand and \$104,428 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the years ended December 31, 2020 and 2019 were \$42,684 thousand and \$18,856 thousand, respectively.

As of December 31, 2020 and 2019, financial assets at fair value through other comprehensive income amounting to \$18,840,795 thousand and \$16,124,558 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
Negotiable certificates of deposit in the Central Bank	\$ 559,280,000	\$ 386,260,000
Government bonds	107,807,918	107,778,975
Corporate bonds	46,270,440	43,372,329
Bank debentures	12,678,455	20,207,214
Certificates of deposit	<u>2,277,320</u>	<u>278,907</u>
	728,314,133	557,897,425
Less: Allowance for possible loss	<u>47,659</u>	<u>48,481</u>
	<u>\$ 728,266,474</u>	<u>\$ 557,848,944</u>

Reversal of impairment loss recognized in profit or loss for the years ended December 31, 2020 and 2019 were \$581 thousand and \$86 thousand, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,278,803 thousand and \$1,436,329 thousand under resell agreements as of December 31, 2020 and 2019, respectively, will subsequently be sold for \$1,279,081 thousand and \$1,437,169 thousand, respectively.

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

12. RECEIVABLES, NET

	December 31	
	2020	2019
Accrued interest	\$ 7,759,494	\$ 9,704,380
Settlement consideration	6,655,545	3,155,981
Settlement receivable	5,479,698	2,678,150
Margin loans receivable	4,883,614	4,298,212
Credit cards	4,388,635	4,397,510
Acceptances	3,103,379	3,139,891
Lease payment receivable	2,403,726	2,793,859
Receivables on financing provided	712,782	860,467
Receivables on merchant accounts in the credit card business	654,861	1,051,907
Accounts receivable	454,382	578,130
Receivable on securities	384,358	1,189,001
Credits receivable	231,991	456,459
Accounts receivable factored without recourse	214,150	246,992
Refundable deposits receivable in leasehold agreements	183,993	183,993
Others	<u>740,982</u>	<u>623,479</u>
	38,251,590	35,358,411
Less: Allowance for possible losses	811,962	881,849
Less: Unrealized interest revenue	<u>132,990</u>	<u>191,850</u>
	<u>\$ 37,306,638</u>	<u>\$ 34,284,712</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	(20,468)	20,574	(106)	-
Credit-impaired financial assets	(14,907)	(1,181)	16,088	-
12-month ECL	9,369	(9,038)	(331)	-
New financial assets purchased or originated	90,886,594	133,264	140,165	91,160,023
Write-offs	-	-	(108,407)	(108,407)
Derecognition of financial assets in the current reporting period	(91,300,725)	(145,842)	(62,048)	(91,508,615)
Changes in exchange rates and other changes	<u>(566,412)</u>	<u>-</u>	<u>(963)</u>	<u>(567,375)</u>
Balance at December 31, 2020	<u>\$ 19,755,861</u>	<u>\$ 46,627</u>	<u>\$ 169,402</u>	<u>\$ 19,971,890</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	(22,296)	22,355	(59)	-
Credit-impaired financial assets	(24,604)	(3,402)	28,006	-
12-month ECL	12,146	(11,369)	(777)	-
New financial assets purchased or originated	81,142,604	142,191	120,341	81,405,136
Write-offs	-	-	(35,438)	(35,438)
Derecognition of financial assets in the current reporting period	(80,972,259)	(145,876)	(81,128)	(81,199,263)
Changes in exchange rates and other changes	<u>269,060</u>	<u>-</u>	<u>(121)</u>	<u>268,939</u>
Balance at December 31, 2019	<u>\$ 20,762,410</u>	<u>\$ 48,850</u>	<u>\$ 185,004</u>	<u>\$ 20,996,264</u>

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	(284)	292	(8)	-	-	-
Credit-impaired financial assets	(274)	(688)	962	-	-	-
12-month ECL	2,068	(2,043)	(25)	-	-	-
Derecognition of financial assets in the current reporting period	(37,710)	(47,372)	(45,381)	(130,463)	-	(130,463)
Reversal from financial instruments recognized at the beginning of the current reporting period	(3,678)	7,156	22,000	25,478	-	25,478
New financial assets purchased or originated	30,381	41,766	119,224	191,371	-	191,371
Difference of impairment loss under regulations	-	-	-	-	14,560	14,560
Write-offs	-	-	(108,407)	(108,407)	-	(108,407)
Recovery of written-off receivables	-	-	1,031	1,031	-	1,031
Changes in exchange rates and other changes	(4,592)	(2)	3,947	(647)	-	(647)
Balance at December 31, 2020	<u>\$ 35,409</u>	<u>\$ 12,978</u>	<u>\$ 70,631</u>	<u>\$ 119,018</u>	<u>\$ 163,955</u>	<u>\$ 282,973</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	(343)	351	(8)	-	-	-
Credit-impaired financial assets	(643)	(780)	1,423	-	-	-
12-month ECL	3,113	(2,817)	(296)	-	-	-
Derecognition of financial assets in the current reporting period	(48,114)	(52,183)	(40,895)	(141,192)	-	(141,192)
Reversal from financial instruments recognized at the beginning of the current reporting period	4,380	9,645	34,070	48,095	-	48,095
New financial assets purchased or originated	37,757	48,195	84,360	170,312	-	170,312
Difference of impairment loss under regulations	-	-	-	-	43,981	43,981
Write-offs	-	-	(35,438)	(35,438)	-	(35,438)
Recovery of written-off receivables	-	-	4,867	4,867	-	4,867
Changes in exchange rates and other changes	6,262	-	(6,949)	(687)	-	(687)
Balance at December 31, 2019	<u>\$ 49,498</u>	<u>\$ 13,869</u>	<u>\$ 77,288</u>	<u>\$ 140,655</u>	<u>\$ 149,395</u>	<u>\$ 290,050</u>

Impairment assessment, except the above receivables was based on the expected credit loss model at the beginning of the current reporting period by the simplified method. On December 31, 2020 and 2019, the amounts of impairment of receivables were assessed as \$18,279,700 thousand and \$14,362,147 thousand, respectively, and the amounts of allowance for possible losses were \$528,989 thousand and \$591,799 thousand, respectively.

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

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 591,799	\$ 616,898
Provision for possible losses	(33,873)	20,445
Write-offs	(35,503)	(51,109)
Recovery of written-off receivables	6,024	7,464
Effects of exchange rate changes	<u>542</u>	<u>(1,899)</u>
Balance, December 31	<u>\$ 528,989</u>	<u>\$ 591,799</u>

13. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Bills discounted	\$ 2,873,302	\$ 1,958,364
Overdraft		
Unsecured	26,683	76,441
Secured	27,581	33,123
Import and export negotiations	937,030	593,669
Short-term loans		
Unsecured	251,607,009	303,476,993
Accounts receivable financing	257,023	417,844
Secured	198,240,650	215,171,974
Medium-term loans		
Unsecured	359,883,619	337,513,275
Secured	401,042,799	308,947,041
Long-term loans		
Unsecured	35,508,190	30,990,954
Secured	1,047,578,506	1,015,513,426
Overdue loans	6,564,807	5,847,989
Life insurance loan	397,042	713,885
Temporary insurance paid	<u>60,491</u>	<u>49,902</u>
	2,305,004,732	2,221,304,880
Less: Allowance for possible losses	29,173,224	27,376,392
Less: Adjustment of discount	<u>499,994</u>	<u>511,471</u>
	<u>\$ 2,275,331,514</u>	<u>\$ 2,193,417,017</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	(1,738,346)	1,785,893	(47,547)	-
Credit-impaired financial assets	(17,664,573)	(567,478)	18,232,051	-
12-month ECL	943,684	(645,573)	(298,111)	-
				(Continued)

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
New financial assets purchased or originated	\$ 990,731,468	\$ 441,174	\$ 505,148	\$ 991,677,790
Write-offs	-	-	(5,929,733)	(5,929,733)
Derecognition of financial assets in the current reporting period	(878,726,978)	(701,342)	(8,392,360)	(887,820,680)
Changes in exchange rates and other changes	<u>(13,553,779)</u>	<u>(34,310)</u>	<u>(639,436)</u>	<u>(14,227,525)</u>
Balance at December 31, 2020	<u>\$ 2,261,133,785</u>	<u>\$ 2,802,802</u>	<u>\$ 41,068,145</u>	<u>\$ 2,305,004,732</u> (Concluded)

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	(1,585,621)	1,608,715	(23,094)	-
Credit-impaired financial assets	(16,290,101)	(642,969)	16,933,070	-
12-month ECL	2,204,661	(832,746)	(1,371,915)	-
New financial assets purchased or originated	959,260,441	214,362	399,104	959,873,907
Write-offs	-	-	(4,615,713)	(4,615,713)
Derecognition of financial assets in the current reporting period	(803,537,154)	(811,554)	(6,039,315)	(810,388,023)
Changes in exchange rates and other changes	<u>(10,888,112)</u>	<u>28,258</u>	<u>(55,105)</u>	<u>(10,914,959)</u>
Balance at December 31, 2019	<u>\$ 2,181,142,309</u>	<u>\$ 2,524,438</u>	<u>\$ 37,638,133</u>	<u>\$ 2,221,304,880</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	(6,082)	16,829	(10,747)	-	-	-
Credit-impaired financial assets	(371,523)	(8,156)	379,679	-	-	-
12-month ECL	27,269	(1,799)	(25,470)	-	-	-
Derecognition of financial assets in the current reporting period	(2,284,341)	(4,190)	(1,425,262)	(3,713,793)	-	(3,713,793)
Reversal from financial instruments recognized at the beginning of the current reporting period	(272,012)	428	5,399,767	5,128,183	-	5,128,183
New financial assets purchased or originated	2,606,387	3,662	36,117	2,646,166	-	2,646,166
Difference of impairment loss under regulations	-	-	-	-	2,757,577	2,757,577
Write-offs	-	-	(5,929,733)	(5,929,733)	-	(5,929,733)
Recovery of write-off credits	-	-	1,092,369	1,092,369	-	1,092,369
Changes in exchange rates and other changes	<u>(179,237)</u>	<u>(2,164)</u>	<u>(2,536)</u>	<u>(183,937)</u>	<u>-</u>	<u>(183,937)</u>
Balance at December 31, 2020	<u>\$ 3,903,935</u>	<u>\$ 19,762</u>	<u>\$ 5,304,254</u>	<u>\$ 9,227,951</u>	<u>\$ 19,945,273</u>	<u>\$ 29,173,224</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	(1,122)	3,932	(2,810)	-	-	-
Credit-impaired financial assets	(635,422)	(5,974)	641,396	-	-	-
12-month ECL	99,119	8,618	(107,737)	-	-	-
Derecognition of financial assets in the current reporting period	(2,134,565)	(1,864)	(848,608)	(2,985,037)	-	(2,985,037)
Reversal from financial instruments recognized at the beginning of the current reporting period	377,349	(1,165)	4,316,225	4,692,409	-	4,692,409
New financial assets purchased or originated	2,878,437	803	88,164	2,967,404	-	2,967,404
Difference of impairment loss under regulations	-	-	-	-	(845,456)	(845,456)
Write-offs	-	-	(4,615,713)	(4,615,713)	-	(4,615,713)
Recovery of write-off credits	-	-	1,858,469	1,858,469	-	1,858,469
Changes in exchange rates and other changes	<u>14,065</u>	<u>1,797</u>	<u>(109,856)</u>	<u>(93,994)</u>	<u>-</u>	<u>(93,994)</u>
Balance at December 31, 2019	<u>\$ 4,383,474</u>	<u>\$ 15,152</u>	<u>\$ 5,790,070</u>	<u>\$ 10,188,696</u>	<u>\$ 17,187,696</u>	<u>\$ 27,376,392</u>

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

	For the Year Ended December 31	
	2020	2019
Provision for possible losses on discounts and loans	\$ 6,818,133	\$ 3,829,320
Provision for possible losses on receivables	67,073	141,641
Provision for possible losses on overdue receivables	82,465	41,042
Provision for possible losses on guarantees	78,393	54,961
Provision for possible losses on loan commitment	45,868	42,487
Provision for other possible losses	<u>8,750</u>	<u>8,504</u>
	<u>\$ 7,100,682</u>	<u>\$ 4,117,955</u>

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

As of December 31, 2020 and 2019, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$139,124 thousand and \$133,989 thousand for the years ended December 31, 2020 and 2019, respectively, based on the average loan interest rate for the year.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2020		2019	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>				
United Real Estate Management Co., Ltd.	\$ 134,382	30.00	\$ 131,500	30.00
Mesh Cooperative Ventures, Inc.	1,992	33.00	3,294	33.00
JC Capital Taiwan Co., Ltd.	<u>2,801</u>	35.00	<u>-</u>	-
	<u>\$ 139,175</u>		<u>\$ 134,794</u>	

Aggregate information of associate that is not individually material:

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Net income	\$ 7,962	\$ 10,469
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 7,962</u>	<u>\$ 10,469</u>

The Company should have received \$7,081 thousand and \$6,069 thousand of dividends from United Real Estate Management Co., Ltd. for the years ended December 31, 2020 and 2019, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

Except for United Real Estate Management Co., Ltd., the Company's share of profit or loss and other comprehensive income of the associates accounted for using equity method for the years ended December 31, 2020 and 2019 were based on the associates' financial statements that have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the associates that have not been audited.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2020	2019
Overdue receivables	\$ 337,110	\$ 99,024
Less: Allowance for possible losses	<u>103,102</u>	<u>91,249</u>
Overdue receivables, net	234,008	7,775
Due from banks	8,512,487	19,150,780
Security borrowing margin	683,255	209,516
Call loans to securities firms	252,900	-
Separate-account assets (Note 31)	<u>105,803,112</u>	<u>109,228,185</u>
	<u>\$ 115,485,762</u>	<u>\$ 128,596,256</u>

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

16. INVESTMENT PROPERTIES, NET

		December 31	
		2020	2019
Land		\$ 8,633,740	\$ 8,149,105
Buildings		<u>2,784,932</u>	<u>2,677,336</u>
		<u>\$ 11,418,672</u>	<u>\$ 10,826,441</u>
	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 8,149,105	\$ 3,632,616	\$ 11,781,721
Additions	633,303	277,757	911,060
Disposal	(222,735)	(182,411)	(405,146)
Transferred from properties and equipment	74,067	218,041	292,108
Reclassification	<u>-</u>	<u>(12,481)</u>	<u>(12,481)</u>
Balance at December 31, 2020	<u>\$ 8,633,740</u>	<u>\$ 3,933,522</u>	<u>\$ 12,567,262</u>
Balance at January 1, 2019	\$ 7,207,192	\$ 3,106,817	\$ 10,314,009
Additions	695,274	445,558	1,140,832
Disposal	(9,600)	(5,051)	(14,651)
Transferred from properties and equipment	256,239	106,677	362,916
Reclassification	<u>-</u>	<u>(21,385)</u>	<u>(21,385)</u>
Balance at December 31, 2019	<u>\$ 8,149,105</u>	<u>\$ 3,632,616</u>	<u>\$ 11,781,721</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 955,280	\$ 955,280
Disposal	-	(20,771)	(20,771)
Depreciation expenses	-	99,324	99,324
Transferred from properties and equipment	<u>-</u>	<u>114,757</u>	<u>114,757</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,148,590</u>	<u>\$ 1,148,590</u>
Balance at January 1, 2019	\$ -	\$ 817,470	\$ 817,470
Disposal	-	(654)	(654)
Depreciation expenses	-	85,191	85,191
Transferred from properties and equipment	<u>-</u>	<u>53,273</u>	<u>53,273</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 955,280</u>	<u>\$ 955,280</u>

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

Main buildings	45 to 50 years
Equipment installed in buildings	5 to 15 years

As of December 31, 2020 and 2019, the fair value of investment properties was \$26,318,017 thousand and \$25,209,392 thousand, respectively. The fair value was determined through calculations using the market value method and estimates based on market quotes.

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

	For the Year Ended December 31	
	2020	2019
Rental income from investment properties (part of other noninterest gains, net)	\$ 494,420	\$ 504,944
Direct operating expenses for investment properties that generate rental income	<u>(159,389)</u>	<u>(145,470)</u>
	<u>\$ 335,031</u>	<u>\$ 359,474</u>

Lease agreements on investment properties owned by the Company and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2020 and 2019, guarantee deposits on these leases totaled \$103,574 thousand, \$95,043 thousand, respectively. Minimum future annual rentals are as follows:

	December 31	
	2020	2019
Year 1	\$ 413,448	\$ 409,542
Year 2	381,384	344,075
Year 3	287,593	316,310
Year 4	254,894	219,299
Year 5	93,539	186,163
Over five years	<u>99,105</u>	<u>415,132</u>
	<u>\$ 1,529,963</u>	<u>\$ 1,890,521</u>

17. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2020	2019
<u>Assets used by the Company</u>		
Land	\$ 20,638,106	\$ 20,715,350
Buildings	10,677,659	11,281,242
Machinery and equipment	1,274,451	1,022,181
Transportation equipment	138,583	103,116
Other equipment	248,473	238,354
Leasehold improvements	180,642	156,569
Prepayments for equipment, land and buildings and construction in progress	252,798	254,681
	<u>\$ 33,410,712</u>	<u>\$ 33,771,493</u>
<u>Assets leased under operating leases</u>		
Machinery and equipment	\$ 10,419	\$ -
Other equipment	30,648	-
	<u>\$ 41,067</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	-	129,915	305,649	57,262	83,728	63,641	446,593	1,086,788
Disposal	(3,017)	(87,127)	(133,752)	(35,534)	(35,789)	(23,197)	-	(318,416)
Reclassification	-	70,399	324,125	5,752	6,350	18,834	(425,585)	(125)
Transferred to investment properties	(74,067)	(215,099)	-	-	-	-	(2,942)	(292,108)
Transferred to intangible assets	-	-	(10,857)	-	-	-	(19,973)	(30,830)
Effects of exchange rate changes	(160)	(341)	(9,707)	(1,228)	(2,619)	(5,418)	24	(19,449)
Balance at December 31, 2020	<u>\$ 20,653,283</u>	<u>\$ 19,183,858</u>	<u>\$ 5,222,854</u>	<u>\$ 663,282</u>	<u>\$ 1,456,066</u>	<u>\$ 1,071,777</u>	<u>\$ 252,798</u>	<u>\$ 48,503,918</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	430	253,798	478,220	44,352	77,131	53,710	438,444	1,346,085
Disposal	-	(5,284)	(368,298)	(34,227)	(39,194)	(10,290)	-	(457,293)
Reclassification	37,554	81,357	333,515	3,951	7,697	23,891	(489,168)	(1,203)
Transferred to investment properties	(256,239)	(106,677)	-	-	-	-	-	(362,916)
Transferred to intangible assets	-	-	-	-	-	-	(11,157)	(11,157)
Effects of exchange rate changes	(63)	(135)	(3,634)	(642)	(1,352)	(2,562)	(72)	(8,460)
Balance at December 31, 2019	<u>\$ 20,730,527</u>	<u>\$ 19,286,111</u>	<u>\$ 4,747,396</u>	<u>\$ 637,030</u>	<u>\$ 1,404,396</u>	<u>\$ 1,017,917</u>	<u>\$ 254,681</u>	<u>\$ 48,078,058</u>
<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
Disposal	-	(61,936)	(133,575)	(35,530)	(35,788)	(23,197)	-	(290,026)
Depreciation expenses	-	678,352	363,469	27,281	79,467	56,938	-	1,205,507
Transferred to investment properties	-	(114,757)	-	-	-	-	-	(114,757)
Reclassification	-	-	(93)	-	93	-	-	-
Effects of exchange rate changes	-	(329)	(6,613)	(966)	(2,221)	(3,954)	-	(14,083)
Balance at December 31, 2020	<u>\$ 15,177</u>	<u>\$ 8,506,199</u>	<u>\$ 3,948,403</u>	<u>\$ 524,699</u>	<u>\$ 1,207,593</u>	<u>\$ 891,135</u>	<u>\$ -</u>	<u>\$ 15,093,206</u>
Balance at January 1, 2019	\$ 15,177	\$ 7,400,984	\$ 3,866,741	\$ 544,213	\$ 1,126,513	\$ 816,165	\$ -	\$ 13,769,793
Disposal	-	(5,284)	(365,567)	(34,214)	(39,175)	(10,290)	-	(454,530)
Depreciation expenses	-	662,562	227,169	23,581	81,689	57,543	-	1,052,544
Transferred to investment properties	-	(53,273)	-	-	-	-	-	(53,273)
Effects of exchange rate changes	-	(120)	(3,128)	334	(2,985)	(2,070)	-	(7,969)
Balance at December 31, 2019	<u>\$ 15,177</u>	<u>\$ 8,004,869</u>	<u>\$ 3,725,215</u>	<u>\$ 533,914</u>	<u>\$ 1,166,042</u>	<u>\$ 861,348</u>	<u>\$ -</u>	<u>\$ 14,306,565</u>

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As of December 31, 2020, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,595,339 thousand.

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

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for properties and equipment. The discount rates for the CGUs' value in use were 8.61% and 7.54% as of December 31, 2020 and 2019, respectively.

b. Assets leased under operating leases

	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ -	\$ -	\$ -
Additions	<u>11,802</u>	<u>34,610</u>	<u>46,412</u>
Balance at December 31, 2020	<u>\$ 11,802</u>	<u>\$ 34,610</u>	<u>\$ 46,412</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ -	\$ -
Depreciation expenses	<u>1,383</u>	<u>3,962</u>	<u>5,345</u>
Balance at December 31, 2020	<u>\$ 1,383</u>	<u>\$ 3,962</u>	<u>\$ 5,345</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	1 to 7 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 12,826	\$ 14,838
Buildings	1,607,444	1,623,628
Transportation equipment	67,217	63,519
Other equipment	<u>17,393</u>	<u>21,627</u>
	<u>\$ 1,704,880</u>	<u>\$ 1,723,612</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 675,438</u>	<u>\$ 717,279</u>
Depreciation charge for right-of-use assets		
Land	\$ 6,941	\$ 2,625
Buildings	593,048	546,802
Transportation equipment	33,787	27,848
Other equipment	<u>4,500</u>	<u>4,498</u>
	<u>\$ 638,276</u>	<u>\$ 581,773</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 years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts	<u>\$ 1,649,746</u>	<u>\$ 1,651,391</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.593%-1.627%	1.617%-1.627%
Buildings	1.359%-11.625%	1.615%-9.800%
Transportation equipment	0.845%-8.880%	1.040%-8.880%
Other equipment	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 December 31, 2020 and 2019, refundable deposits on these leases totaled \$137,242 thousand and \$135,333 thousand, respectively.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 7,487	\$ 70,510
Expenses relating to low-value asset leases	\$ 3,558	\$ 3,674
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 4,173	\$ 3,020
Total cash outflow for leases	\$ (681,151)	\$ (672,727)

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

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

19. INTANGIBLE ASSETS

		December 31	
		2020	2019
Goodwill		\$ 3,170,005	\$ 3,170,005
Computer software		<u>718,618</u>	<u>541,713</u>
		<u>\$ 3,888,623</u>	<u>\$ 3,711,718</u>
	Goodwill	Computer Software	Total
Balance at January 1, 2020	\$ 3,170,005	\$ 541,713	\$ 3,711,718
Separate acquisition	-	370,966	370,966
Amortization expenses	-	(220,421)	(220,421)
Transferred from properties and equipment	-	30,830	30,830
Effect of exchange rate changes	<u>-</u>	<u>(4,470)</u>	<u>(4,470)</u>
Balance at December 31, 2020	<u>\$ 3,170,005</u>	<u>\$ 718,618</u>	<u>\$ 3,888,623</u>
Balance at January 1, 2019	\$ 3,170,005	\$ 461,030	\$ 3,631,035
Separate acquisition	-	256,888	256,888
Amortization expenses	-	(184,837)	(184,837)
Transferred from properties and equipment	-	11,157	11,157
Effect of exchange rate changes	<u>-</u>	<u>(2,525)</u>	<u>(2,525)</u>
Balance at December 31, 2019	<u>\$ 3,170,005</u>	<u>\$ 541,713</u>	<u>\$ 3,711,718</u>

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 8.61% and 7.54% as of December 31, 2020 and 2019, respectively.

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

20. OTHER ASSETS, NET

	December 31	
	2020	2019
Refundable deposits	\$ 1,869,126	\$ 1,557,376
Operating deposits and settlement funds	726,271	721,456
Prepaid expenses	188,344	1,266,353
Collaterals assumed, net	-	119,389
Receipts under custody for securities underwriting	473,856	-
Others	<u>124,780</u>	<u>109,802</u>
	<u>\$ 3,382,377</u>	<u>\$ 3,774,376</u>

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

21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Deposits from banks	\$ 150,923,009	\$ 142,115,517
Call loans from banks	79,278,093	98,312,219
Overdrafts from other banks	1,272,379	1,523,969
Transfer deposits from Chunghwa Post Co., Ltd.	95,665	589,604
Deposits from the Central Bank	<u>424,480</u>	<u>424,872</u>
	<u>\$ 231,993,626</u>	<u>\$ 242,966,181</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Due to the Central Bank	<u>\$ 37,118,610</u>	<u>\$ -</u>

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$55,775,026 thousand and \$45,554,849 thousand under repurchase agreements as of December 31, 2020 and 2019, respectively, would subsequently be purchased for \$55,788,273 thousand and \$45,574,470 thousand, respectively.

24. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$31,810,000 thousand and \$31,125,000 thousand and the annual discount rates were from 0.288% to 0.438% and from 0.668% to 1.008% as of December 31, 2020 and 2019, respectively, and the commercial paper will mature by December 31, 2021 and March 11, 2020, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of December 31, 2020, the Company had not used the amount of \$84,527,698 thousand, the sum of the amount of the commercial paper issued and the credit.

25. PAYABLES

	December 31	
	2020	2019
Settlement payable	\$ 7,048,937	\$ 3,019,195
Settlement consideration	5,980,110	2,900,712
Accrued expenses	5,900,975	5,850,263
Collections payable	5,814,606	4,868,304
Checks for clearing	5,709,157	6,067,358
Collections of notes and checks for various financial institutions in other cities	4,602,498	4,661,873
Acceptances	3,256,086	3,408,518
Accrued interest	2,586,276	6,302,176
Payables on notes and checks collected for others	1,478,345	1,493,452
Separate accounts payable	935,499	4,599,943
Payables for short-sale transactions	651,341	501,921
Deposits on short-sale transactions	584,061	460,612
Tax payable	466,208	510,791
Payables on securities	418,565	3,422,615
Dividends payable	377,104	339,653
Factored accounts payable	202,009	85,645
Insurance claims and benefits payable	75,276	154,881
Others	<u>1,996,175</u>	<u>2,204,397</u>
	<u>\$ 48,083,228</u>	<u>\$ 50,852,309</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Deposits		
Checking	\$ 49,488,911	\$ 45,146,567
Demand	710,468,591	552,317,584
Savings - demand	1,032,998,013	892,650,215
Time	702,675,620	616,547,240
Negotiable certificates of deposit	47,136,505	43,230,113
Savings - time	610,115,507	626,095,579
Treasury	116,755,684	115,377,291
Remittances	<u>232,713</u>	<u>440,553</u>
	<u>\$ 3,269,871,544</u>	<u>\$ 2,891,805,142</u>

27. BONDS PAYABLE

	December 31	
	2020	2019
Bank debentures	\$ 61,600,000	\$ 65,000,000
First unsecured corporate bond of TCFHC in 2020: Fixed rate of 0.68%; maturity - May 26, 2027	5,700,000	-
Second unsecured corporate bond of TCFHC in 2020, Type A: Fixed rate of 0.61%; maturity - October 7, 2025	2,100,000	-
Second unsecured corporate bond of TCFHC in 2020, Type B: Fixed rate of 0.66%; maturity - October 7, 2027	<u>2,200,000</u>	<u>-</u>
	<u>\$ 71,600,000</u>	<u>\$ 65,000,000</u>

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

	December 31	
	2020	2019
First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022	\$ 11,650,000	\$ 11,650,000
Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022	7,350,000	7,350,000
First subordinated bonds in 2013, Type A: Reuters' fixing rate for 90 day's New Taiwan dollar commercial paper refers to the TAIBOR plus 0.43%; maturity - March 28, 2020	-	4,000,000
First subordinated bonds in 2013, Type B: Fixed rate of 1.48%; maturity - March 28, 2020	-	3,500,000
Second subordinated bonds in 2013, Type A: Fixed rate of 1.72%; maturity - December 25, 2020	-	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
First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021	1,500,000	1,500,000
First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024	2,700,000	2,700,000
First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024	5,800,000	5,800,000
First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023	950,000	950,000
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	4,050,000	4,050,000
First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024	600,000	600,000
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000
First non-cumulative perpetual subordinated bonds in 2018: Fixed rate of 2.28%; TCB may exercise its redemption rights after 5 years and 2 months	5,000,000	5,000,000

(Continued)

	December 31	
	2020	2019
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
Second unsecured bank debentures 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>\$ 61,600,000</u>	<u>\$ 65,000,000</u>
		(Concluded)

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

	December 31, 2019
Unsecured bank debentures bonds issued in 2015, Type A	\$ 9,039,290
Unsecured bank debentures bonds issued in 2015, Type B	<u>3,013,139</u>
	<u>\$ 12,052,429</u>

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

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.

On November 18, 2019, TCB has obtained approval from the FSC to issue unsecured bank debentures amounting to US\$1,000,000 thousand. As of December 31, 2020, the amount of unissued unsecured bank debentures of TCB was US\$1,000,000 thousand.

On May 26, 2020, TCB has obtained approval from the FSC to issue non-cumulative perpetual subordinated bonds amounting to \$10,000,000 thousand. As of December 31, 2020, the amount of unissued non-cumulative perpetual subordinated bonds of TCB was \$5,000,000 thousand.

In order to raise the fund for the loan of green investment project and social investment project, on January 25, 2021, the board of directors of TCB resolved to issue general unsecured bonds amounting to \$1,000,000 thousand. The application has not yet been submitted to the authority for approval.

28. OTHER BORROWINGS

	December 31			
	2020		2019	
	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 24)	<u>\$ 815,302</u>	0.700-4.956	<u>\$ 3,432,028</u>	0.900-5.795

29. PROVISIONS

	December 31	
	2020	2019
Reserve for life insurance liabilities	\$ 26,595,637	\$ 27,679,771
Reserve for insurance contracts with financial instrument features	2,535,145	6,068,784
Provision for employee benefits	6,745,114	6,933,236
Provision for losses on guarantees	1,557,351	1,479,849
Provision for losses on loan commitment	223,012	182,585
Provision for others	42,156	34,837
Other provision for insurance	<u>563,980</u>	<u>576,944</u>
	<u>\$ 38,262,395</u>	<u>\$ 42,956,006</u>

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

	December 31, 2020		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,171,032	\$ 5,372,072	\$ 16,543,104
Health insurance	747,111	-	747,111
Annuity insurance	-	9,238,843	9,238,843
Investment insurance	<u>65,624</u>	<u>-</u>	<u>65,624</u>
	<u>11,983,767</u>	<u>14,610,915</u>	<u>26,594,682</u>
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,983,767</u>	<u>\$ 14,610,915</u>	<u>\$ 26,594,682</u>

	December 31, 2019		
	Financial Instruments with Discretionary Participation Features		
	Insurance Contracts		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>

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

	For the Year Ended December 31					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Balance at January 1	\$ 11,733,123	\$ 15,945,711	\$ 27,678,834	\$ 12,317,556	\$ 17,096,283	\$ 29,413,839
Provision	1,329,112	318,384	1,647,496	1,520,252	318,459	1,838,711
Recovery	<u>(1,078,468)</u>	<u>(1,653,180)</u>	<u>(2,731,648)</u>	<u>(2,104,685)</u>	<u>(1,469,031)</u>	<u>(3,573,716)</u>
Ending balance	11,983,767	14,610,915	26,594,682	11,733,123	15,945,711	27,678,834
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 11,983,767</u>	<u>\$ 14,610,915</u>	<u>\$ 26,594,682</u>	<u>\$ 11,733,123</u>	<u>\$ 15,945,711</u>	<u>\$ 27,678,834</u>

- b. As of December 31, 2020 and 2019, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$26,595,637 thousand and \$27,679,771 thousand, respectively.
- c. Details of liability adequacy reserves are as follows:

	Insurance Contracts and Financial Instruments with Discretionary Participation Features	
	December 31	
	2020	2019
Life insurance liability reserve	\$ 26,594,682	\$ 27,678,834
Unearned premium reserve	308,331	269,630
Claims reserve	57,546	76,215
Premium deficiency reserve	<u>1,463</u>	<u>579</u>
Book value of insurance reserve	<u>\$ 26,962,022</u>	<u>\$ 28,025,258</u>
Present value of discounted cash flows	<u>\$ 24,398,215</u>	<u>\$ 25,137,472</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

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

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

December 31, 2020 and 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:

	December 31	
	2020	2019
Life insurance	<u>\$ 2,535,145</u>	<u>\$ 6,068,784</u>
	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 6,068,784	\$ 10,434,066
Insurance claim payments for the period	(3,610,514)	(4,521,868)
Reserve for insurance contracts with financial instrument features	<u>76,875</u>	<u>156,586</u>
Balance at December 31	<u>\$ 2,535,145</u>	<u>\$ 6,068,784</u>

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

- 1) Hedging strategy and foreign exchange exposure

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

- 2) Reconciliation of the reserve of foreign exchange variation

	For the Year Ended December 31	
	2020	2019
Balance at January 1	<u>\$ 230,520</u>	<u>\$ 239,440</u>
Provisions		
Compulsory provisions	18,980	15,013
Additional provisions	<u>64,978</u>	<u>62,842</u>
	<u>83,958</u>	<u>77,855</u>
Recovery	<u>(117,838)</u>	<u>(86,775)</u>
Balance at December 31	<u>\$ 196,640</u>	<u>\$ 230,520</u>

3) Impact of the reserve of foreign exchange variation

For the year ended December 31, 2020

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 17,107,887	\$ 17,134,991	\$ 27,104
Basic earnings per share (NT\$)	1.24	1.24	-
Reserve of foreign exchange variation	-	196,640	196,640
Equity	237,868,172	237,681,557	(186,615)

For the year ended December 31, 2019

Items	Amount Without Reserve	Amount With Reserve	Effect
Net income	\$ 17,605,280	\$ 17,612,416	\$ 7,136
Basic earnings per share (NT\$)	1.29	1.29	-
Reserve of foreign exchange variation	-	230,520	230,520
Equity	227,121,023	226,907,304	(213,719)

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Reserve for life insurance liabilities, net	\$ (1,084,152)	\$ (1,735,005)
Reserve for insurance contract with financial instrument features, net	76,875	156,586
Others, net	<u>(12,019)</u>	<u>46,699</u>
	<u>\$ (1,019,296)</u>	<u>\$ (1,531,720)</u>

g. Provisions for employee benefits are summarized below:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Net defined benefit liabilities	\$ 2,773,207	\$ 2,961,625
Present value of retired employees' preferential interest deposit obligation	<u>3,971,907</u>	<u>3,971,611</u>
	<u>\$ 6,745,114</u>	<u>\$ 6,933,236</u>

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

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 899,338	\$ 104,032	\$ 75,588	\$ 1,078,958	\$ 618,313	\$ 1,697,271
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(93)	93	-	-	-	-
Credit-impaired financial assets	(974)	-	974	-	-	-
12-month ECL	11	(11)	-	-	-	-
Derecognition of financial assets in the current reporting period	(156,327)	(321)	(61,621)	(218,269)	-	(218,269)
Reversal from financial instruments recognized at the beginning of the current reporting period	(35,934)	(91,188)	41,653	(85,469)	-	(85,469)
New financial assets purchased or originated	265,678	79	194	265,951	-	265,951
Difference of impairment loss under regulations	-	-	-	-	170,798	170,798
Change in exchange rates and other changes	(7,763)	-	-	(7,763)	-	(7,763)
Balance at December 31, 2020	<u>\$ 963,936</u>	<u>\$ 12,684</u>	<u>\$ 56,788</u>	<u>\$ 1,033,408</u>	<u>\$ 789,111</u>	<u>\$ 1,822,519</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	(360)	360	-	-	-	-
Credit-impaired financial assets	(1)	(27)	28	-	-	-
12-month ECL	-	-	-	-	-	-
Derecognition of financial assets in the current reporting period	(151,047)	(361)	(8,127)	(159,535)	-	(159,535)
Reversal from financial instruments recognized at the beginning of the current reporting period	17,697	(103,327)	3,555	(82,075)	-	(82,075)
New financial assets purchased or originated	322,776	-	61,305	384,081	-	384,081
Difference of impairment loss under regulations	-	-	-	-	(36,519)	(36,519)
Change in exchange rates and other changes	(2,858)	-	-	(2,858)	-	(2,858)
Balance at December 31, 2019	<u>\$ 899,338</u>	<u>\$ 104,032</u>	<u>\$ 75,588</u>	<u>\$ 1,078,958</u>	<u>\$ 618,313</u>	<u>\$ 1,697,271</u>

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 \$227,186 thousand and \$211,590 thousand in the consolidated statement of comprehensive income for the years ended December 31, 2020 and 2019, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 14,376,849	\$ 14,005,930
Fair value of plan assets	<u>(11,609,059)</u>	<u>(11,049,816)</u>
Deficit	2,767,790	2,956,114
Net defined benefit asset (part of other assets)	<u>5,417</u>	<u>5,511</u>
Net defined benefit liability (part of provisions)	<u>\$ 2,773,207</u>	<u>\$ 2,961,625</u>

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

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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Service cost			
Current service cost	\$ 440,029	\$ -	\$ 440,029
Net interest expense (revenue)	<u>95,246</u>	<u>(78,232)</u>	<u>17,014</u>
Recognized in profit or loss	<u>535,275</u>	<u>(78,232)</u>	<u>457,043</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(364,538)	(364,538)
Actuarial loss - changes in financial assumptions	525,070	-	525,070
Actuarial loss - experience adjustments	<u>63,672</u>	<u>-</u>	<u>63,672</u>
Recognized in other comprehensive income	<u>588,742</u>	<u>(364,538)</u>	<u>224,204</u>
Contributions from the employer	<u>-</u>	<u>(869,571)</u>	<u>(869,571)</u>
Benefits paid	<u>(753,098)</u>	<u>753,098</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 14,376,849</u>	<u>\$ (11,609,059)</u>	<u>\$ 2,767,790</u> (Concluded)

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

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

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

	December 31	
	2020	2019
Discount rate(s)	0.30%	0.70%-0.75%
Expected rate(s) of salary increase	2.00%	2.00%
Expected rate(s) of return on plan asset	0.30%	0.70%-0.75%

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

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (331,590)</u>	<u>\$ (333,225)</u>
0.25% decrease	<u>\$ 343,566</u>	<u>\$ 345,592</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 321,315</u>	<u>\$ 325,167</u>
0.25% decrease	<u>\$ (312,040)</u>	<u>\$ (315,439)</u>

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

As of December 31, 2020 and 2019, the expected contributions to the plan for the next year were \$870,000 thousand and \$1,050,000 thousand, respectively. As of December 31, 2020 and 2019, the average duration of defined benefit obligation were 9.45 to 10.81 years and 9.75 to 11.69 years, respectively.

c. Employees' preferential deposit plan

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

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

	December 31	
	2020	2019
Present value of retired employees' preferential interest deposits obligation (part of provisions)	<u>\$ 3,971,907</u>	<u>\$ 3,971,611</u>

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

	For the Year Ended December 31	
	2020	2019
Present value of retired employees' preferential interest deposits obligation, January 1	\$ 3,971,611	\$ 4,041,988
Interest expense	150,368	153,204
Actuarial losses	716,636	622,169
Benefits paid	<u>(866,708)</u>	<u>(845,750)</u>
Present value of retired employees' preferential interest deposits obligation, December 31	<u>\$ 3,971,907</u>	<u>\$ 3,971,611</u>

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

	For the Year Ended December 31	
	2020	2019
Interest expense	\$ 150,368	\$ 153,204
Actuarial losses	<u>716,636</u>	<u>622,169</u>
Excessive interest of retired employees' preferential interest deposits	<u>\$ 867,004</u>	<u>\$ 775,373</u>

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

	December 31	
	2020	2019
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Account balance diminishing rate per year	1.00%	1.00%
Rate of probability of change in the preferential deposit system	50.00%	50.00%

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

	December 31	
	2020	2019
Discount rate(s)		
1% increase	\$ (269,181)	\$ (273,978)
1% decrease	<u>\$ 308,109</u>	<u>\$ 314,312</u>
Return on deposit		
1% increase	\$ (984,139)	\$ (962,047)
1% decrease	<u>\$ 984,139</u>	<u>\$ 962,047</u>
Account balance diminishing rate per year		
1% increase	\$ (284,546)	\$ (289,598)
1% decrease	<u>\$ 321,349</u>	<u>\$ 327,836</u>
Rate of probability of change in the preferential deposit system		
20% increase	\$ (1,588,763)	\$ (1,588,645)
20% decrease	<u>\$ 1,588,763</u>	<u>\$ 1,588,645</u>

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

31. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Structured products - host contracts	\$ 2,365,355	\$ 2,529,298
Guarantee deposits received	2,908,532	2,050,163
Appropriation for loans	32,743	29,972
Separate-account liabilities	<u>105,803,112</u>	<u>109,228,185</u>
	<u>\$ 111,109,742</u>	<u>\$ 113,837,618</u>

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

	December 31	
	2020	2019
Separate-account assets (part of other financial assets)		
Demand deposits	\$ 1,423,970	\$ 963,032
Financial assets at FVTPL	102,989,435	103,107,687
Other receivables		
General accounts receivables	935,499	4,599,943
Investment settlement receivables	<u>454,208</u>	<u>557,523</u>
	<u>1,389,707</u>	<u>5,157,466</u>
	<u>\$ 105,803,112</u>	<u>\$ 109,228,185</u>

Separate-account liabilities (part of other financial liabilities)		
Reserve for separate account-insurance contract	\$ 79,033,405	\$ 85,224,162
Reserve for separate account-investment contract	<u>26,769,707</u>	<u>24,004,023</u>
	<u>\$ 105,803,112</u>	<u>\$ 109,228,185</u>

	For the Year Ended December 31	
	2020	2019
Separate-account revenue		
Premium income	\$ 4,583,896	\$ 8,549,479
Gain (loss) on financial assets at FVTPL	865,343	5,905,579
Loss on foreign exchange	(3,757,631)	(1,206,566)
Interest revenue	<u>1,305</u>	<u>2,122</u>
	<u>\$ 1,692,913</u>	<u>\$ 13,250,614</u>
Separate-account expense		
Insurance claims and benefits	\$ 5,823,525	\$ 7,039,942
Reserves for separate accounts, net of releases - insurance contract	(5,217,567)	5,330,590
Administrative expenses	<u>1,086,955</u>	<u>880,082</u>
	<u>\$ 1,692,913</u>	<u>\$ 13,250,614</u>

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

32. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	\$ 1,441,312	\$ 1,620,591
Others	<u>103,200</u>	<u>114,606</u>
	<u>\$ 1,544,512</u>	<u>\$ 1,735,197</u>

33. NET INTEREST

	For the Year Ended December 31	
	2020	2019
Interest revenue		
From discounts and loans	\$ 40,090,626	\$ 45,684,116
From investments	9,953,061	11,053,406
From due from banks and call loans to other banks	1,516,476	2,538,921
Others	<u>1,309,009</u>	<u>1,183,588</u>
	<u>52,869,172</u>	<u>60,460,031</u>
Interest expense		
From deposits	(15,216,891)	(20,347,068)
From due to the Central Bank and other banks	(1,189,636)	(2,815,489)
From issuing bonds payable	(973,389)	(876,474)
From deposits from the Central Bank and other banks	(310,914)	(612,383)
From securities sold under repurchase agreements	(178,589)	(293,718)
Others	<u>(103,539)</u>	<u>(169,100)</u>
	<u>(17,972,958)</u>	<u>(25,114,232)</u>
	<u>\$ 34,896,214</u>	<u>\$ 35,345,799</u>

34. SERVICE FEE AND COMMISSION INCOME, NET

	For the Year Ended December 31	
	2020	2019
Service fee and commission revenues		
From trust business	\$ 2,103,263	\$ 1,717,273
From guarantees	1,055,399	905,407
From loans	1,009,811	838,256
From insurance service	748,767	1,087,787
From brokerage service	738,965	407,651
From investment-linked products	641,601	642,132
From credit cards	523,487	590,251
From management fees of investment-linked products	434,875	301,716
From management fees	396,458	369,827
From remittance	297,555	309,681
From cross-bank transactions	289,571	289,054
From underwriting	139,321	147,270
From import/export service	110,126	111,598
		(Continued)

	For the Year Ended December 31	
	2020	2019
From trust affiliated business	\$ 26,286	\$ 23,088
Others	<u>532,807</u>	<u>592,515</u>
	<u>9,048,292</u>	<u>8,333,506</u>
Service charge and commission expenses		
From cross-bank transactions	(342,079)	(338,809)
From insurance business	(267,937)	(349,451)
From credit cards	(270,334)	(274,083)
From credit cards acquiring	(130,371)	(126,499)
From custody	(81,542)	(92,199)
Others	<u>(233,141)</u>	<u>(203,409)</u>
	<u>(1,325,404)</u>	<u>(1,384,450)</u>
	<u>\$ 7,722,888</u>	<u>\$ 6,949,056</u>

(Concluded)

35. PREMIUM INCOME, NET

	For the Year Ended December 31	
	2020	2019
Separate-account revenue (Note 31)	\$ 1,692,913	\$ 13,250,614
Premium income	<u>3,604,845</u>	<u>3,819,775</u>
	<u>5,297,758</u>	<u>17,070,389</u>
Separate-account expense (Note 31)	(1,692,913)	(13,250,614)
Insurance claims and benefits	(3,281,603)	(3,954,770)
Reinsurance premium ceded	(255,641)	(192,442)
Others	<u>(29,951)</u>	<u>(27,192)</u>
	<u>(5,260,108)</u>	<u>(17,425,018)</u>
	<u>\$ 37,650</u>	<u>\$ (354,629)</u>

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

	For the Year Ended December 31, 2020				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 541,501	\$ 6,238,813	\$ 13,837	\$ 193,761	\$ 6,987,912
Held-for-trading financial liabilities	-	(12,703,203)	(387,308)	-	(13,090,511)
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>\$ 396,175</u>	<u>\$ (6,464,390)</u>	<u>\$ (316,374)</u>	<u>\$ 193,761</u>	<u>\$ (6,190,828)</u>

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

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Year Ended December 31	
	2020	2019
Employee benefits expenses		
Salaries	\$ 8,857,356	\$ 8,721,423
Incentives	3,124,109	3,283,017
Excessive interest from preferential interest deposits	1,303,744	1,196,971
Post-employment benefits, termination benefits and compensation	699,635	1,026,730
Overtime	448,035	426,829
Others	<u>2,141,098</u>	<u>2,132,557</u>
	<u>\$ 16,573,977</u>	<u>\$ 16,787,527</u>

Under the Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the years ended December 31, 2020 and 2019, compensations of employees were estimated at \$2,893 thousand and \$2,968 thousand and the remuneration of directors were estimated at \$91,434 thousand and \$94,909 thousand, respectively, based on the Articles and past experiences.

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

The appropriations of employees' compensation and remuneration of directors for 2020 and 2019 approved by the board of directors on March 22, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation - cash	\$ 2,893	\$ 2,968
Remuneration of directors - cash	91,434	94,909

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 Year Ended December 31	
	2020	2019
Depreciation expense	\$ 1,948,452	\$ 1,719,508
Amortization expense	<u>220,619</u>	<u>184,858</u>
	<u>\$ 2,169,071</u>	<u>\$ 1,904,366</u>

38. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
Current year	\$ 2,449,614	\$ 3,841,118
Additional income tax on unappropriated earnings	14,046	16,267
Additional income tax under the Alternative Minimum Tax Act	97,965	-
Land value increment tax	4,378	296
Prior year's adjustments	<u>(153,726)</u>	<u>(22,286)</u>
	2,412,277	3,835,395
Deferred tax		
Current year	275,014	(722,728)
Prior year's adjustment	<u>415</u>	<u>(1,439)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,687,706</u>	<u>\$ 3,111,228</u>

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

	For the Year Ended December 31	
	2020	2019
Income before income tax	\$ 19,822,697	\$ 20,723,644
Income tax expense at the statutory rate (20%)	\$ 3,964,539	\$ 4,144,728
Nondeductible expenses in determining taxable income	47,478	35,401
Tax-exempt income	(1,695,907)	(1,253,190)
Additional income tax under the Alternative Minimum Tax Act	97,965	-
Additional income tax on unappropriated earnings	14,046	16,267
Land value increment tax	4,378	296
Unrecognized deductible temporary differences	(21,639)	(66,052)
Effect of different tax rate of overseas entities operating in other jurisdictions	430,157	257,503
Adjustments for prior year's tax	<u>(153,311)</u>	<u>(23,725)</u>
Income tax expense recognized in profit or loss	\$ <u>2,687,706</u>	\$ <u>3,111,228</u>

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

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	\$ (528,597)	\$ (240,119)
Unrealized valuation gain on financial assets at fair value through other comprehensive income	249,957	369,361
Other comprehensive income on reclassification of overlay approach	<u>(1,186)</u>	<u>4,300</u>
Income tax expense (benefit) recognized in other comprehensive income	\$ <u>(279,826)</u>	\$ <u>133,542</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	\$ 2,184,041	\$ 1,162,359
Others	<u>17,202</u>	<u>69,265</u>
	\$ <u>2,201,243</u>	\$ <u>1,231,624</u>
Current tax liabilities		
Tax payable	\$ 1,112,896	\$ 2,165,626
Others	<u>365</u>	<u>19,863</u>
	\$ <u>1,113,261</u>	\$ <u>2,185,489</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Properties and equipment	\$ 9,182	\$ (644)	\$ -	\$ -	\$ 8,538
Payable for annual leave	103,007	(2,497)	-	-	100,510
Employee's preferential interest deposit obligation	794,322	59	-	-	794,381
Other liabilities	5,783	-	-	-	5,783
Exchange differences on foreign operations	296,223	-	528,597	-	824,820
Allowance for possible losses	54,554	1,654	-	302	56,510
Collaterals assumed	372	(372)	-	-	-
Financial instruments at fair value through profit or loss	505,220	173,463	-	-	678,683
Accrued expenses	-	2,881	-	40	2,921
Pension liabilities	386	26	-	-	412
Unrealized interest expense	535,532	(535,532)	-	-	-
Unrealized foreign exchange losses	16,201	182,425	-	-	198,626
Revenue from disposal of acquired loans	170,279	(9,768)	-	-	160,511
	<u>\$ 2,491,061</u>	<u>\$ (188,305)</u>	<u>\$ 528,597</u>	<u>\$ 342</u>	<u>\$ 2,831,695</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at fair value through profit or loss	\$ 2,553	\$ (2,369)	\$ -	\$ -	\$ 184
Financial instruments at fair value through other comprehensive income	238,631	-	248,771	-	487,402
Intangible assets	428,614	-	-	-	428,614
The reserve for land value increment tax	2,596,230	(891)	-	-	2,595,339
Defined benefit obligation	74,834	82,497	-	-	157,331
Investments accounted for using equity method	88,833	29,920	-	-	118,753
Collaterals assumed	466	(466)	-	-	-
Lease incentive	11,929	(10,552)	-	-	1,377
Others	11,015	(11,015)	-	-	-
	<u>\$ 3,453,105</u>	<u>\$ 87,124</u>	<u>\$ 248,771</u>	<u>\$ -</u>	<u>\$ 3,789,000</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Financial instruments at fair value through other comprehensive income	\$ 135,030	\$ -	\$ (135,030)	\$ -	\$ -
Properties and equipment	9,826	(644)	-	-	9,182
Payable for annual leave	101,044	1,963	-	-	103,007
Employee's preferential interest deposit obligation	808,398	(14,076)	-	-	794,322
Other liabilities	5,883	(100)	-	-	5,783
Exchange differences on foreign operations	56,349	-	239,874	-	296,223
Allowance for possible losses	70,154	(14,436)	-	(1,174)	54,554
Collaterals assumed	372	-	-	-	372
Financial instruments at fair value through profit or loss	7,535	497,685	-	-	505,220
Pension liabilities	348	38	-	-	386
Unrealized interest expense	415,068	120,464	-	-	535,532
Unrealized foreign exchange losses	26,590	(10,389)	-	-	16,201
Revenue from disposal of acquired loans	146,355	23,924	-	-	170,279
	<u>\$ 1,782,952</u>	<u>\$ 604,439</u>	<u>\$ 104,844</u>	<u>\$ (1,174)</u>	<u>\$ 2,491,061</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at fair value through profit or loss	\$ 189,567	\$ (187,014)	\$ -	\$ -	\$ 2,553
Financial instruments at fair value through other comprehensive income	-	-	238,631	-	238,631
Intangible assets	428,614	-	-	-	428,614
The reserve for land value increment tax	2,596,230	-	-	-	2,596,230
Exchange differences on foreign operations	245	-	(245)	-	-
Defined benefit obligation	36,348	38,486	-	-	74,834
Investments accounted for using equity method	60,149	28,684	-	-	88,833
Collaterals assumed	466	-	-	-	466
Lease incentive	9,419	2,510	-	-	11,929
Unrealized foreign exchange gains	6,667	(6,667)	-	-	-
Others	6,742	4,273	-	-	11,015
	<u>\$ 3,334,447</u>	<u>\$ (119,728)</u>	<u>\$ 238,386</u>	<u>\$ -</u>	<u>\$ 3,453,105</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Deductible temporary differences	<u>\$ 2,184,195</u>	<u>\$ 1,944,766</u>
Loss carryforwards	<u>\$ 224,840</u>	<u>\$ 262,264</u>

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

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

- g. Regarding the profit-seeking enterprise income tax application case of TCFHC in 2012, the Company has received the recheck decision. The tax authorities had permitted the Company to recognize the salary expenses incurred in the share-based payment transaction in which TCFHC carried out cash capital increase by issue of shares for subscription by the Company's employees according to the December 28, 2018 administrative rule made by the Ministry of Finance. Thus the Company had recognized the tax effects of \$46,033 thousand in 2020. Besides, the Company had recognized the tax effects of the difference of tax credit for \$90,562 thousand in 2020 according to the result of 2015 income tax return examination.

39. EARNINGS PER SHARE

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2020</u>			
Basic earnings per share (EPS)	\$ 16,584,137	13,334,224	<u>\$ 1.24</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>313</u>	
Diluted EPS	<u>\$ 16,584,137</u>	<u>13,334,537</u>	<u>\$ 1.24</u>
<u>For the year ended December 31, 2019</u>			
Basic earnings per share (EPS)	\$ 17,235,959	13,334,224	<u>\$ 1.29</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>265</u>	
Diluted EPS	<u>\$ 17,235,959</u>	<u>13,334,489</u>	<u>\$ 1.29</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.

	<u>For the Year Ended December 31, 2019</u>	
	<u>Before Adjusted Retrospectively</u>	<u>After Adjusted Retrospectively</u>
Basic EPS (NT\$)	<u>\$ 1.33</u>	<u>\$ 1.29</u>
Diluted EPS (NT\$)	<u>\$ 1.33</u>	<u>\$ 1.29</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

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>15,000,000</u>	<u>15,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>13,334,224</u>	<u>12,945,848</u>
Common stocks issued	<u>\$ 133,342,237</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 the 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 MOEA.

b. Capital surplus

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

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

The capital surplus as of December 31, 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

(Continued)

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>
	(Concluded)

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:

	<u>For the Year Ended December 31</u>	
	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>(357)</u>	<u>-</u>
Balance on December 31	<u>\$ 995,669</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

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

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

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

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

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

The appropriations from the earnings of 2019 and 2018 were approved in the 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

The appropriations of earnings for 2020 had been proposed by TCFHC's board of directors on March 22, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,637,932	
Cash dividends	11,334,090	\$0.85
Stock dividends	2,666,845	0.20

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 Year Ended December 31	
	2020	2019
Balance on January 1	\$ 5,487,380	\$ 4,199,805
Attributable to non-controlling interests		
Net income	550,854	376,457
Exchange differences on the translation of financial statements of foreign operations	6,539	(9,904)
Unrealized valuation gain on financial assets at FVTOCI	428,808	672,821
Other comprehensive income reclassification of overlay approach	312,956	350,270
Cash dividends distributed by subsidiary	<u>(154,749)</u>	<u>(102,069)</u>
Balance on December 31	<u>\$ 6,631,788</u>	<u>\$ 5,487,380</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
JC Capital Taiwan Co., Ltd.	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.
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 Mobility Innovation 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.

(Continued)

Related Party	Relationship with the Company
TCB 2023 Maturity selective Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB US Short Duration High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the Company's director.
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 year ended December 31, 2020</u>				
Others	<u>\$ 2,750,000</u>	<u>\$ 50,000</u>	<u>\$ 907</u>	0.190-0.500
<u>For the year ended December 31, 2019</u>				
Others	<u>\$ 4,231,000</u>	<u>\$ -</u>	<u>\$ 27,061</u>	0.400-2.850

2) Due to banks

	For the Year Ended December 31			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 322,072	\$ 2,266	\$ 232,743	\$ 1,638
Others				
Tamshui First Credit Bank	25,246,825	200,342	24,066,019	240,837
The Fifth Credit Cooperation of Taipei	6,920,608	18,965	-	-
Others	<u>44,055</u>	<u>10</u>	<u>40,198</u>	<u>23</u>
	<u>\$ 32,533,560</u>	<u>\$ 221,583</u>	<u>\$ 24,338,960</u>	<u>\$ 242,498</u>

3) Call loans from banks

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

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the year ended December 31, 2020</u>				
Main management	\$ 456,094	\$ 321,464	\$ 2,989	0.955-1.560
Others	<u>1,221,800</u>	<u>221,124</u>	<u>2,021</u>	0.100-2.240
	<u>\$ 1,677,894</u>	<u>\$ 542,588</u>	<u>\$ 5,010</u>	
<u>For the year ended December 31, 2019</u>				
Main management	\$ 311,585	\$ 247,205	\$ 3,249	1.245-1.790
Others	<u>540,831</u>	<u>137,770</u>	<u>3,189</u>	1.137-2.465
	<u>\$ 852,416</u>	<u>\$ 384,975</u>	<u>\$ 6,438</u>	

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

5) Securities sold under repurchase agreements

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

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2020</u>			
Associates	\$ 115,349	\$ 102	0-0.640
Main management	781,806	10,435	0-13.000
Others	<u>16,456,034</u>	<u>34,923</u>	0-13.000
	<u>\$ 17,353,189</u>	<u>\$ 45,460</u>	

For the year ended December 31, 2019

Associates	\$ 137,084	\$ 274	0-0.640
Main management	806,983	11,131	0-13.000
Others	<u>12,483,506</u>	<u>67,814</u>	0-13.000
	<u>\$ 13,427,573</u>	<u>\$ 79,219</u>	

December 31	
2020	2019

7) Accrued income (part of receivables)

Others	<u>\$ 32,487</u>	<u>\$ 32,766</u>
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8) Payable on securities (part of payables)

Others	<u>\$ 9,286</u>	<u>\$ 1,153</u>
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For the Year Ended December 31	
2020	2019

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

Main management	\$ 491	\$ 158
Others	<u>417,930</u>	<u>385,821</u>
	<u>\$ 418,421</u>	<u>\$ 385,979</u>

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

Main management	\$ 94	\$ 83
Others	<u>1</u>	<u>4</u>
	<u>\$ 95</u>	<u>\$ 87</u>

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

Others	<u>\$ 1,600</u>	<u>\$ 4,007</u>
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For the Year Ended December 31	
2020	2019

12) Donation (part of other noninterest gain, net)

Main management	\$ 2,000	\$ 2,000
Others	<u>900</u>	<u>900</u>
	<u>\$ 2,900</u>	<u>\$ 2,900</u>

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

13) Purchases and sales of securities

For the Year Ended December 31, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,629</u>	<u>\$ -</u>

14) Derivatives

For the Year Ended December 31, 2020						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB 6 Year ESG Senior Emerging Market Bond Fund	Currency swap	2020.10.27-2021.05.21	US\$ 13,200	\$ (8,332)	Financial liabilities at fair value through profit or loss	\$ (8,332)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.10.30-2021.03.16	US\$ 22,450	(9,335)	Financial liabilities at fair value through profit or loss	(9,335)
Other - TCB 2023 Maturity Selective Emerging Market Bond Fund	Currency swap	2020.11.27-2021.11.29	US\$ 7,200	(3,190)	Financial liabilities at fair value through profit or loss	(3,190)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.12.31-2021.10.29	US\$ 3,120	24	Financial assets at fair value through profit or loss	24
	Currency swap	2020.11.09-2021.09.28	US\$ 14,100	(3,294)	Financial liabilities at fair value through profit or loss	(3,294)
Other - TCB US Short Duration High Yield Bond Fund	Currency swap	2020.12.08-2021.03.15	US\$ 23,000	(2,562)	Financial liabilities at fair value through profit or loss	(2,562)
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2020.11.30-2021.02.26	US\$ 6,900	(2,722)	Financial liabilities at fair value through profit or loss	(2,722)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.10.30-2021.05.20	US\$ 42,800	(35,927)	Financial liabilities at fair value through profit or loss	(35,927)
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2020.12.08-2021.03.08	US\$ 2,250	(528)	Financial liabilities at fair value through profit or loss	(528)

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

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

For the Year Ended December 31		
	2020	2019
Financial assets and liabilities at fair value through profit or loss		
Others	\$ 150,999	\$ 29,435

15) Loans

December 31, 2020

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2020 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	94	\$ 282,848	\$ 185,301	\$ 185,301	\$ -	Note 2	None
Self-used housing mortgage loans	60	395,046	298,287	298,287	-	Land and buildings	None
Other loans	Tamshui First Credit Bank	1,000,000	59,000	59,000	-	Certificates of deposit	None

December 31, 2019

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

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

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

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

- c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand as of December 31, 2020 and 2019

1) Taiwan Cooperative Bank, Ltd.

a) Due from banks

	December 31	
	2020	2019
Subsidiary	<u>\$ 628,687</u>	<u>\$ 539,932</u>

b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2020</u>				
Subsidiary	\$ 9,806,641	\$ 7,650,645	\$ 17,406	0.020-2.360
Sister companies	6,200,000	5,200,000	16,744	0.190-0.570
Others	<u>2,750,000</u>	<u>50,000</u>	<u>907</u>	0.190-0.500
	<u>\$ 18,756,641</u>	<u>\$ 12,900,645</u>	<u>\$ 35,057</u>	
For the year ended <u>December 31, 2019</u>				
Subsidiary	\$ 9,734,133	\$ 8,025,216	\$ 45,444	0.001-3.180
Sister companies	5,000,000	3,310,000	19,114	0.400-0.700
Others	<u>4,231,000</u>	<u>-</u>	<u>27,061</u>	0.400-2.850
	<u>\$ 18,965,133</u>	<u>\$ 11,335,216</u>	<u>\$ 91,619</u>	

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

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2020</u>				
Sister company TCS	<u>\$ 304,630</u>	<u>\$ -</u>	<u>\$ 2,315</u>	0.300-2.480
For the year ended <u>December 31, 2019</u>				
Sister company TCS	<u>\$ 316,200</u>	<u>\$ 179,940</u>	<u>\$ 7,987</u>	1.710-3.200

d) Due to banks

	For the Year Ended December 31			
	2020		2019	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Subsidiary	\$ 25	\$ -	\$ 1,286	\$ -
Main management	322,072	2,266	232,743	1,638
Others				
Tamshui First Credit Bank	25,246,825	200,342	24,066,019	240,837
The Fifth Credit Cooperation of Taipei	6,920,608	18,965	-	-
Others	<u>44,055</u>	<u>10</u>	<u>40,198</u>	<u>23</u>
	<u>\$ 32,533,585</u>	<u>\$ 221,583</u>	<u>\$ 24,340,246</u>	<u>\$ 242,498</u>

e) Call loans from banks

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

f) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2020				
Sister companies	\$ 1,000,000	\$ -	\$ -	-
Main management	456,094	321,464	2,989	0.995-1.560
Others	<u>1,221,800</u>	<u>221,124</u>	<u>2,021</u>	0.100-2.240
	<u>\$ 2,677,894</u>	<u>\$ 542,588</u>	<u>\$ 5,010</u>	
For the year ended December 31, 2019				
Sister companies	\$ 1,000,000	\$ -	\$ 12	2.265
Main management	311,585	247,205	3,249	1.245-1.790
Others	<u>540,831</u>	<u>137,770</u>	<u>3,189</u>	1.137-2.465
	<u>\$ 1,852,416</u>	<u>\$ 384,975</u>	<u>\$ 6,450</u>	

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

g) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2020</u>			
Parent company	\$ 48,653	\$ 102	0-0.040
Sister companies	5,839,348	6,356	0-1.065
Associates	115,349	102	0-0.640
Main management	781,806	10,435	0-13.000
Others	<u>16,456,034</u>	<u>34,923</u>	0-13.000
	<u>\$ 23,241,190</u>	<u>\$ 51,918</u>	
For the year ended <u>December 31, 2019</u>			
Parent company	\$ 47,637	\$ 81	0-0.800
Sister companies	8,242,148	12,805	0-1.065
Associates	137,084	274	0-0.640
Main management	806,983	11,131	0-13.000
Others	<u>12,483,506</u>	<u>67,814</u>	0-13.000
	<u>\$ 21,717,358</u>	<u>\$ 92,105</u>	

h) Accrued income (part of receivables)

	December 31	
	2020	2019
Sister company		
BPCTLI	\$ 88,708	\$ 203,989
Others	<u>4,414</u>	<u>2,430</u>
	<u>\$ 93,122</u>	<u>\$ 206,419</u>

i) Receivable on securities (part of receivables)

	December 31	
	2020	2019
Sister company		
TCS	<u>\$ 16,849</u>	<u>\$ 138,642</u>

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

	December 31	
	2020	2019
Parent company	<u>\$ 2,100,191</u>	<u>\$ 1,080,183</u>

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

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

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

	For the Year Ended December 31	
	2020	2019
Parent company	\$ 140	\$ -
Sister companies		
BPCTLI	660,318	1,234,439
Others	46,147	27,196
Main management	491	158
Others	<u>21,163</u>	<u>15,937</u>
	<u>\$ 728,259</u>	<u>\$ 1,277,730</u>

- m) Lease agreements - TCB is lessor

TCB 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:

	December 31	
	2020	2019
Parent company	\$ 42,101	\$ 62,992
Sister companies		
TCS	179,478	173,981
BPCTLI	13,387	26,536
TCBF	28,610	28,610
Others	<u>28,037</u>	<u>20,020</u>
	<u>\$ 291,613</u>	<u>\$ 312,139</u>

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

	For the Year Ended December 31	
	2020	2019
Parent company	\$ 24,048	\$ 24,048
Sister companies		
TCS	43,516	44,724
Others	<u>35,748</u>	<u>37,221</u>
	<u>\$ 103,312</u>	<u>\$ 105,993</u>

n) Purchases and sales of securities

Related Party	For the Year Ended December 31, 2019			
	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Sister companies	\$ -	\$ -	\$ -	\$ 14,581,540

o) Derivatives

Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	For the Year Ended December 31, 2020	
					Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2020.12.16-2021.09.30	EUR 7,856	\$ 2,270	Financial assets at fair value through profit or loss	\$ 2,270
	Currency swap	2020.12.31-2021.02.26	US\$ 95,645	82	Financial assets at fair value through profit or loss	82
	Currency swap	2020.12.09-2021.01.25	US\$ 24,710	(1,356)	Financial liabilities at fair value through profit or loss	(1,356)
Other - TCB 6 Year ESG Senior Emerging Market Bond Fund	Currency swap	2020.10.27-2021.05.21	US\$ 13,200	(8,332)	Financial liabilities at fair value through profit or loss	(8,332)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.10.30-2021.03.16	US\$ 22,450	(9,335)	Financial liabilities at fair value through profit or loss	(9,335)
Other - TCB 2023 Maturity Selective Emerging Market Bond Fund	Currency swap	2020.11.27-2021.11.29	US\$ 7,200	(3,190)	Financial liabilities at fair value through profit or loss	(3,190)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.12.31-2021.10.29	US\$ 3,120	24	Financial assets at fair value through profit or loss	24
	Currency swap	2020.11.09-2021.09.28	US\$ 14,100	(3,294)	Financial liabilities at fair value through profit or loss	(3,294)
Other - TCB US Short Duration High Yield Bond Fund	Currency swap	2020.12.08-2021.03.15	US\$ 23,000	(2,562)	Financial liabilities at fair value through profit or loss	(2,562)
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2020.11.30-2021.02.26	US\$ 6,900	(2,722)	Financial liabilities at fair value through profit or loss	(2,722)
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.10.30-2021.05.20	US\$ 42,800	(35,927)	Financial liabilities at fair value through profit or loss	(35,927)
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2020.12.08-2021.03.08	US\$ 2,250	(528)	Financial liabilities at fair value through profit or loss	(528)

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

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

For the Year Ended December 31		
	2020	2019
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ (296,153)	\$ 127,431
Others	<u>150,999</u>	<u>29,435</u>
	<u>\$ (145,154)</u>	<u>\$ 156,866</u>

p) Loans

December 31, 2020

Type	Account Volume or Name	Highest Balance in the Period Ended December 31, 2020 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	94	\$ 282,848	\$ 185,301	\$ 185,301	\$ -	Note 2	None
Self-used housing mortgage loans	60	395,046	298,287	298,287	-	Land and buildings	None
Other loans	TCS	1,000,000	-	-	-	Bonds	None
	Tamshui First Credit Bank	1,000,000	59,000	59,000	-	Certificates of deposit	None

December 31, 2019

Type	Account Volume or Name	Highest Balance in the Period Ended December 31, 2019 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	79	\$ 181,852	\$ 131,546	\$ 131,546	\$ -	Note 2	None
Self-used housing mortgage loans	50	282,224	232,419	232,419	-	Land and buildings	None
Other loans	Others	388,340	21,010	21,010	-	Note 3	None
	TCS	1,000,000	-	-	-	Bonds	None

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

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

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

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

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

	December 31	
	2020	2019
Sister companies	<u>\$ 473,856</u>	<u>\$ -</u>

b) Settlement payable (part of payables)

	December 31	
	2020	2019
Sister companies	\$ 16,849	\$ 276,157
Others	<u>15,187</u>	<u>1,153</u>
	<u>\$ 32,036</u>	<u>\$ 277,310</u>

c) TCS applied to TCB for call loans

Related Party	For the Year Ended December 31, 2020			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 302,500</u>	<u>\$ -</u>	<u>\$ 2,343</u>	0.300-2.480

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

d) Purchases and sales of securities

Related Party	For the Year Ended December 31, 2020			
	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Parent company	<u>\$ 7,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

For the Year Ended December 31, 2020				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	-

For the Year Ended December 31, 2019				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 12</u>	2.265

- f) Lease agreements - TCS is lessee

- i. Right-of-use assets, net

		December 31	
		2020	2019
Sister companies	TCB	<u>\$ 163,190</u>	<u>\$ 150,717</u>

- ii. Lease liabilities

		December 31	
		2020	2019
Sister companies		<u>\$ 164,752</u>	<u>\$ 151,834</u>

- iii. Interest expense

		For the Year Ended December 31	
		2020	2019
Sister companies		<u>\$ 1,964</u>	<u>\$ 2,643</u>

- iv. Depreciation expense

		For the Year Ended December 31	
		2020	2019
Sister companies		<u>\$ 41,253</u>	<u>\$ 40,788</u>

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>December 31, 2020</u>				
Sister companies	\$ <u>421,348</u>	\$ <u>81,219</u>	\$ <u>13</u>	0.010-0.815
<u>December 31, 2019</u>				
Sister companies	\$ <u>173,497</u>	\$ <u>19,560</u>	\$ <u>17</u>	0.010-1.065

b) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2020</u>				
Sister companies	\$ <u>6,200,000</u>	\$ <u>5,200,000</u>	\$ <u>16,744</u>	0.190-0.570
<u>For the year ended December 31, 2019</u>				
Sister companies	\$ <u>5,000,000</u>	\$ <u>3,310,000</u>	\$ <u>19,114</u>	0.400-0.700

c) Securities sold under repurchase agreement

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2020</u>			
Sister companies	\$ 983,108	\$ 5,502	0.210-0.570
<u>For the year ended December 31, 2019</u>			
Sister companies	\$ 1,055,364	\$ 8,154	0.440-0.695
Others	-	43	0.580-0.600

d) Receivable on securities (part of receivables)

	December 31	
	2020	2019
Sister companies	\$ <u>-</u>	\$ <u>119,225</u>

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

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

	December 31			
	2020		2019	
	Amount	%	Amount	%
Sister company TCB	\$ 4,069,946	64	\$ 7,325,078	70

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

	For the Year Ended December 31, 2020		
	Securities Purchase Under Resell Agreements		
	Amount (Note)	Ending Balance	Rate (%)
Sister company TCBF	\$ 15,935,739	\$ 983,108	0.240-0.570
	For the Year Ended December 31, 2019		
	Securities Purchase Under Resell Agreements		
	Amount (Note)	Ending Balance	Rate (%)
Sister company TCBF	\$ 12,908,489	\$ 1,055,364	0.440-0.670

Note: The amount includes securities purchased under resell agreements.

- c) Derivatives

For the year ended December 31, 2020

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister companies - TCB	2020.12.07-2021.02.26	US\$ 120,355	\$ 1,701	Financial assets at fair value through profit or loss	\$ 784
		2020.12.14-2021.09.30	EUR 7,856	(1,565)	Financial liabilities at fair value through profit or loss	(1,565)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.06-2022.08.24	US\$ 103,261	160,182	Financial assets at fair value through profit or loss	122,569
		2019.02.15-2021.02.19	EUR 4,827	2,667	Financial liabilities at fair value through profit or loss	(3,513)

For the year ended December 31, 2019

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

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

In 2020 and 2019, the realized gains or losses on currency swaps with sister companies were \$297,337 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 \$146,503 thousand losses, respectively.

The BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (reported as other assets - refundable deposits other liabilities) depending on the value of the swaps. As of December 31, 2020 and 2019, the BPCTLI had received deposits of \$119,693 thousand and \$108,242 thousand, respectively.

d) Payables

	December 31	
	2020	2019
Sister company		
TCB	\$ 112,738	\$ 226,065

e) Operating cost - insurance contract expenses

	For the Year Ended December 31	
	2020	2019
Sister company		
TCB	\$ 680,599	\$ 1,226,453

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

f) Consulting and advisory contract

	For the Year Ended December 31	
	2020	2019
Associates		
Paris Management Consultant Co., Ltd (Note)	\$ 86,469	\$ 120,343

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

BPCTLI entered into three-year consulting contracts with associates in April 2013. Under these contracts, the associates agreed to provide administrative, actuarial, marketing, and information technology services to BPCTLI, and the contracts were renewed in March 2016. BPCTLI also entered into supplementary contracts with associates in April 2020. Under these contracts, both parties agreed to extend the contract period to March 31, 2023.

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

a) Management fee income

	For the Year Ended December 31	
	2020	2019
Sister company	\$ 598	\$ 996
Others	<u>395,815</u>	<u>368,917</u>
	<u>\$ 396,413</u>	<u>\$ 369,913</u>

b) General expense (part of operating expense)

	For the Year Ended December 31	
	2020	2019
Sister company		
BPCTLI	\$ 67,832	\$ 93,655
Others	<u>44,435</u>	<u>25,889</u>
	<u>\$ 112,267</u>	<u>\$ 119,544</u>

6) Taiwan Cooperative Venture Capital Co., Ltd.

	December 31	
	2020	2019
Cash in banks		
TCB	<u>\$ 33,891</u>	<u>\$ 133,939</u>

d. Salaries, bonuses and remunerations to main management

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

	For the Year Ended December 31	
	2020	2019
Salaries and other short-term employment benefits	\$ 174,293	\$ 179,353
Post-employment benefits	4,806	7,779
Interest arising from the employees' preferential rate in excess of normal rates	<u>2,058</u>	<u>2,046</u>
	<u>\$ 181,157</u>	<u>\$ 189,178</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:

	December 31	
	2020	2019
Collateral for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000
Collateral for domestic overdraft	31,400,000	31,400,000
Collateral for overdraft of domestic U.S. dollar settlement	11,000,000	11,000,000
Collateral for overdraft of domestic RMB settlement	1,297,500	2,362,250
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,069,700	1,254,500
Guarantee deposits for the insurance operation	1,035,000	1,010,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000
Overseas branches' capital adequate reserve	366,740	389,819
Guarantee deposits for securities operation	355,000	355,000
Guarantee deposits for the bills finance business	293,900	278,100
Guarantee deposits for the trust business compensation reserve	280,000	260,000
Collateral for overseas branch U.S. dollar settlement	42,628	61,650
Collateral for overseas branch KHR settlement	8,901	-
Overseas branches' guarantee deposits for operation	5,620	5,998
Others	90,000	90,000
	<u>\$ 87,744,989</u>	<u>\$ 88,967,317</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousand as collateral for day-term overdraft as of December 31, 2020 and 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
December 31, 2020	<u>\$ 283,691</u>	<u>\$ 203,103</u>
December 31, 2019	<u>\$ 281,333</u>	<u>\$ 232,718</u>

- c. As of December 31, 2020, TCB had pledged \$45,000,000 thousand to deposit reserve account B in accordance with the Central Bank's project financing regulations in response to the epidemic.
- d. As of December 31, 2020, due to the KHR loans borrowed from the National Bank of Cambodia, up to US\$93,423 thousand in TCB's Phnom Penh Branch's due from the Central Bank were provided as collateral to the National Bank of Cambodia in accordance with the relevant regulations.

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 December 31, 2020, TCFHC's outstanding major construction and procurement contracts amounted to \$161,442 thousand, of which \$59,439 thousand was still unpaid.

b. Taiwan Cooperative Bank, Ltd.

1) As of December 31, 2020, TCB's outstanding major construction and procurement contracts amounted to \$178,242 thousand, of which \$142,638 thousand was still unpaid.

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

c. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of December 31, 2020, the commitments that arose from business were as follows:

	December 31, 2020
Guarantees of commercial paper	<u>\$ 33,031,300</u>
Purchase of reference-rate commercial paper	<u>\$ 7,531,000</u>

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

1) As of December 31, 2020, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$26,159 thousand, of which \$15,346 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 and prosecute for damage. 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. 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 heard by the Supreme Court 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

	December 31			
	2020		2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 728,266,474	\$ 735,468,885	\$ 557,848,944	\$ 563,118,799
<u>Financial liabilities</u>				
Bonds payable	71,600,000	73,279,402	65,000,000	66,544,129

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

December 31, 2020

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 735,468,885	\$ 10,426,186	\$ 725,042,699	\$ -
<u>Financial liabilities</u>				
Bonds payable	73,279,402	-	73,279,402	-

December 31, 2019

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

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 0.4977% and 0.6913%, between 0.5537% and 1.0441% as of December 31, 2020 and 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. Under 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 40% and for minority interest at 10% on December 31, 2020 and 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:

	December 31	
	2020	2019
Discount for lack of marketability		
Increase 10%	<u>\$ (1,007,807)</u>	<u>\$ (797,989)</u>
Decrease 10%	<u>\$ 1,007,807</u>	<u>\$ 797,989</u>
Discount for minority interest		
Increase 10%	<u>\$ (20,012)</u>	<u>\$ (235)</u>
Decrease 10%	<u>\$ 20,012</u>	<u>\$ 235</u>

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

1) Fair value hierarchy

Financial Instruments Measured at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,779,845	\$ 1,546,561	\$ 8,354	\$ 1,224,930
Debt instruments	3,497,307	953,718	2,533,589	10,000
Others	70,687,475	5,659,247	64,862,088	166,140
Financial assets at FVTOCI				
Equity instruments	23,637,707	17,514,458	-	6,123,249
Debt instruments	405,498,347	46,913,676	358,584,671	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(410,523)	(410,521)	(2)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,765,936	296,381	1,469,555	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(4,421,975)	-	(4,421,975)	-
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)	-

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 or loss (included in gains on financial assets and liabilities at FVTPL)	446,574	-	446,574
Recognized in other comprehensive income (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI)	-	696,012	696,012
Purchases	401,265	10,878	412,143
Disposal	(457,175)	-	(457,175)
Transferred out of Level 3	<u>34,229</u>	<u>-</u>	<u>34,229</u>
Balance at December 31, 2020	<u>\$ 1,401,070</u>	<u>\$ 6,123,249</u>	<u>\$ 7,524,319</u>
Balance at January 1, 2019	\$ 971,972	\$ 4,373,477	\$ 5,345,449
Recognized in profit or loss (included in gains on financial assets and liabilities at FVTPL)	54,226	-	54,226
Recognized in other comprehensive income (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI)	-	1,042,882	1,042,882
Purchases	223,130	-	223,130
Disposal	(225,151)	-	(225,151)
Transferred out of Level 3	<u>(48,000)</u>	<u>-</u>	<u>(48,000)</u>
Balance at December 31, 2019	<u>\$ 976,177</u>	<u>\$ 5,416,359</u>	<u>\$ 6,392,536</u>

The change in unrealized gains for the years ended December 31, 2020 and 2019 included in profit or loss for assets held at December 31, 2020 and 2019 was \$174,291 thousand gains and \$83,154 thousand gains, respectively.

For the years ended December 31, 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.

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

	December 31, 2019
Difference between carrying amount and contractual amount at maturity	
Fair value	\$ 12,052,429
Amount payable at maturity	<u>11,996,000</u>
	<u>\$ 56,429</u>

**Change in Fair
Values
Resulting from
Credit Risk
Variations**

Accumulated amount of change
As of December 31, 2019

\$ 970

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

e. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

2) Credit risk

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

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

3) Market risk

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

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

4) Liquidity risk

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

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

Taiwan Cooperative Bank Ltd. and subsidiary

1) Risk management

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

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

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

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

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

2) Credit risk

a) Credit risk management policy

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

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

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

i. Loans business (including loan commitment and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

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

b) Measurement of expected credit losses

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

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

Loans business

i) Quantitative benchmark

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

ii) Qualitative benchmark

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

Bonds and bills business

i) Quantitative benchmark

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

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

ii) Qualitative benchmark

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

ii. Definition of default and credit loss on financial assets

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

Loans business

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

ii) Borrower filed for bankruptcy or reorganization.

iii) Borrower defaulted on other financial instruments.

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

v) Borrower has been denied by TCH.

Bonds and bills business

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

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

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

iii. Reversal policy

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

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

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

iv. Measurement of expected credit losses

Loans business

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

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

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

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

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

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

v. Forward-looking information considerations

Loans business

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

According to TCB and its subsidiary’s previous forward-looking information, estimations are calculated at the end of the year per year on average. The influence of relevant economic factors and expected credit loss identified by the Bank and its subsidiaries on December 31, 2019 and 2018 is as follows:

Probability of Default	
Relevant economic factors	Monitoring indicator/unemployment rate

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:

December 31, 2020

	Gross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
Impaired financial assets				
Discount and loans	<u>\$ 41,068,145</u>	<u>\$ 5,304,254</u>	<u>\$ 35,763,891</u>	<u>\$ 108,780,377</u>

December 31, 2019

	Gross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
Impaired financial assets				
Discount and loans	\$ 37,638,133	\$ 5,790,070	\$ 31,848,063	\$ 812,233

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in December 31, 2020 and 2019 were \$7,793,168 thousand and \$7,608,546 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	December 31			
	2020		2019	
	Amount	%	Amount	%
Natural person	\$ 912,721,994	40	\$ 873,758,898	40
Manufacturing	415,971,331	18	395,568,638	18

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:

	December 31	
	2020	2019
Financial assets at fair value through profit or loss - debt instrument	\$ 1,987,618	\$ 1,950,488

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, 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	\$ 267,817,361	\$ 10,894	\$ 579,956	\$ -	\$ 268,408,211
Allowance for possible losses	(761,139)	(84)	(56,788)	-	(818,011)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(601,967)	(601,967)
	<u>\$ 267,056,222</u>	<u>\$ 10,810</u>	<u>\$ 523,168</u>	<u>\$ (601,967)</u>	<u>\$ 266,988,233</u>
	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>

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

December 31, 2020					
	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	\$ 2,260,676,252	\$ 2,802,802	\$ 41,068,145	\$ -	\$ 2,304,547,199
Allowance for possible losses	(3,903,935)	(19,762)	(5,304,254)	-	(9,227,951)
Impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(19,945,273)	(19,945,273)
	<u>\$ 2,256,772,317</u>	<u>\$ 2,783,040</u>	<u>\$ 35,763,891</u>	<u>\$ (19,945,273)</u>	<u>\$ 2,275,373,975</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>

b) Credit quality analysis of receivables

	December 31, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Receivables	\$ 14,394,742	\$ 46,627	\$ 169,402	\$ 2,303,414	\$ -	\$ 16,914,185
Allowance for possible losses	(33,571)	(12,978)	(70,631)	(421,178)	-	(538,358)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(163,955)	(163,955)
	\$ 14,361,171	\$ 33,649	\$ 98,771	\$ 1,882,236	\$ (163,955)	\$ 16,211,872

	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>

c) Credit quality analysis of securities

	December 31, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 342,990,157	\$ -	\$ -	\$ 342,990,157
Allowance for possible losses	(110,684)	-	-	(110,684)
Amortized cost	342,879,473	-	-	342,879,473
Fair value adjustments	9,830,431	-	-	9,830,431
	<u>\$ 352,709,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,709,904</u>
Investments in debt instruments at amortized cost	\$ 724,016,853	\$ -	\$ -	\$ 724,016,853
Allowance for possible losses	(45,712)	-	-	(45,712)
	<u>\$ 723,971,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 723,971,141</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>

- 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	31,991	-	-	31,991
Derecognition of financial assets in the current reporting period	(11,124)	-	-	(11,124)
Change in model or risk parameters	(1,442)	-	-	(1,442)
Changes in exchange rates and other changes	<u>7,488</u>	<u>-</u>	<u>-</u>	<u>7,488</u>
Balance at December 31, 2020	<u>\$ 110,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,684</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	30,399	-	-	30,399
Derecognition of financial assets in the current reporting period	(12,485)	-	-	(12,485)
Change in model or risk parameters	(7,841)	-	-	(7,841)
Changes in exchange rates and other changes	<u>1,956</u>	<u>-</u>	<u>-</u>	<u>1,956</u>
Balance at December 31, 2019	<u>\$ 83,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,771</u>

- 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	5,937	-	-	5,937
Derecognition of financial assets in the current reporting period	(4,306)	-	-	(4,306)
Change in model or risk parameters	(3,538)	-	-	(3,538)
Changes in exchange rates and other changes	<u>(278)</u>	<u>-</u>	<u>-</u>	<u>(278)</u>
Balance at December 31, 2020	<u>\$ 45,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,712</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	10,503	-	-	10,503
Derecognition of financial assets in the current reporting period	(2,252)	-	-	(2,252)
Change in model or risk parameters	(8,571)	-	-	(8,571)
Changes in exchange rates and other changes	<u>(161)</u>	<u>-</u>	<u>-</u>	<u>(161)</u>
Balance at December 31, 2019	<u>\$ 47,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,897</u>

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	December 31, 2020	December 31, 2019
Interest rate risk	Interest rate curve increased 100 basis points	\$ (132,255)	\$ (115,606)
	Interest rate curve fell 100 basis points	139,368	124,047
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(153,007)	(206,532)
	USD/NT\$, EUR/NT\$ fell 3%	153,007	206,532
	Others (RMB, AUD etc.)/NT\$ increased 5%	59,168	90,152
	Others (RMB, AUD etc.)/NT\$ fell 5%	(59,168)	(90,152)
Equity security price risk	Equity security price increased by 15%	114,003	414,782
	Equity security price fell by 15%	(114,003)	(414,782)

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 Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks and other financial assets - due from banks	\$ 31,492,757	1.33	\$ 33,228,721	2.52
Due from the Central Bank	180,733,963	0.26	172,633,074	0.36
Call loans to banks and other financial assets - call loans to security firms	66,570,048	0.96	60,101,441	1.88
Financial assets mandatorily classified as at fair value through profit or loss	24,642,082	0.50	23,410,758	0.65
Financial assets at fair value through other comprehensive income	342,167,777	1.51	271,636,940	1.87
Investments in debt instruments at amortized cost	582,084,624	0.65	555,646,351	0.87
Securities purchased under resell agreements	-	-	882,602	0.59
Discounts and loans	2,269,657,255	1.76	2,141,341,765	2.12
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	236,602,593	0.54	239,979,719	1.30
Due to the Central Bank and other banks	11,051,986	0.10	-	-
Financial liabilities designated as at fair value through profit or loss	2,942,126	4.94	12,343,611	4.88
Securities sold under repurchase agreements	8,090,866	0.27	8,050,509	0.39
Demand deposits	612,498,924	0.08	530,238,278	0.19
Savings - demand deposits	956,220,700	0.20	883,277,268	0.27
Time deposits	679,050,304	0.95	596,532,364	1.57

(Continued)

	For the Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Time savings deposits	\$ 619,012,892	0.89	\$ 627,533,489	1.05
Treasury deposits	116,319,563	0.53	101,408,583	0.64
Negotiable certificates of deposits	44,589,268	0.50	48,437,496	0.72
Structured products	1,675,590	0.38	2,141,601	1.77
Bank debentures	61,847,541	1.53	57,676,712	1.52
Lease liabilities	1,581,742	2.80	1,543,281	2.78
				(Concluded)

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

(In Thousands)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 13,870,878	28.1000	\$ 389,771,681
RMB	12,065,358	4.3250	52,182,671
AUD	1,555,686	21.6500	33,680,611
EUR	509,433	34.5900	17,621,286
JPY	37,286,079	0.2725	10,160,457
ZAR	4,056,984	1.9210	7,793,466
HKD	1,708,808	3.6240	6,192,719
KHR	533,116,562	0.0070	3,709,958
GBP	55,095	38.3500	2,112,904
CAD	37,535	22.0600	828,027
LAK	227,227,472	0.0030	686,909
NZD	21,784	20.3200	444,482
CHF	5,808	31.8850	185,200
SGD	2,856	21.2700	60,754
THB	6,920	0.9440	6,533
PHP	3,880	0.5852	2,271
SEK	632	3.4300	2,166

Financial liabilities

USD	17,586,903	28.1000	494,191,970
RMB	10,068,251	4.3250	43,545,186
AUD	1,053,441	21.6500	22,807,003
JPY	45,630,001	0.2725	12,434,175
EUR	252,455	34.5900	8,732,422
ZAR	4,183,131	1.9210	8,035,795
HKD	1,183,903	3.6240	4,290,466
KHR	377,584,371	0.0070	2,627,610
CAD	99,687	22.0600	2,199,086
NZD	77,948	20.3200	1,583,905
GBP	37,648	38.3500	1,443,787
SGD	14,225	21.2700	302,575
			(Continued)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
CHF	\$ 7,919	31.8850	\$ 252,485
SEK	12,181	3.4300	41,780
THB	18,182	0.9440	17,164
LAK	3,794,530	0.0030	11,471
PHP	4,570	0.5852	2,674
MYR	-	6.9800	2
			(Concluded)

	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

Financial liabilities

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

4) Liquidity risk

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

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

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

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

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

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

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

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

TCB's liquidity reserve ratios were 32.20% in December 2020 and 28.00% in December 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.

December 31, 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	\$ 134,290,203	\$ 70,564,173	\$ 13,059,156	\$ 7,511,054	\$ -	\$ 225,424,586
Due to the Central Bank and other banks	-	13,911,420	-	23,207,190	-	37,118,610
Securities sold under repurchase agreements	2,676,474	1,975,304	1,108,235	130,863	441,432	6,332,308
Payables	18,304,602	1,908,525	5,236,979	2,342,043	2,339,362	30,131,511
Deposits and remittances	322,166,243	474,217,819	434,667,871	701,471,034	1,340,412,013	3,272,934,980
Bank debentures	-	-	1,500,000	-	60,100,000	61,600,000
Lease liabilities	63,950	171,376	144,349	275,440	1,679,513	2,334,628
Other items of cash outflow on maturity	4,092,279	246	300	906,783	31,497	5,031,105

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

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of December 31, 2020 and 2019 must be repaid soon, the capital expenditure will be increased by \$1,796,222,648 thousand and \$1,501,221,386 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

December 31, 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	\$ 2,524	\$ 4,376	\$ 3,982	\$ 35	\$ -	\$ 10,917
Interest	(1,489)	(514)	(1,232)	(3,671)	(5,782)	(12,688)

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)

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 67,256,035	\$ 57,597,575	\$ 35,541,984	\$ 20,818,986	\$ -	\$ 181,214,580
Cash inflow	68,459,812	59,063,827	36,344,928	21,215,498	-	185,084,065
Total cash outflow	67,256,035	57,597,575	35,541,984	20,818,986	-	181,214,580
Total cash inflow	68,459,812	59,063,827	36,344,928	21,215,498	-	185,084,065
Net cash flow	1,203,777	1,466,252	802,944	396,512	-	3,869,485

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

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.

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,780,057	\$ 5,754,959	\$ 9,424,885	\$ 16,478,646	\$ 51,834,487	\$ 85,273,034
Irrevocable credit card commitments	486,171	219,619	284,242	4,131,380	50,200,284	55,321,696
Letters of credit issued yet unused	4,063,257	11,942,600	2,257,016	1,348,322	4,575,745	24,186,940
Other guarantees	9,491,871	7,823,692	12,084,249	13,532,636	60,694,093	103,626,541

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

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

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

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

1) Market risk

a) Market risk source and market risk factors

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

b) Market risk strategy and procedures

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

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

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

c) Market risk management framework

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

d) Market risk information

i. VaR (value at risk)

VaR measures "the worst expected loss over a target horizon with a given level of confidence and normal market environment." BPCTLI's worst expected losses for two weeks with a 99% confidence level were \$788,722 thousand and \$413,290 thousand as of December 31, 2020 and 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 December 31, 2020 and 2019 the fair values of financial assets would have decreased by \$22,259 thousand and \$22,514 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on December 31, 2020 and 2019, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$19,555 thousand and \$18,221 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI's overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the years ended December 31, 2020 and 2019, the income before income tax would have decreased \$148,524 thousand and \$179,257 thousand, respectively.

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

December 31, 2020

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 51,466	28.097	\$ 1,446,047
EUR	2,692	34.510	92,903
ZAR	23,926	1.919	45,924
Receivables			
USD	4,073	28.097	114,448
EUR	3,149	34.510	108,674
RMB	1,080	4.318	4,663
Financial assets at FVTPL			
USD	3,643	28.097	102,362
Financial assets at FVTOCI			
USD	470,698	28.097	13,225,199
EUR	55,418	34.510	1,912,482
RMB	202,824	4.318	875,792
Financial assets at amortized cost			
EUR	9,654	34.510	333,152
USD	5,422	28.097	152,340
<u>Financial liabilities</u>			
Guarantee deposits received			
USD	5,460	28.097	153,410

December 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Savings accounts			
USD	\$ 145,504	29.984	\$ 4,362,784
ZAR	301,375	2.124	640,180
RMB	124,247	4.297	533,889
Receivables			
USD	4,254	29.984	127,554
RMB	1,983	4.297	8,520
Financial assets at FVTPL			
USD	4,144	29.984	124,250
Financial assets at FVTOCI			
USD	448,736	29.984	13,454,911
EUR	72,714	33.600	2,443,192
RMB	241,507	4.297	1,037,756
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

iii. Stress testing

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

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

Assuming the U.S. 10 year Treasury yield increased 1% as of December 31, 2020 and 2019, the losses on financial assets of the BPCTLI would have been \$855,407 thousand and \$813,157 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

	December 31, 2020		
	Carrying Amount	Fair Value	%
Domestic investment - government bonds (Note 1)	\$ 11,970,434	\$ 12,057,277	38
Domestic investment - corporate bonds (twAAA - twAA-)	3,101,771	3,101,771	10
Overseas investment - government bonds	2,273,106	2,354,602	7
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	12,115,940	12,117,135	41
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,109,919</u>	<u>2,109,919</u>	<u>4</u>
	<u>\$ 31,571,170</u>	<u>\$ 31,740,704</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>

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

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

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

ii. Maturity analysis of derivatives

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

December 31, 2020				
	Within One Year	1 Year to 3 Years	3 Years to 5 Years	Over Five Years
<u>Net settled</u>				
Currency swap contracts	\$ 190,829	\$ 146,945	\$ -	\$ -
Cross-currency swap contracts	-	-	6,210	-
	<u>\$ 190,829</u>	<u>\$ 146,945</u>	<u>\$ 6,210</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	\$ 461,211	\$ 61,777	\$ -	\$ -

f. Insurance contracts

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

The risk management program and procedure are summarized as follows:

1) Insurance risk management and measurement

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

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

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

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

2) Concentration of insurance risk and the development of claims

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

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

a) Development of direct business loss

Accident Year	Development Ages											Claim Reserve
	1	2	3	4	5	6	7	8	9	10	11	
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	7,854	7,854	-
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	21,113	21,113	21,113	-
2013	19,586	27,531	27,762	28,666	28,555	28,551	28,553	28,553	28,554	28,554	28,553	-
2014	25,862	28,357	28,976	31,011	31,016	31,018	31,018	31,018	31,019	31,019	31,019	1
2015	35,899	42,080	42,346	42,353	42,361	42,381	42,382	42,382	42,383	42,383	42,383	2
2016	26,485	31,219	31,407	31,432	31,444	31,450	31,451	31,451	31,452	31,452	31,452	8
2017	53,250	63,055	58,484	58,652	58,666	58,676	58,677	58,677	58,679	58,679	58,679	27
2018	36,190	45,800	46,223	46,499	46,511	46,519	46,520	46,520	46,522	46,522	46,523	300
2019	52,386	68,948	69,498	71,333	71,346	71,356	71,357	71,357	71,359	71,359	71,359	2,411
2020	45,488	55,518	56,095	56,667	56,681	56,691	56,692	56,692	56,695	56,695	56,695	11,207
Incurred but not reported												13,956
Reported but not paid												43,590
Balance of claim reserve												<u>\$ 57,546</u>

b) Development of retained business

Accident Year	Development Ages											Claim Reserve
	1	2	3	4	5	6	7	8	9	10	11	
2010	\$ 3	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	8,034	7,854	7,854	-
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	19,066	19,066	19,066	-
2013	19,497	26,841	27,071	27,975	27,864	27,860	27,861	27,861	27,862	27,862	27,861	-
2014	25,174	27,659	28,278	30,313	30,318	30,319	30,319	30,319	30,320	30,320	30,320	1
2015	31,538	37,711	37,977	37,985	37,992	38,012	38,013	38,013	38,014	38,014	38,014	2
2016	25,930	30,590	30,778	30,802	30,815	30,821	30,821	30,821	30,823	30,823	30,823	8
2017	51,121	58,887	56,315	56,484	56,498	56,507	56,508	56,508	56,510	56,510	56,511	274
2018	35,432	45,684	45,226	45,476	45,488	45,496	45,497	45,497	45,499	45,499	45,500	27
2019	47,585	62,277	62,827	64,001	64,014	64,024	64,025	64,025	64,027	64,027	64,027	1,750
2020	45,298	55,291	55,866	56,437	56,451	56,461	56,462	56,462	56,465	56,465	56,465	11,167
Incurred but not reported												13,229
Reported but not paid												31,135
Balance of claim reserve												<u>\$ 44,364</u>

3) Sensitivity analysis of insurance risk

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

Insurance contracts and investment contracts with a discretionary participation feature.

December 31, 2020			
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 62,069	\$ 49,655
Discount rate	(0.25%)	(62,323)	(49,859)
Mortality rate	10.00%	(28,689)	(22,951)
Mortality rate	(10.00%)	28,688	22,951
Withdrawal rate	30.00%	13,826	11,061
Withdrawal rate	(30.00%)	(13,860)	(11,088)
Illness rate/loss rate	15.00%	(20,713)	(16,570)
Expense rate	10.00%	(69,441)	(55,553)

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)

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:

December 31, 2020					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 36,890,958	\$ 36,858,624	\$ 36,890,958	\$ 36,858,624	\$ 32,334
Financial assets at FVTOCI - securities sold under repurchase agreements	18,840,795	18,916,402	18,840,795	18,916,402	(75,607)

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)

h. Offsetting financial assets and financial liabilities

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

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

December 31, 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	\$ 1,278,803	\$ -	\$ 1,278,803	\$ (1,278,803)	\$ -	\$ -

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	\$ 55,775,026	\$ -	\$ 55,775,026	\$ (55,301,238)	\$ -	\$ 473,788

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

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%. The CARs of TCBF were 13.55% and 13.68% as of December 31, 2020 and 2019, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 150% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 150%, the authority may impose certain restrictions on a firm's operations. The CAR of TCS was 373% and 511% as of December 31, 2020 and 2019, respectively.

The Law of Insurance and related regulations require that the insurance business maintain CARs at a minimum of 200%. The CARs of BPCTLI were 1,618.40% and 1,148.15% as of December 31, 2020 and 2019, respectively.

Please refer to related information in Table 2 (attached).

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 3 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2020		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 37,773,193	15.62
2	Group B Real estate development	23,215,439	9.60
3	Group C Computers and computing peripheral equipment manufacturing	13,864,373	5.73
4	Group D Petroleum and coal products manufacturing	13,079,452	5.41
5	Group E Harbor services	12,099,630	5.00
6	Group F Iron and steel smelting	11,171,044	4.62
7	Group G Financial leasing	10,422,914	4.31
8	Group H Harbor services	10,276,726	4.25
9	Group I Real estate development	9,668,569	4.00
10	Group J Shipping agency	9,395,910	3.89

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 40,485,293	17.83
2	Group B Real estate development	15,490,169	6.82
3	Group E Harbor services	14,706,544	6.48
4	Group C Computers and computing peripheral equipment manufacturing	12,971,615	5.71
5	Group F Iron and steel smelting	10,462,949	4.61
6	Group J Shipping agency	10,211,396	4.50
7	Group K Cotton and textile	10,114,951	4.46
8	Group I Real estate development	10,067,584	4.43
9	Group D Petroleum and coal products manufacturing	9,663,511	4.26
10	Group G Financial leasing	7,848,501	3.46

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2020		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Iron and steel rolls over extends and crowding	\$ 1,297,000	17.51
2	Group B Iron and steel rolls over extends and crowding	1,250,000	16.88
3	Group C Real estate development	1,140,000	15.39
4	Group D Other retail sale in nonspecialized stores	1,060,000	14.31
5	Group E Real estate development	810,000	10.94
6	Group F Motor bus transportation	798,500	10.78
7	Group G Real estate development	798,200	10.78
8	Group H Real estate development	791,800	10.69
9	Group I Real estate development	743,000	10.03
10	Group J Shipping agency	700,000	9.45

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2019		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group K Sheet glass and glass products	\$ 1,100,000	16.27
2	Group A Iron and steel rolls over extends and crowding	1,062,000	15.71
3	Group F Motor bus transportation	906,000	13.40
4	Group C Real estate development	890,000	13.17
5	Group G Real estate development	800,000	11.83
6	Group L Other financial service activities not elsewhere classified	800,000	11.83
7	Group M Real estate development	775,200	11.47
8	Group N Manmade fiber manufacturing	700,000	10.36
9	Group J Shipping agency	700,000	10.36
10	Group E Real estate development	695,000	10.28

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

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

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

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

Taiwan Cooperative Bank, Ltd.

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,578,418,018	\$ 136,942,902	\$ 39,542,728	\$ 358,103,225	\$ 3,113,006,873
Interest rate-sensitive liabilities	1,067,072,480	1,658,887,604	99,280,907	60,882,267	2,886,123,258
Interest rate sensitivity gap	1,511,345,538	(1,521,944,702)	(59,738,179)	297,220,958	226,883,615
Net worth					203,677,688
Ratio of interest rate-sensitive assets to liabilities					107.86
Ratio of interest rate sensitivity gap to net worth					111.39

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,319,216,214	\$ 120,148,166	\$ 18,594,035	\$ 347,294,457	\$ 2,805,252,872
Interest rate-sensitive liabilities	963,313,881	1,410,859,166	107,342,702	57,129,715	2,538,645,464
Interest rate sensitivity gap	1,355,902,333	(1,290,711,000)	(88,748,667)	290,164,742	266,607,408
Net worth					202,794,508
Ratio of interest rate-sensitive assets to liabilities					110.50
Ratio of interest rate sensitivity gap to net worth					131.47

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 (U.S. Dollars)
December 31, 2020

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 15,190,951	\$ 866,162	\$ 226,194	\$ 2,250,352	\$ 18,533,659
Interest rate-sensitive liabilities	17,431,450	2,429,031	2,386,749	-	22,247,230
Interest rate sensitivity gap	(2,240,499)	(1,562,869)	(2,160,555)	2,250,352	(3,713,571)
Net worth					1,356,351
Ratio of interest rate-sensitive assets to liabilities					83.31
Ratio of interest rate sensitivity gap to net worth					(273.79)

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2019

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 14,052,462	\$ 741,777	\$ 171,555	\$ 1,704,354	\$ 16,670,148
Interest rate-sensitive liabilities	15,943,251	1,963,448	1,062,056	-	18,968,755
Interest rate sensitivity gap	(1,890,789)	(1,221,671)	(890,501)	1,704,354	(2,298,607)
Net worth					808,112
Ratio of interest rate-sensitive assets to liabilities					87.88
Ratio of interest rate sensitivity gap to net worth					(284.44)

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

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

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

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

d. Profitability

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

(%)

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.50	0.57
	After income tax	0.43	0.49
Return on equity	Before income tax	8.53	9.43
	After income tax	7.38	8.02
Net income ratio		33.10	35.87

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	6.36	7.11
	After income tax	6.38	7.14
Return on equity	Before income tax	7.31	7.99
	After income tax	7.33	8.02
Net income ratio		98.72	99.12

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.47	0.56
	After income tax	0.40	0.47
Return on equity	Before income tax	7.35	8.66
	After income tax	6.35	7.32
Net income ratio		31.31	34.36

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.95	0.97
	After income tax	0.83	0.93
Return on equity	Before income tax	7.82	7.62
	After income tax	6.82	7.28
Net income ratio		63.73	77.11

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	2.62	1.52
	After income tax	2.44	1.35
Return on equity	Before income tax	12.57	6.98
	After income tax	11.73	6.16
Net income ratio		40.79	29.09

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

(%)

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.84	0.58
	After income tax	0.71	0.49
Return on equity	Before income tax	11.08	9.33
	After income tax	9.25	7.94
Net income ratio		54.71	46.85

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.

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

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2020

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,490,045,791	\$ 493,858,204	\$ 460,102,564	\$ 132,706,076	\$ 203,745,278	\$ 345,911,393	\$ 1,853,722,276
Main capital outflow on maturity	4,094,139,080	200,283,631	239,351,380	542,831,242	434,041,383	732,745,967	1,944,885,477
Gap	(604,093,289)	293,574,573	220,751,184	(410,125,166)	(230,296,105)	(386,834,574)	(91,163,201)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,158,863,899	\$ 423,278,474	\$ 301,756,205	\$ 149,315,327	\$ 276,810,446	\$ 308,243,608	\$ 1,699,459,839
Main capital outflow on maturity	3,696,343,478	203,697,242	174,803,056	517,144,926	418,392,403	674,087,757	1,708,218,094
Gap	(537,479,579)	219,581,232	126,953,149	(367,829,599)	(141,581,957)	(365,844,149)	(8,758,255)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 26,085,560	\$ 9,348,664	\$ 4,477,752	\$ 2,355,371	\$ 1,775,230	\$ 8,128,543
Main capital outflow on maturity	30,456,891	10,299,123	4,851,748	4,636,171	6,487,229	4,182,620
Gap	(4,371,331)	(950,459)	(373,996)	(2,280,800)	(4,711,999)	3,945,923

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 24,923,601	\$ 8,223,719	\$ 4,671,016	\$ 2,488,935	\$ 1,507,227	\$ 8,032,704
Main capital outflow on maturity	29,293,208	12,960,116	5,168,261	3,618,565	4,010,662	3,535,604
Gap	(4,369,607)	(4,736,397)	(497,245)	(1,129,630)	(2,503,435)	4,497,100

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

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

December 31, 2020

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 21,559,629	\$ 23,916,497	\$ 1,120,693	\$ -	\$ -
	Bonds	200,000	100,000	600,000	693,785	14,404,145
	Cash in bank	225,641	-	200	-	-
	Total	21,985,270	24,016,497	1,720,893	693,785	14,404,145
Source of funds	Borrowings	11,769,040	-	-	-	-
	Securities sold under repurchase agreements	41,203,783	3,136,936	-	-	-
	Total	52,972,823	3,136,936	-	-	-
Net flows		(30,987,553)	20,879,561	1,720,893	693,785	14,404,145
Accumulated capital net flows		(30,987,553)	(10,107,992)	(8,387,099)	(7,693,314)	6,710,831

December 31, 2019

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 14,750,767	\$ 19,136,773	\$ 1,114,622	\$ -	\$ -
	Bonds	-	286,260	-	886,260	15,190,090
	Cash in bank	169,845	-	200	-	-
	Total	14,920,612	19,423,033	1,114,822	886,260	15,190,090
Source of funds	Borrowings	13,650,000	-	-	-	-
	Securities sold under repurchase agreements	24,673,359	7,084,340	10,012	-	-
	Total	38,323,359	7,084,340	10,012	-	-
Net flows		(23,402,747)	12,338,693	1,104,810	886,260	15,190,090
Accumulated capital net flows		(23,402,747)	(11,064,054)	(9,959,244)	(9,072,984)	6,117,106

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
December 31, 2020 and 2019**

Trust Assets	2020	2019	Trust Liabilities	2020	2019
Cash in banks	\$ 9,375,320	\$ 7,021,670	Payables		
Short-term investments			Accrued expense	\$ 885	\$ 643
Mutual funds	167,528,197	169,141,039	Others	15	9
Stocks	2,283,474	1,325,432	Payables on the purchase of securities	80,113	-
Debt instruments	6,210,456	5,066,402		81,013	652
Structured products	-	107,364	Accounts payable on securities under custody	166,841,784	171,703,651
	176,022,127	175,640,237	Trust capital		
Securities lending	225,168	104,114	Cash	182,118,474	180,266,162
Receivables	22,713	4,709	Real estate	91,178,931	83,731,346
Real estate			Superficies	317,939	56,660
Land	65,545,184	64,162,781	Leasehold	-	60,940
Buildings	4,453	1,600	Securities	726,299	1,288,418
Construction in process	23,673,868	18,596,003	Others	166,287	84,242
	89,223,505	82,760,384		274,507,930	265,487,768
Intangible assets			Reserves and retained earnings		
Leasehold	-	60,940	Net income	439,554	173,816
Superficies	138,662	56,660	Appropriation	(320,665)	(298,330)
	138,662	117,600	Retained earnings	316,613	284,808
Other assets	16,950	-		435,502	160,294
Securities under custody	166,841,784	171,703,651			
Total	\$ 441,866,229	\$ 437,352,365	Total	\$ 441,866,229	\$ 437,352,365

Trust Property List
December 31, 2020 and 2019

Investment Items	2020	2019
Cash in banks	\$ 9,375,320	\$ 7,021,670
Short-term investments		
Mutual funds	167,528,197	169,141,039
Stocks	2,283,474	1,325,432
Debt instruments	6,210,456	5,066,402
Structured products	-	107,364
Securities lending	225,168	104,114
Receivables		
Accrued interest	1,498	1,851
Mutual fund	2,430	2,276
Cash dividends	703	83
Receivable on the sale of securities	17,276	-
Others	806	499
Real estate		
Land	65,545,184	64,162,781
Buildings	4,453	1,600
Construction in process	23,673,868	18,596,003
Intangible assets		
Leasehold	-	60,940
Superficies	138,662	56,660
Other assets	16,950	-
Securities under custody	<u>166,841,784</u>	<u>171,703,651</u>
Total	<u>\$ 441,866,229</u>	<u>\$ 437,352,365</u>

Statements of Income on Trust Accounts
For the Years ended December 31, 2020 and 2019

	2020	2019
Revenues		
Interest revenue	\$ 6,171	\$ 7,045
Lending stock	4,403	3,929
Cash dividends	45,430	59,144
Realized gain on investment - stocks	30,055	1,461
Unrealized gain on investment - stocks	331,557	216,022
Unrealized gain on investment - lending stock	58,706	22,257
Realized gain on investment - mutual funds	598	4,634
Unrealized gain on investment - mutual funds	46,474	15,436
Beneficial certificate appropriation	6,343	2,922
Others	<u>23</u>	<u>10</u>
Total revenues	<u>529,760</u>	<u>332,860</u>
Expenses		
Management fees	5,885	4,990
Taxes	23	25
Service charge	548	279
Postage	-	25
Realized loss on investment - stocks	8,673	-
Unrealized loss on investment - stocks	58,167	138,411
Unrealized loss on investment - lending stock	4,798	10,149
Realized loss on investment - mutual funds	2,452	118
Unrealized loss on investment - mutual funds	9,496	4,905
Others	<u>164</u>	<u>142</u>
Total expenses	<u>90,206</u>	<u>159,044</u>
Income before income tax	439,554	173,816
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u><u>\$ 439,554</u></u>	<u><u>\$ 173,816</u></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 (for five years before January 1, 2018). (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

To promote the credit card business and corporate banking business together, TCB and TCS signed cooperation arrangements, and marketing expenses paid by TCB were based on the arrangements.

As of December 31, 2020 and 2019, TCB's accrued receivables were \$13,179 thousand and \$3,455 thousand, respectively. TCB's revenues from cross-selling transactions were \$22,913 thousand and \$12,451 thousand for the years ended December 31, 2020 and 2019, respectively.

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

As of December 31, 2020 and 2019, TCB's accrued receivables were \$2,369 thousand and \$2,358 thousand, respectively. TCB's revenues from cross-selling transactions were \$31,311 thousand and \$31,771 thousand for the years ended December 31, 2020 and 2019, respectively.

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

Table 4 (attached).

50. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 5 (attached).

51. FINANCIAL HOLDING COMPANY ACT NO. 46 ANNOUNCEMENT

Table 6 (attached).

52. CASH FLOW INFORMATION

a. Non-Cash financing activities

Undistributed cash dividends approved by stockholders' meetings are \$377,104 thousand and \$339,653 thousand as of December 31, 2020 and 2019, respectively.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

	Opening Balance	Cash Inflows (Outflows)	New Leases	Non-cash Changes Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Due to the Central Bank and other banks	\$ -	\$ 37,118,610	\$ -	\$ -	\$ -	\$ 37,118,610
Commercial paper issued	31,104,638	685,000	-	-	11,705	31,801,343
Bonds payable	65,000,000	6,600,000	-	-	-	71,600,000
Other borrowings	3,432,028	(2,617,594)	-	-	868	815,302
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	854,481	-	-	3,888	2,908,532
Lease liabilities	1,651,391	(620,825)	23,012	-	596,168	1,649,746
Other liabilities - other	114,606	(11,070)	-	-	(336)	103,200
Other borrowings	<u>\$ 115,405,255</u>	<u>\$ 29,912,602</u>	<u>\$ 23,012</u>	<u>\$ 669</u>	<u>\$ 655,195</u>	<u>\$ 145,996,733</u>

For the year ended December 31, 2019

				Non-cash Changes		
	Opening Balance	Cash Inflows (Outflows)	New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Financial liabilities designated as at fair value through profit or loss - bank debentures	\$ 11,483,955	\$ -	\$ -	\$ 14,696	\$ 553,778	\$ 12,052,429
Commercial paper issued	26,091,523	5,015,000	-	-	(1,885)	31,104,638
Bonds payable	55,000,000	10,000,000	-	-	-	65,000,000
Other borrowings	2,425,405	1,038,385	-	-	(31,762)	3,432,028
Guarantee deposits received	1,334,404	736,008	-	-	(20,249)	2,050,163
Lease liabilities	1,528,139	(586,186)	706,700	-	2,738	1,651,391
Other liabilities - other	91,155	29,568	-	-	(6,117)	114,606
	<u>\$ 97,954,581</u>	<u>\$ 16,232,775</u>	<u>\$ 706,700</u>	<u>\$ 14,696</u>	<u>\$ 496,503</u>	<u>\$ 115,405,255</u>

53. 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, the management 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.

54. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - Table 7 (attached).
- 2) Endorsement/guarantee provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - none.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company - Table 8 (attached).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company - none.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: 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 9 (attached).
- 9) Sale of nonperforming loans by subsidiaries: Table 10 (attached).

- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 11 (attached).
 - 11) Percentage share in investees and related information: Table 12 (attached).
 - 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. Investment in Mainland China:
- Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 13 (attached).
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 14 (attached).
- e. Information on major shareholders: Table 15 (attached).

55. OPERATING SEGMENTS

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

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

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

The revenue, expenses and related information of the Company's reportable segments for the years ended December 31, 2020 and 2019 are as follows:

	For the Year Ended December 31, 2020				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 33,739,962	\$ 1,151,471	\$ 34,891,433	\$ 4,781	\$ 34,896,214
Net revenues and gains other than interest	<u>13,815,088</u>	<u>20,417,791</u>	<u>34,232,879</u>	<u>(17,363,106)</u>	<u>16,869,773</u>
Net revenues	47,555,050	21,569,262	69,124,312	(17,358,325)	51,765,987
Bad-debt expenses and provision for losses on commitment and guarantees	(6,991,151)	(109,531)	(7,100,682)	-	(7,100,682)
Net change in reserves for insurance liabilities	-	1,019,296	1,019,296	-	1,019,296
Operating expenses	<u>(23,325,849)</u>	<u>(2,810,696)</u>	<u>(26,136,545)</u>	<u>274,641</u>	<u>(25,861,904)</u>
Income before income tax	<u>\$ 17,238,050</u>	<u>\$ 19,668,331</u>	<u>\$ 36,906,381</u>	<u>\$(17,083,684)</u>	<u>\$ 19,822,697</u>
	For the Year Ended December 31, 2019				
	TCB Business	Others	Total	Adjustment and Elimination	Total
Net interest	\$ 34,158,074	\$ 1,181,002	\$ 35,339,076	\$ 6,723	\$ 35,345,799
Net revenues and gains other than interest	<u>12,393,781</u>	<u>19,299,248</u>	<u>31,693,029</u>	<u>(17,942,703)</u>	<u>13,750,326</u>
Net revenues	46,551,855	20,480,250	67,032,105	(17,935,980)	49,096,125
Bad-debt expenses and provision for losses on commitment and guarantees	(4,120,709)	2,754	(4,117,955)	-	(4,117,955)
Net change in reserves for insurance liabilities	-	1,531,720	1,531,720	-	1,531,720
Operating expenses	<u>(23,527,903)</u>	<u>(2,528,793)</u>	<u>(26,056,696)</u>	<u>270,450</u>	<u>(25,786,246)</u>
Income before income tax	<u>\$ 18,903,243</u>	<u>\$ 19,485,931</u>	<u>\$ 38,389,174</u>	<u>\$(17,665,530)</u>	<u>\$ 20,723,644</u>

TABLE 1

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED ENTITIES
DECEMBER 31, 2020 AND 2019**

Subsidiaries included in the consolidated financial statements

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

Subsidiaries not included in the consolidated financial statements

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

TABLE 2

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO DECEMBER 31, 2020 AND 2019

1. Taiwan Cooperative Financial Holding Co., Ltd.'s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

Items Company	December 31, 2020			December 31, 2019		
	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
Taiwan Cooperative Financial Holding Co., Ltd.		\$ 231,046,126	\$ 266,069,415		\$ 221,419,322	\$ 248,941,707
Taiwan Cooperative Bank, Ltd.	100	284,206,270	193,525,091	100	267,394,120	206,793,061
Taiwan Cooperative Bills Finance Co., Ltd.	100	7,240,381	4,273,822	100	6,679,900	3,906,255
Taiwan Cooperative Securities Co., Ltd.	100	5,350,900	2,153,591	100	4,916,421	1,443,593
Co-operative Assets Management Co., Ltd.	100	3,341,977	3,853,402	100	3,318,101	3,761,003
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	51	5,226,783	645,919	51	4,643,791	808,918
Taiwan Cooperative Securities Investment Trust Co., Ltd.	100	419,010	260,818	100	416,716	245,524
Taiwan Cooperative Venture Capital Co., Ltd.	100	1,067,585	542,935	100	1,028,960	524,028
Deduction		(274,187,215)	(265,989,373)		(259,598,181)	(248,842,057)
Total		263,711,817	205,335,620		250,219,150	217,582,032
Group capital adequacy ratio		128.43%			115.00%	

Note 1: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

Note 2: Group capital adequacy ratio = Group's net eligible capital ÷ Group's statutory capital requirement.

(Continued)

2. Taiwan Cooperative Financial Holding Co., Ltd.'s eligible capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2020
Common stock	\$ 133,342,237
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,974,241
Legal reserve	9,622,864
Special reserve	995,669
Cumulative earnings	16,748,682
Equity adjustments	12,366,076
Less: Capital deduction	3,643
Total eligible capital	231,046,126

Items	December 31, 2019
Common stock	\$ 129,458,483
Capital instruments, which conform to the terms of Bank's other Tier 1 capital	-
Other preferred stocks and subordinated debts	-
Capital collected in advance	-
Capital surplus	57,973,141
Legal reserve	7,927,632
Special reserve	996,026
Cumulative earnings	16,952,318
Equity adjustments	8,112,324
Less: Capital deduction	602
Total eligible capital	221,419,322

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

(Continued)

3. Taiwan Cooperative Bank, Ltd.'s capital adequacy ratio

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	December 31, 2020		
				Standalone	Consolidated	
Eligible capital	Common equity		\$	219,621,005	\$	220,232,955
	Other Tier 1 capital			18,930,153		19,466,300
	Tier 2 capital			45,655,112		46,776,207
	Eligible capital			284,206,270		286,475,462
Risk-weighted assets	Credit risk	Standardized approach		1,736,040,749		1,739,944,941
		Internal ratings based approach		-		-
		Securitization		2,907,542		2,907,542
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		78,512,627		78,609,300
		Advanced measurement approach		-		-
	Market risk	Standardized approach		25,635,188		25,629,800
		Internal model approach		-		-
	Risk-weighted assets			1,843,096,106		1,847,091,583
	Capital adequacy ratio				15.42	
Ratio of the common equity to risk-weighted assets				11.92		11.92
Ratio of Tier 1 capital to risk-weighted assets				12.94		12.98
Ratio of leverage				5.81		5.83

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	December 31, 2019		
				Standalone	Consolidated	
Eligible capital	Common equity		\$	207,137,752	\$	207,708,378
	Other Tier 1 capital			12,649,848		13,145,766
	Tier 2 capital			47,606,520		48,633,541
	Eligible capital			267,394,120		269,487,685
Risk-weighted assets	Credit risk	Standardized approach		1,867,445,189		1,870,260,070
		Internal ratings based approach		-		-
		Securitization		4,596,941		4,596,941
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		76,432,794		76,647,358
		Advanced measurement approach		-		-
	Market risk	Standardized approach		20,982,800		20,997,238
		Internal model approach		-		-
	Risk-weighted assets			1,969,457,724		1,972,501,607
	Capital adequacy ratio				13.58	
Ratio of the common equity to risk-weighted assets				10.52		10.53
Ratio of Tier 1 capital to risk-weighted assets				11.16		11.20
Ratio of leverage				5.95		5.97

(Continued)

Note 1: Eligible capital, risk-weighted assets and exposure measurement are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and the “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Ratio of leverage = Tier 1 capital ÷ Exposure measurement.

(Concluded)

TABLE 3

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2020					December 31, 2019				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 4,863,535	\$ 801,379,466	0.61	\$ 10,318,236	212.16	\$ 3,048,070	\$ 722,831,247	0.42	\$ 8,588,521	281.77
	Unsecured		431,735	613,933,360	0.07	6,391,460	1,480.41	498,900	640,600,556	0.08	7,142,283	1,431.61
Consumer banking	Housing mortgage (Note 4)		670,061	551,782,839	0.12	8,332,352	1,243.52	1,098,488	535,702,909	0.21	8,140,185	741.04
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		7,191	12,767,129	0.06	172,985	2,405.58	9,104	12,151,396	0.07	130,664	1,435.24
	Other (Note 6)	Secured	759,179	303,423,708	0.25	3,620,608	476.91	783,052	288,756,524	0.27	3,056,605	390.35
		Unsecured	12,836	10,659,036	0.12	165,845	1,292.03	15,611	9,933,460	0.16	142,907	915.43
Loan			6,744,537	2,293,945,538	0.29	29,001,486	430.00	5,453,225	2,209,976,092	0.25	27,201,165	498.81
			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			6,697	4,395,094	0.15	65,056	971.42	8,132	4,406,057	0.18	59,661	733.66
Accounts receivable factored without recourse (Note 7)			-	214,150	-	8,764	-	-	246,992	-	9,175	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			372					555				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			3,693					5,137				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			9,390					8,450				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			48,219					45,263				

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).

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES DECEMBER 31, 2020 AND 2019

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets December 31, 2020 and 2019 (In Thousands of New Taiwan Dollars)

Assets	2020	2019	Liabilities and Equity	2020	2019
Cash and cash equivalents	\$ 48,444	\$ 47,435	<u>Liabilities</u>		
Financial assets at fair value through other comprehensive income	20,075	21,275	Commercial paper issued, net	\$ 24,622,924	\$ 27,190,483
Receivables	136	148	Payables	347,777	287,565
Current tax assets	2,064,770	2,747,921	Current tax liabilities	2,110,323	2,762,192
Investments accounted for using equity method	265,989,373	248,842,057	Bonds payable	10,000,000	-
Properties and equipment, net	11,841	6,378	Other financial liabilities	3,904	2,865
Right-of-use assets, net	39,685	63,710	Lease liabilities	40,730	64,540
Intangible assets	3,274	268	Other liabilities	10,845	10,096
Deferred tax assets	369	334	Total liabilities	37,136,503	30,317,741
Other assets	8,305	8,139	<u>Equity</u>		
			Capital stock	133,342,237	129,458,483
			Capital surplus	57,974,241	57,973,141
			Retained earnings	27,367,215	25,875,976
			Other equity	12,366,076	8,112,324
			Total equity	231,049,769	221,419,924
Total	<u>\$ 268,186,272</u>	<u>\$ 251,737,665</u>	Total	<u>\$ 268,186,272</u>	<u>\$ 251,737,665</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020	2019
Revenues and gains		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 16,934,955	\$ 17,526,060
Other revenues and gains	<u>5,348</u>	<u>2,822</u>
Total revenues and gains	<u>16,940,303</u>	<u>17,528,882</u>
Expenses and losses		
Operating expenses	269,450	230,117
Other expenses and losses	<u>140,734</u>	<u>140,534</u>
Total expenses and losses	<u>410,184</u>	<u>370,651</u>
Income before income tax	16,530,119	17,158,231
Income tax benefit	<u>54,018</u>	<u>77,728</u>
Net income	16,584,137	17,235,959
Other comprehensive income	<u>4,048,579</u>	<u>5,327,552</u>
Total comprehensive income	<u>\$ 20,632,716</u>	<u>\$ 22,563,511</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$1.24</u>	<u>\$1.29</u>
Diluted	<u>\$1.24</u>	<u>\$1.29</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus	Retained Earnings			Other Equity				Total Equity
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	
BALANCE, 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	-	-	-	-	-	(40,742)	-	40,742	-	-	-
Total comprehensive income											
Net income for the year ended December 31, 2019	-	-	-	-	-	17,235,959	-	-	-	-	17,235,959
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(331,334)	(960,479)	6,269,497	(14,696)	364,564	5,327,552
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	16,904,625	(960,479)	6,269,497	(14,696)	364,564	22,563,511
BALANCE, DECEMBER 31, 2019	12,945,848	129,458,483	57,973,141	7,927,632	996,026	16,952,318	(1,242,818)	9,000,271	970	353,901	221,419,924
Unclaimed dividends	-	-	1,100	-	-	-	-	-	-	-	1,100
Reversal of special reserve	-	-	-	-	(357)	357	-	-	-	-	-
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	-	-	-	-	-	18,730	-	(18,730)	-	-	-
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)	-	-
Total comprehensive income											
Net income for the year ended December 31, 2020	-	-	-	-	-	16,584,137	-	-	-	-	16,584,137
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(224,204)	(2,114,385)	6,062,106	(669)	325,731	4,048,579
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	16,359,933	(2,114,385)	6,062,106	(669)	325,731	20,632,716
BALANCE, DECEMBER 31, 2020	<u>13,334,224</u>	<u>\$ 133,342,237</u>	<u>\$ 57,974,241</u>	<u>\$ 9,622,864</u>	<u>\$ 995,669</u>	<u>\$ 16,748,682</u>	<u>\$ (3,357,203)</u>	<u>\$ 15,043,647</u>	<u>\$ -</u>	<u>\$ 679,632</u>	<u>\$ 231,049,769</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities		
Income before income tax	\$ 16,530,119	\$ 17,158,231
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(16,934,955)	(17,526,060)
Depreciation and amortization expenses	26,669	24,921
Interest expense	140,734	140,534
Interest revenue	(2,526)	(81)
Net changes in operating assets and liabilities		
Decrease (increase) in receivables	12	(2)
Decrease (increase) in other assets	(166)	310
Increase in payables	31,523	56,045
Increase in other liabilities	749	3,124
Cash used in operations	(207,841)	(142,978)
Interest received	2,526	81
Dividends received	3,837,418	3,337,271
Interest paid	(97,135)	(142,460)
Income tax refunded	85,265	85,635
Net cash generated from operating activities	<u>3,620,233</u>	<u>3,137,549</u>
Cash flows from investing activities		
Acquisition of properties and equipment	(7,984)	(4,719)
Acquisition of intangible assets	(3,129)	(170)
Net cash used in investing activities	<u>(11,113)</u>	<u>(4,889)</u>
Cash flows from financing activities		
Increase in commercial paper issued	-	6,340,000
Decrease in commercial paper issued	(2,580,000)	-
Proceeds from the issuance of corporate bonds	10,000,000	-
Repayments of the principal portion of lease liabilities	(25,179)	(25,038)
Increase in other financial liabilities	1,039	1,109
Dividends paid	(11,003,971)	(9,426,589)
Net cash used in financing activities	<u>(3,608,111)</u>	<u>(3,110,518)</u>
Net increase in cash and cash equivalents	1,009	22,142
Cash and cash equivalents, beginning of the year	<u>47,435</u>	<u>25,293</u>
Cash and cash equivalents, end of the year	<u>\$ 48,444</u>	<u>\$ 47,435</u>

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets December 31, 2020 and 2019 (In Thousands of New Taiwan Dollars)

Assets	2020	2019	Liabilities and Equity	2020	2019
Cash and cash equivalents	\$ 48,772,704	\$ 57,939,887	<u>Liabilities</u>		
Due from the Central Bank and call loans to other banks	384,321,287	275,152,522	Deposits from the Central Bank and other banks	\$ 223,658,360	\$ 230,034,229
Financial assets at fair value through profit or loss	22,292,683	13,105,474	Due to the Central Bank and other banks	37,118,610	-
Financial assets at fair value through other comprehensive income	375,773,466	329,128,892	Financial liabilities at fair value through profit or loss	4,347,280	16,021,128
Investments in debt instruments at amortized cost	723,209,819	554,148,605	Securities sold under repurchase agreements	6,332,308	7,976,909
Receivables, net	16,182,383	18,796,079	Payables	30,558,247	37,869,519
Current tax assets	2,190,949	1,182,787	Current tax liabilities	769,403	2,131,559
Discounts and loans, net	2,264,446,500	2,182,264,644	Deposits and remittances	3,271,783,532	2,898,402,875
Investments accounted for using equity method	2,278,968	2,115,170	Bank debentures	61,600,000	65,000,000
Other financial assets, net	8,376,494	18,843,570	Other financial liabilities	5,031,105	4,137,499
Properties and equipment, net	33,178,687	33,521,394	Provisions	8,165,092	8,221,785
Right-of-use assets, net	1,668,222	1,687,382	Lease liabilities	1,612,664	1,614,958
Investment properties, net	7,570,720	7,443,865	Deferred tax liabilities	3,430,126	3,216,996
Intangible assets	3,799,294	3,635,766	Other liabilities	<u>1,066,211</u>	<u>1,191,720</u>
Deferred tax assets	2,376,561	2,221,537	Total liabilities	<u>3,655,472,938</u>	<u>3,275,819,177</u>
Other assets	<u>825,352</u>	<u>1,661,390</u>	<u>Equity</u>		
			Capital stock	104,507,300	96,765,300
			Capital surplus	58,767,245	58,767,245
			Retained earnings	68,151,447	64,412,169
			Other equity	<u>10,365,159</u>	<u>7,085,073</u>
			Total equity	<u>241,791,151</u>	<u>227,029,787</u>
Total	<u>\$ 3,897,264,089</u>	<u>\$ 3,502,848,964</u>	Total	<u>\$ 3,897,264,089</u>	<u>\$ 3,502,848,964</u>

Taiwan Cooperative Bills Finance Co., Ltd.

Condensed Balance Sheets December 31, 2020 and 2019 (In Thousands of New Taiwan Dollars)

Assets	2020	2019	Liabilities and Equity	2020	2019
Cash and cash equivalents	\$ 105,641	\$ 49,845	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	46,778,311	35,154,903	Call loans from banks	\$ 11,769,040	\$ 13,650,000
Financial assets at fair value through other comprehensive income	15,307,417	15,775,179	Financial liabilities at fair value through profit or loss	52	-
Investments in debt instruments at amortized cost	1,258,693	1,254,086	Securities sold under repurchase agreements	44,333,802	31,755,956
Receivables, net	159,628	296,356	Payables	67,857	319,575
Current tax assets	-	38,977	Current tax liabilities	2,696	-
Other financial assets, net	120,200	120,200	Provisions	402,541	408,722
Properties and equipment, net	11,931	12,203	Lease liabilities	20,163	29,258
Right-of-use assets, net	19,660	28,896	Other liabilities	<u>69,204</u>	<u>80,482</u>
Intangible assets, net	15,495	6,881	Total liabilities	<u>56,665,355</u>	<u>46,243,993</u>
Other assets, net	<u>294,633</u>	<u>266,344</u>	<u>Equity</u>		
			Capital stock	4,877,740	4,560,710
			Capital surplus	312,633	312,633
			Retained earnings	1,963,211	1,790,303
			Other equity	<u>252,670</u>	<u>96,231</u>
			Total equity	<u>7,406,254</u>	<u>6,759,877</u>
Total	<u>\$ 64,071,609</u>	<u>\$ 53,003,870</u>	Total	<u>\$ 64,071,609</u>	<u>\$ 53,003,870</u>

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Assets	2020	2019	Liabilities and Equity	2020	2019
Current assets	\$ 30,684,735	\$ 21,963,088	<u>Liabilities</u>		
Financial assets at fair value through other comprehensive income - non-current	48,952	52,948	Current liabilities	\$ 25,374,339	\$ 17,165,289
Properties and equipment, net	51,371	59,128	Lease liabilities	166,429	152,502
Right-of-use assets, net	164,859	151,382	Deferred tax liabilities	184	2,553
Intangible assets	51,716	51,253	Other liabilities	<u>4,856</u>	<u>4,725</u>
Deferred tax assets	14,837	4,683	Total liabilities	<u>25,545,808</u>	<u>17,325,069</u>
Other non-current assets	<u>414,367</u>	<u>426,267</u>	<u>Equity</u>		
			Capital stock	4,724,200	4,724,200
			Capital surplus	294,440	294,440
			Retained earnings	847,320	363,647
			Other equity	<u>19,069</u>	<u>1,393</u>
			Total equity	<u>5,885,029</u>	<u>5,383,680</u>
Total	<u>\$ 31,430,837</u>	<u>\$ 22,708,749</u>	Total	<u>\$ 31,430,837</u>	<u>\$ 22,708,749</u>

Co-operative Assets Management Co., Ltd.

**Condensed Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Assets	2020	2019	Liabilities and Equity	2020	2019
Current assets	\$ 301,500	\$ 66,811	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	166,140	303,195	Current liabilities	\$ 4,245,750	\$ 4,035,123
Financial assets at fair value through other comprehensive income	20,075	21,275	Lease liabilities	9,307	18,534
Receivables, net	1,319,036	1,551,127	Deferred tax liabilities	46,451	47,930
Investments accounted for using the equity method	1,017,595	962,512	Other liabilities	<u>73,442</u>	<u>102,317</u>
Properties and equipment, net	54,029	14,405	Total liabilities	<u>4,374,950</u>	<u>4,203,904</u>
Investment properties, net	4,428,376	3,962,999	<u>Equity</u>		
Right-of-use assets, net	9,086	18,314	Capital stock	2,825,280	2,825,280
Intangible assets	4,486	7,223	Capital surplus	2,553	2,553
Deferred tax assets	204,643	221,546	Retained earnings	613,139	593,972
Long-term lease payment receivable	177,586	260,534	Other equity	<u>(98,995)</u>	<u>(103,704)</u>
Other assets	<u>14,375</u>	<u>132,064</u>	Total equity	<u>3,341,977</u>	<u>3,318,101</u>
Total	<u>\$ 7,716,927</u>	<u>\$ 7,522,005</u>	Total	<u>\$ 7,716,927</u>	<u>\$ 7,522,005</u>

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Assets	2020	2019	Liabilities and Equity	2020	2019
Cash and cash equivalents	\$ 4,908,426	\$ 9,434,455	<u>Liabilities</u>		
Receivables	438,606	470,732			
Current tax assets	99,428	99,428	Payables	\$ 1,612,042	\$ 5,432,756
Investments	38,490,375	40,081,922	Current tax liabilities	314,364	50,492
Reinsurance assets	151,280	84,674	Financial liabilities at fair value		
Equipment, net	120,605	143,190	through profit or loss	60,162	-
Right-of-use assets, net	14,548	26,246	Lease liabilities	14,855	26,530
Deferred tax assets	196,138	13,977	Insurance liabilities	26,962,977	28,026,195
Other assets	1,205,714	1,152,976	Reserve for insurance contracts		
Separate-account assets	<u>105,803,112</u>	<u>109,228,185</u>	with financial instruments		
			features	2,535,145	6,068,784
			Reserve of foreign exchange		
			variation	196,640	230,520
			Deferred tax liabilities	312,239	185,626
			Other liabilities	567,418	736,556
			Separate-account liabilities	<u>105,803,112</u>	<u>109,228,185</u>
			Total liabilities	<u>138,378,954</u>	<u>149,985,644</u>
			<u>Equity</u>		
			Capital stock	6,881,166	6,719,466
			Capital surplus	9,310	9,310
			Retained earnings	2,555,013	1,931,380
			Other equity	<u>3,603,789</u>	<u>2,089,985</u>
			Total equity	<u>13,049,278</u>	<u>10,750,141</u>
Total	<u>\$ 151,428,232</u>	<u>\$ 160,735,785</u>	Total	<u>\$ 151,428,232</u>	<u>\$ 160,735,785</u>

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Assets	2020	2019	Liabilities and Equity	2020	2019
Current assets	\$ 422,477	\$ 419,658	<u>Liabilities</u>		
Financial assets at fair value					
through profit or loss -			Current liabilities	\$ 79,252	\$ 68,366
non-current	2,034	1,899	Lease liabilities	21,783	4,913
Properties and equipment,			Other liabilities	<u>1,591</u>	<u>1,053</u>
net	8,796	2,624	Total liabilities	<u>102,626</u>	<u>74,332</u>
Right-of-use assets, net	21,640	4,607			
Intangible assets	9,914	5,265	<u>Equity</u>		
Prepaid equipment	560	756	Capital stock	303,000	303,000
Other assets	<u>56,215</u>	<u>56,239</u>	Capital surplus	72,860	72,860
			Retained earnings	43,390	41,231
			Other equity	<u>(240)</u>	<u>(375)</u>
			Total equity	<u>419,010</u>	<u>416,716</u>
Total	<u>\$ 521,636</u>	<u>\$ 491,048</u>	Total	<u>\$ 521,636</u>	<u>\$ 491,048</u>

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Assets	2020	2019	Liabilities and Equity	2020	2019
Current assets	\$ 637,117	\$ 716,326	<u>Liabilities</u>		
Financial assets at fair value through profit or loss - non-current	434,788	318,001	Current liabilities	\$ 10,256	\$ 9,561
Investments accounted for using equity method	4,793	3,294	Lease liabilities	7,917	9,376
Properties and equipment, net	770	655	Other liabilities	<u>121</u>	<u>159</u>
Right-of-use assets, net	7,812	9,302	Total liabilities	<u>18,294</u>	<u>19,096</u>
Intangible assets	125	4	<u>Equity</u>		
Other assets	<u>474</u>	<u>474</u>	Capital stock	1,024,642	1,000,000
			Retained earnings	47,537	57,421
			Other equity	<u>(4,594)</u>	<u>(28,461)</u>
			Total equity	<u>1,067,585</u>	<u>1,028,960</u>
Total	<u>\$ 1,085,879</u>	<u>\$ 1,048,056</u>	Total	<u>\$ 1,085,879</u>	<u>\$ 1,048,056</u>

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020	2019
Interest revenues	\$ 51,258,287	\$ 58,628,871
Less: Interest expenses	<u>(17,518,325)</u>	<u>(24,470,797)</u>
Net interest	33,739,962	34,158,074
Net revenues and gains other than interest	<u>13,815,088</u>	<u>12,393,781</u>
Total net revenues	47,555,050	46,551,855
Bad-debt expenses and provision for losses on commitment and guarantees	(6,991,151)	(4,120,709)
Operating expenses	<u>(23,325,849)</u>	<u>(23,527,903)</u>
Income before income tax	17,238,050	18,903,243
Income tax expense	<u>(2,346,200)</u>	<u>(2,907,587)</u>
Net income	14,891,850	15,995,656
Other comprehensive income	<u>3,069,514</u>	<u>4,252,890</u>
Total comprehensive income	<u>\$ 17,961,364</u>	<u>\$ 20,248,546</u>
Earnings per share (NT\$)		
Basic	<u>\$1.42</u>	<u>\$1.53</u>

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

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

	2020	2019
Net interest	\$ 348,950	\$ 248,691
Net revenues and gains other than interest	<u>409,028</u>	<u>365,949</u>
Total net revenues	757,978	614,640
Reversal of allowance (impairment losses) for credit losses and provision	(49,385)	28,946
Operating expenses	<u>(154,913)</u>	<u>(147,771)</u>
Income before income tax	553,680	495,815
Income tax expense	<u>(70,600)</u>	<u>(21,893)</u>
Net income	483,080	473,922
Other comprehensive income	<u>163,297</u>	<u>30,606</u>
Total comprehensive income	<u>\$ 646,377</u>	<u>\$ 504,528</u>
Earnings per share (NT\$)		
Basic	<u>\$0.99</u>	<u>\$0.97</u>

Taiwan Cooperative Securities Co., Ltd.

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

	2020	2019
Revenues	\$ 1,797,200	\$ 1,291,022
Service charge	(68,525)	(40,656)
Other operating costs	(116,895)	(172,872)
Employee benefits	(529,167)	(419,992)
Other operating expenses	(382,537)	(320,890)
Other gains	<u>8,003</u>	<u>27,850</u>
Income before income tax	708,079	364,462
Income tax expense	<u>(47,363)</u>	<u>(42,922)</u>
Net income	660,716	321,540
Other comprehensive income	<u>39,369</u>	<u>5,290</u>
Total comprehensive income	<u>\$ 700,085</u>	<u>\$ 326,830</u>
Earnings per share (NT\$)		
Basic	<u>\$1.40</u>	<u>\$0.68</u>

(Continued)

Co-operative Assets Management Co., Ltd.

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

	2020	2019
Operating revenues	\$ 544,889	\$ 500,896
Operating expenses	<u>(288,536)</u>	<u>(225,468)</u>
Operating benefits	256,353	275,428
Non-operating gains and losses	<u>14,162</u>	<u>26,504</u>
Income before income tax	270,515	301,932
Income tax expense	<u>(33,934)</u>	<u>(60,362)</u>
Net income	236,581	241,570
Other comprehensive income (loss)	<u>4,709</u>	<u>(32,410)</u>
Total comprehensive income	<u>\$ 241,290</u>	<u>\$ 209,160</u>
Earnings per share (NT\$)		
Basic	<u>\$0.84</u>	<u>\$0.86</u>

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

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

	2020	2019
Operating revenues	\$ 7,099,283	\$ 18,978,777
Operating costs	(5,086,595)	(17,444,702)
Operating expenses	<u>(694,412)</u>	<u>(653,877)</u>
Income before income tax	1,318,276	880,198
Income tax expenses	<u>(217,128)</u>	<u>(130,796)</u>
Net income	1,101,148	749,402
Other comprehensive income	<u>1,513,804</u>	<u>2,087,940</u>
Total comprehensive income	<u>\$ 2,614,952</u>	<u>\$ 2,837,342</u>
Earnings per share (NT\$)		
Basic	<u>\$1.60</u>	<u>\$1.09</u>

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

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

	2020	2019
Operating revenues	\$ 397,056	\$ 370,823
Operating expenses	<u>(362,332)</u>	<u>(333,624)</u>
Operating gain	34,724	37,199
Non-operating gains and losses	<u>2,999</u>	<u>2,803</u>
Income before income tax	37,723	40,002
Income tax expenses	<u>-</u>	<u>-</u>
Net income	37,723	40,002
Other comprehensive income (loss)	<u>134</u>	<u>(39)</u>
Total comprehensive income	<u>\$ 37,857</u>	<u>\$ 39,963</u>
Earnings per share (NT\$)		
Basic	<u>\$1.24</u>	<u>\$1.32</u>

Taiwan Cooperative Venture Capital Co., Ltd.

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

	2020	2019
Operating revenues	\$ 99,086	\$ 102,137
Operating expenses	<u>(37,136)</u>	<u>(34,378)</u>
Operating gain	61,950	67,759
Non-operating gains and losses	<u>450</u>	<u>777</u>
Income before income tax	62,400	68,536
Income tax expenses	<u>149</u>	<u>(148)</u>
Net income	62,549	68,388
Other comprehensive income	<u>716</u>	<u>7,590</u>
Total comprehensive income	<u>\$ 63,265</u>	<u>\$ 75,978</u>
Earnings per share (NT\$)		
Basic	<u>\$0.61</u>	<u>\$0.67</u>

(Concluded)

TABLE 5**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

Business Segment Items	For the Year Ended December 31, 2020					
	Banking	Bill Finance	Security	Insurance	Others	Consolidated
Net interest	\$ 33,888,173	\$ (11,808)	\$ 192,458	\$ 792,814	\$ 34,577	\$ 34,896,214
Net revenues and gains other than interest	13,143,525	793,342	1,414,042	540,131	978,733	16,869,773
Total net revenues	47,031,698	781,534	1,606,500	1,332,945	1,013,310	51,765,987
Bad-debt expenses and provision for losses on commitment and guarantees	(6,984,669)	(49,385)	(1,940)	-	(64,688)	(7,100,682)
Net change in reserves for insurance liabilities	-	-	-	1,019,296	-	1,019,296
Operating expenses	(23,383,171)	(145,873)	(833,720)	(698,647)	(800,493)	(25,861,904)
Income before income tax	16,663,858	586,276	770,840	1,653,594	148,129	19,822,697
Income tax expenses	(2,352,484)	(70,600)	(47,363)	(217,128)	(131)	(2,687,706)
Net income	14,311,374	515,676	723,477	1,436,466	147,998	17,134,991

Business Segment Items	For the Year Ended December 31, 2019					
	Banking	Bill Finance	Security	Insurance	Others	Consolidated
Net interest	\$ 34,302,224	\$ (79,505)	\$ 134,882	\$ 957,452	\$ 30,746	\$ 35,345,799
Net revenues and gains other than interest	10,904,805	722,496	973,970	231,699	917,356	13,750,326
Total net revenues	45,207,029	642,991	1,108,852	1,189,151	948,102	49,096,125
Bad-debt expenses and provision for losses on commitment and guarantees	(4,131,094)	28,946	(116)	-	(15,691)	(4,117,955)
Net change in reserves for insurance liabilities	-	-	-	1,531,720	-	1,531,720
Operating expenses	(23,586,516)	(138,804)	(679,991)	(664,364)	(716,571)	(25,786,246)
Income before income tax	17,489,419	533,133	428,745	2,056,507	215,840	20,723,644
Income tax expenses	(2,911,685)	(21,893)	(42,922)	(130,796)	(3,932)	(3,111,228)
Net income	14,577,734	511,240	385,823	1,925,711	211,908	17,612,416

TABLE 6

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)**

December 31, 2020

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 563,879,756	244.05
National Treasury Administration, ROC	292,857,942	126.75
Tai Power Co., Ltd.	92,241,341	39.92
Financial Bureau, Kaohsiung City Government	59,547,296	25.77
Taiwan High Speed Rail Corp.	38,306,193	16.58
CPC Corporation, Taiwan	26,134,538	11.31
Kaohsiung Rapid Transit Corp.	17,265,008	7.47
Yang Ming Marine Transport Corp.	11,215,816	4.85
Da-Li Development Co, Ltd.	10,561,958	4.57
Central Taiwan Science Park	10,000,000	4.33
Taiwan Railways Administration	9,886,431	4.28
Taichung City Government	9,567,583	4.14
Taoyuan City Government	9,150,000	3.96
Highwealth Construction Co., Ltd.	9,055,648	3.92
Hon Hai Precision Co., Ltd.	8,906,795	3.85
Clevo Corp.	8,457,452	3.66
Taiwan Semiconductor Manufacturing Co., Ltd.	7,964,256	3.45
US Treasury Note	7,633,488	3.30
CSBC Corporation, Taiwan	7,340,095	3.18
Government National Mortgage Association	7,250,107	3.14
AU Optronics Co., Ltd.	6,963,485	3.01
Chailease Finance Co., Ltd.	6,437,588	2.79
Nan Ya Plastics Corporation	6,075,763	2.63
Department of Finance, Taipei City Government	6,000,000	2.60
Winbond Electronics Corp.	5,279,049	2.28
Department of Urban Department, Taipei City Government	5,000,000	2.16
China Steel Corp.	4,934,279	2.14
Federal Home Loan Mortgage Corp.	4,879,237	2.11
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.08
Kingdom of Saudi Arabia	4,647,918	2.01
Farglory Land Development Co., Ltd.	4,617,110	2.00
Yien United Steel Corp.	4,397,651	1.90

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Yilan County Government Johnson Health Tech. Co., Ltd. National Chung-Shan Institute of Science & Technology Asia Cement Corp. Chungwha Construction Corp. Formosa Petrochemical Corporation Radium Life Tech. Co., Ltd. Silicon Application Corp. Kindom Development Co., Ltd. Tang Eng Iron Works Co., Ltd. Prosperity Tieh Enterprise Co., Ltd. Client A Taiwan Cement Corporation Fong Chun Formosa Fishery Company Ltd. Powerchip Semiconductor Manufacturing Corporation Formosa Plastics Corporation New Taipei City Government Fu Hong Co., Ltd. Client B Kai Tai Fung International Co., Ltd. Formosa Ha Tinh (Cayman) Limited Run Long Construction Co., Ltd. BPCE Evergreen Marine Corp. (Taiwan) Ltd. Bank of America, N.A. Hong Kong Veterans Affairs Council, R.O.C. Placement Fund Management Committee	\$ 4,342,182 4,340,535 4,329,584 4,184,470 4,112,016 4,043,565 4,016,243 4,014,255 3,974,611 3,864,800 3,756,643 3,729,000 3,583,649 3,516,289 3,257,750 3,245,336 3,207,964 3,196,810 3,189,200 3,189,040 3,161,250 3,149,368 3,143,049 3,116,216 3,000,343 3,000,000	1.88 1.88 1.87 1.81 1.78 1.75 1.74 1.74 1.72 1.67 1.63 1.61 1.55 1.52 1.41 1.40 1.39 1.38 1.38 1.38 1.37 1.36 1.36 1.35 1.30 1.30
2. Same related parties Client C Client D Client E Client F Client G Client H Client I Client J Client K Client L Client M Client N Client O Client P Client Q Client R Client S	10,617,940 10,394,242 9,026,855 5,892,000 4,828,000 4,828,000 4,793,000 4,462,715 4,299,060 3,677,967 3,218,354 3,214,306 3,214,306 3,214,306 3,189,200 3,161,500 3,098,404	4.60 4.50 3.91 2.55 2.09 2.09 2.07 1.93 1.86 1.59 1.39 1.39 1.39 1.39 1.38 1.37 1.34

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
3. Same affiliate		
Formosa Ha Tinh (Cayman) Limited	\$ 21,016,699	9.10
Formosa Plastics Corporation	18,141,154	7.85
Asia Pacific Development Corporation	16,267,712	7.04
General Interface Solution (GIS) Holding	15,794,406	6.84
General Interface Solution Limited	15,794,406	6.84
Bing Han Construction Corp.	15,566,234	6.74
Huo Jiun Construction Co., Ltd.	15,363,593	6.65
Formosa Heavy Industries Corporation	14,842,376	6.42
Yi-Shiang Construction Corp.	14,834,134	6.42
Yi Zhan Construction Co., Ltd.	14,834,134	6.42
Nan Ya Plastics Corporation	13,894,182	6.01
Clevo Corp.	13,675,909	5.92
Hon Hai Precision Co., Ltd.	13,469,821	5.83
Yi Tai Fund Corp.	13,379,860	5.79
Highwealth Construction Co., Ltd.	13,001,182	5.63
QiYu Construction Co., Ltd.	12,895,222	5.58
Run Long Construction Co., Ltd.	12,895,222	5.58
Chailease Finance Co., Ltd.	12,593,744	5.45
Yang Ming Marine Transport Corp.	12,486,387	5.40
XingRiSheng Investment Co., Ltd.	12,461,210	5.39
Fina Finance & Trading Co., Ltd.	12,433,744	5.38
Da-Li Development Co, Ltd.	12,411,209	5.37
Da Li Development USA LLC	12,351,269	5.35
Da Li International LLC	12,351,269	5.35
Chailease Rental Corp.	12,247,725	5.30
EverFun Travel Services Corp.	12,215,257	5.29
Evergreen Marine (Hong Kong) Limited	12,215,257	5.29
Gogoro Network (Cayman), Taiwan Branch	12,194,891	5.28
Far Eastern International Leasing Corp.	12,133,429	5.25
Chailease Consumer Finance Co., Ltd.	12,092,744	5.23
Kings Garden International Co., Ltd.	12,079,339	5.23
Great Emperor Hotel Co., Ltd.	12,079,339	5.23
Jhong-An Investment Co., Ltd.	11,891,994	5.15
Innolux Corp.	11,881,075	5.14
Chailease International Finance Corp.	11,866,256	5.14
Kuang Ming Shipping Corp.	11,806,517	5.11
Kuang Ming (Liberia) Corp.	11,806,517	5.11
Chailease Holding Co., Ltd.	11,797,256	5.11
Kao Ming Container Terminal Corp.	11,779,247	5.10
Far Eastern New Century Corp.	11,528,811	4.99
EDA Hua Yue Hotel Corp.	11,417,694	4.94
Ruentex Development Co., Ltd.	11,387,010	4.93
Ren Ying Enterprise Co., Ltd.	11,387,010	4.93
Ruentex Industries Ltd.	11,387,010	4.93

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
All Oceans Transportation, Inc.	\$ 11,332,255	4.90
Hui Hong Investment Management Co., Ltd.	11,207,135	4.85
Da Li Properties LLC	11,197,018	4.85
Chailease International Finance Corp.	11,091,356	4.80
Yien United Steel Corp.	11,084,568	4.80
Ya Tung Ready Mixed Concrete Co., Ltd.	10,904,463	4.72
Shin Shunshin Investment Co., Ltd.	10,841,775	4.69
Yieh Phui (Hong Kong) Holdings Limited	10,828,209	4.69
Da Li Miller Development Corp.	10,736,088	4.65
Bao-Shin Construction Co., Ltd.	10,611,958	4.59
Genuine Crop.	10,443,211	4.52
Chubei New Century Shopping Mall Co., Ltd.	10,343,153	4.48
WPG Holdings Limited	10,244,472	4.43
Yuan Ding Investment Corp.	10,211,904	4.42
Nan Shan Life Insurance Company, Ltd.	10,077,312	4.36
Buynow (Texas) Corp.	9,906,327	4.29
Evergreen Marine Corp. (Taiwan) Ltd.	9,686,030	4.19
Formosa Industries Corp.	9,447,836	4.09
Far EasTone Telecommunications Co., Ltd.	9,412,424	4.07
Yieh Hsing Enterprise Co., Ltd.	9,347,666	4.05
G-Tech Optoelectronics Corp.	9,325,531	4.04
Der Ching Investment Corporation	9,293,053	4.02
Chicony Industrial (Wuhan) Co., Ltd.	9,272,352	4.01
Wan Sheng Fa Investment Co., Ltd.	9,255,642	4.01
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	9,159,695	3.96
Foxconn (Far East)Limited	9,140,527	3.96
Buynow (Wuhan) Corp.	9,099,715	3.94
CECIC Blue-Sky Investment Consulting & Management Co., Ltd.	9,019,702	3.90
Chuangju Limited Partnership	8,968,805	3.88
Foxsemicon Integrated Technology Inc.	8,961,237	3.88
Foxconn Technologies & Services	8,947,432	3.87
Breaktime Inc.	8,915,532	3.86
Everwiner Enterprise Co., Ltd.	8,874,597	3.84
Silicon Application Corp.	8,858,100	3.83
Buynow (Chengdu) Corp.	8,790,823	3.80
Asia Cement Corp.	8,785,061	3.80
Taiwan Semiconductor Manufacturing Co., Ltd.	8,759,021	3.79
Frontek Technology Corporation	8,742,597	3.78
Motech Industries Inc.	8,700,793	3.77
Chiahui Power Corporation	8,633,313	3.74
BenQ Materials Corp.	8,560,071	3.70
Visco Vision Inc.	8,560,071	3.70
Shantou Buynow Mall Co., Ltd.	8,457,452	3.66
Sertek Incorporated	8,261,583	3.58
AUO Co., Ltd.	8,229,161	3.56
Vanguard International Semiconductor Corporation	8,051,372	3.48

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Yieh Phui Enterprise Co., Ltd.	\$ 8,038,998	3.48
Global Unichip Corporation	7,967,646	3.45
Nan Chung Petrochemical Corp.	7,841,540	3.39
Nan Ya Plastics Corp., America	7,832,013	3.39
Chailease Royal Leasing Plc.	7,823,953	3.39
Ruen Chen Investment Holding Co., Ltd.	7,629,635	3.30
Radium Life Tech. Co., Ltd.	7,541,118	3.26
Ji Shun Life Tech. Co., Ltd.	7,541,118	3.26
Titan Development and Construction Co., Ltd.	7,541,118	3.26
CSBC Corporation, Taiwan	7,340,095	3.18
AU Optronics Corp. (Kunshan)	7,233,245	3.13
China Steel Corp.	7,195,230	3.11
Asian Information Technology Inc.	7,100,557	3.07
Aub Crystal Corp.	7,063,485	3.06
United Microelectronics Corp.	6,976,071	3.02
Farglory Dome Co., Ltd.	6,896,979	2.99
Lung Hwa Electronics Co., Ltd.	6,763,471	2.93
Grand Pacific Financing Corporation	6,563,326	2.84
PFG Fiber Glass Corporation	6,475,763	2.80
Eva Airways Corp.	6,406,485	2.77
Yu Yuan Investment Co., Ltd.	6,362,395	2.75
Dragon Steel Corp.	6,156,286	2.66
Nan Ya Technology Corp.	6,093,767	2.64
Ever Ecover Corporation	6,024,857	2.61
Li Jiang Development Co., Ltd.	5,815,873	2.52
Prosperity Tieh Enterprise Co., Ltd.	5,780,664	2.50
Karton Formosa Polymers Corp.	5,669,517	2.45
Farglory Land Development Co., Ltd.	5,613,836	2.43
Taiwan Cement Co., Ltd.	5,599,336	2.42
CSRC China (Maanshan) Corporation	5,599,336	2.42
Formosa Petrochemical Corp.	5,582,535	2.42
Feng Sheng Enterprise Company	5,549,757	2.40
Unimicron Technology Corp.	5,532,229	2.39
World Peace Industrial Co., Ltd.	5,480,706	2.37
Evergreen Aviation Technologies Corp.	5,476,440	2.37
Advance Materials Co., Ltd.	5,380,601	2.33
EDA Hospital Corp.	5,366,736	2.32
Rih Ding Water Enterprise Co., Ltd.	5,322,053	2.30
Winbond Electronics Corp.	5,279,474	2.28
Fujian Fuxin Special Steel Co., Ltd.	5,258,734	2.28
China Steel Chemical Corp.	5,144,786	2.23
Taiwan Prosperity Chemical Corporation	5,106,500	2.21
China Steel Structure Co., Ltd.	5,072,238	2.20
CHC Resources Corp.	4,935,282	2.14
Jean Co., Ltd.	4,848,670	2.10
Jean Pacific Development Co., Ltd.	4,848,670	2.10

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
CMI Properties Limited	\$ 4,788,584	2.07
Fujian Lian Wei Logistics Co., Ltd.	4,780,854	2.07
Capital Machinery Corp.	4,732,359	2.05
Asia Cement (China) Holdings Corp.	4,725,869	2.05
Pernas Electronics Co., Ltd.	4,725,505	2.05
Taipei Poet Container Terminal Corp.	4,681,070	2.03
FanGlory Life Insurance Co., Ltd.	4,617,110	2.00
Hsin Bong Enterprise Co., Ltd.	4,597,496	1.99
Yuan Long Stainless Steel Corp.	4,384,237	1.90
Johnson Health Tech Co., Ltd.	4,340,535	1.88
Zhong Tai Hotel Co., Ltd.	4,241,852	1.84
Kai Tai Fung International Company Limited	4,241,852	1.84
Prince Housing & Development Corp.	4,228,480	1.83
Taiwan Land Development Corp.	4,209,060	1.82
Taiwan Innovation Development Corp.	4,209,060	1.82
Taiwan Commercial Development Corp.	4,209,060	1.82
China Man-Made Fiber Corp.	4,182,754	1.81
Wan Da tong Enterprise Co., Ltd.	4,151,908	1.80
Unisense Tech Co., Ltd.	4,052,161	1.75
Greencompass Marine S.A.	4,046,261	1.75
Kindom Construction Corp.	3,974,611	1.72
Run Tai Construction Co., Ltd.	3,940,214	1.71
Continental Carbon Company	3,897,520	1.69
Tang Eng Iron works Co., Ltd.	3,864,800	1.67
Li Sheng Corporation	3,841,196	1.66
Hanshin Shopping Plaza Co., Ltd.	3,820,012	1.65
Fortune Motors Co., Ltd.	3,784,341	1.64
Ta-Ho Maritime Corporation	3,749,649	1.62
Tatung Co., Ltd.	3,700,738	1.60
Tatung Consumer Products (Taiwan) Co., Ltd.	3,700,738	1.60
Ho-Ping Power Company	3,699,562	1.60
TYAU Windshield Co., Ltd.	3,693,248	1.60
TG Tianjin Glass Co., Ltd.	3,693,248	1.60
Far Eastern Department Stores Ltd.	3,658,111	1.58
Shih Wei Navigation Co., Ltd.	3,654,676	1.58
Dong Lien Maritime S.A. Panama	3,654,676	1.58
Modest Pescadores S.A. Panama	3,654,676	1.58
Spinnaker Pescadores S.A. Panama	3,654,676	1.58
Fubon Financial Holding Co, Ltd.	3,643,799	1.58
Fu Chan High Pile Co., Ltd.	3,631,558	1.57
WPI International (Hong Kong) Limited	3,590,557	1.55
TCC International Holdings Ltd.	3,583,649	1.55
Hanshin Department Store Co., Ltd.	3,573,252	1.55
Longchen Paper & Packing Co., Ltd.	3,570,642	1.55
Chunghwa Picture Tubes, Ltd.	3,556,768	1.54
Chailease International Financial	3,555,976	1.54

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Pan Asia Chemical Co.	\$ 3,552,271	1.54
FCF Co., Ltd.	3,516,289	1.52
Central Investment Corp.	3,439,189	1.49
SinoPac Leasing Corp.	3,418,586	1.48
Inteplast Group Corporation	3,412,531	1.48
RSEA Engineering Corporation Privatized 2009	3,399,574	1.47
Luilang Wisdom S.A.	3,360,002	1.45
Mount Wisdom S.A.	3,360,002	1.45
TTET Union Corporation	3,359,033	1.45
Longchen P&P Co., Ltd. - Wuxi Longchen	3,302,622	1.43
Longchen P&P Co., Ltd. - Pinghu Longchen	3,302,622	1.43
Formosa Industries (Ninbo) Co., Ltd.	3,298,778	1.43
Uni-President Enterprises Corp.	3,277,372	1.42
Chailease International Financial Services	3,274,976	1.42
Guang Xin Asset Management Co., Ltd.	3,266,810	1.41
Powerchip Semiconductor Manufacturing Corp.	3,257,750	1.41
Wisdom Marine Lines S.A.	3,249,044	1.41
Supreme Electronics Co., Ltd.	3,241,732	1.40
Longchen P&P Co., Ltd. - Jingzhou Longchen	3,200,854	1.39
Fubon Life Insurance Co., Ltd.	3,198,460	1.38
Fu Hong Co., Ltd.	3,196,810	1.38
We&Win construction Co., Ltd.	3,167,999	1.37
CP All Public Company Limited	3,150,830	1.36
C.P. Retail Development Company Limited	3,150,830	1.36
Grand Hi-Lai Hotel Co., Ltd.	3,145,910	1.36
Taichung Bank Leasing Corporation Limited	3,092,588	1.34
Ruentex Materials Co., Ltd.	3,082,607	1.33
Formosa Chemicals & Fibre Corp.	3,064,107	1.33
Taiwan Mobile Corp.	3,014,006	1.30
Yehui (China) Technology Material Limited Company	3,006,605	1.30
Bank Of America, N.A. Hong Kong	3,000,343	1.30

(Continued)

December 31, 2019

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 389,860,000	176.07
National Treasury Administration, ROC	267,855,413	120.97
Tai Power Co., Ltd.	118,431,298	53.49
Financial Bureau, Kaohsiung City Government	80,082,342	36.17
Taiwan High Speed Rail Corp.	41,018,293	18.53
CPC Corporation, Taiwan	26,236,298	11.85
Kaohsiung Rapid Transit Corp.	17,350,000	7.84
Taiwan Railways Administration	16,000,000	7.23
Central Taiwan Science Park	15,000,000	6.77
Clevo Corp.	9,411,970	4.25
Government National Mortgage Association	8,584,423	3.88
Highwealth Construction Co., Ltd.	8,371,453	3.78
Yang Ming Marine Transport Corp.	8,309,840	3.75
Da-Li Development Co, Ltd.	8,240,193	3.72
Yilan County Government	7,797,667	3.52
Federal Home Loan Mortgage Corp.	7,591,615	3.43
Taoyuan City Government	7,000,000	3.16
Hon Hai Precision Co., Ltd.	6,241,975	2.82
Federal National Mortgage Association	6,054,943	2.73
AU Optronics Co., Ltd.	5,774,406	2.61
Chiayi County Government	5,435,000	2.45
Taiwan Semiconductor Manufacturing Co., Ltd.	4,933,098	2.23
Ruen Chen Investment Holding Co., Ltd.	4,807,000	2.17
China Steel Corp.	4,784,445	2.16
Johnson Health Tech. Co., Ltd.	4,728,736	2.14
Winbond Electronics Corp.	4,345,784	1.96
Chailease Finance Co., Ltd.	4,292,945	1.94
CSBC CORPORATION, TAIWAN	4,122,402	1.86
Kindom Construction Corp.	3,944,404	1.78
US TREASURY NOTE	3,928,092	1.77
Radium Life Tech. Co., Ltd.	3,912,740	1.77
Aerospace Industrial Development Corp.	3,895,932	1.76
Yien United Steel Corp.	3,820,233	1.73
Evergreen Marine Corp. (Taiwan) Ltd.	3,799,506	1.72
Formosa Ha Tinh (Cayman) Limited	3,748,750	1.69
Run Long Construction Co., Ltd.	3,737,972	1.69
Taiwan Land Development Corp.	3,701,954	1.67
Chungwha Construction Corp.	3,645,550	1.65
Powerchip Semiconductor Manufacturing Corporation	3,539,701	1.60
PROSPERITY TIEH ENTERPRISE CO., LTD.	3,539,184	1.60
Client A	3,526,617	1.59
Yi Tai Fund Corp.	3,249,510	1.47
Eva Airways Corp.	3,116,681	1.41

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Tatung Co., Ltd. BPCE Nan Ya Plastics Corporation China Man-Made Fiber Corporation Mandarin Oriental, Taipei Unimicron Technology Corp. EVERGREEN MARINE (SINGAPORE) PTE. LTD. CHANG HWA COMMERCIAL BANK, LTD. Tainan City Government	\$ 3,092,052 3,086,732 3,077,160 3,072,671 3,047,290 3,045,700 3,045,343 3,020,169 3,000,000	1.40 1.39 1.39 1.39 1.38 1.38 1.38 1.36 1.35
2. Same related parties Client B Client C Client D Client E Client F Client G Client H Client I Client J Client K Client L Client M	9,551,939 9,510,053 5,185,739 4,354,146 4,275,127 3,790,983 3,786,592 3,786,592 3,786,592 3,629,515 3,593,000 3,496,415	4.31 4.30 2.34 1.97 1.93 1.71 1.71 1.71 1.71 1.64 1.62 1.58
3. Same affiliate Han Jyun Construction Corp. EverFun Travel Services Corp. Evergreen Marine (Hong Kong) Limited Yi Tai Fund Corp. Clevo Corp. Bing Han Construction Corp. SUNNY FRIEND ENVIRONMENTAL TECHNOLOGY CO., LTD. Yi Jhan Construction Corp. Highwealth Construction Co., Ltd. QiYu Construction Co., Ltd. Run Long Construction Co., Ltd. Formosa Ha Tinh (Cayman) Limited Gogoro Network (Cayman), Taiwan Branch Buynow (Anshan) Corp. Ruentex Development Co., Ltd. Reunited Industries Ltd. Hui Hong Investment Management Co., Ltd. Ren Ying Enterprise Co., Ltd. Evergreen Marine Corp. (Taiwan) Ltd.	15,534,682 15,117,592 15,117,592 14,396,339 14,283,100 14,120,268 13,834,174 13,615,268 13,450,777 13,449,777 13,449,777 12,799,190 12,781,340 12,695,588 12,290,249 12,290,249 12,170,342 12,170,342 12,057,249	7.02 6.83 6.83 6.50 6.45 6.38 6.25 6.15 6.07 6.07 6.07 5.78 5.77 5.73 5.55 5.55 5.50 5.50 5.45

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
GENERAL INTERFACE SOLUTION (GIS) HOLDING	\$ 11,760,053	5.31
GENERAL INTERFACE SOLUTION LIMITED	11,760,053	5.31
Kings Garden International Co., Ltd.	11,126,378	5.03
Great Emperor Hotel Co., Ltd.	11,126,378	5.03
Buynow (Texas) Corp.	10,936,695	4.94
Shantou Buynow Mall Co., Ltd.	10,606,073	4.79
EDA Hua Yue Hotel Corp.	10,605,478	4.79
Nan Shan Life Insurance Company, Ltd.	10,575,524	4.78
FORMOSA PLASTICS CORPORATION	10,484,537	4.74
Evergreen Marine (UK) Ltd.	10,285,399	4.65
Yien United Steel Corp.	10,197,319	4.61
Yieh Phui (Hong Kong) Holdings Ltd.	10,165,758	4.59
Chaico Investment Corporation	10,121,159	4.57
Buynow (Wuhan) Corp.	10,088,432	4.56
Jhong-An Investment Co., Ltd.	10,056,159	4.54
CECIC Blue-Sky Investment Consulting & Management Co., Ltd.	10,013,270	4.52
Hon Hai Precision Co., Ltd.	10,003,442	4.52
Eva Airways Corp.	9,973,418	4.50
Chailease International Finance Corp.	9,925,252	4.48
Buynow (Chengdu) Corp.	9,764,160	4.41
Chailease Rental Corp.	9,741,756	4.40
CHAILEASE CONSUMER FINANCE CO., LTD.	9,686,159	4.37
Chailease Holding Co., Ltd.	9,485,252	4.28
Yang Ming Marine Transport Corp.	9,449,441	4.27
Far Eastern New Century Corp.	9,359,235	4.23
FORMOSA CHEMICALS & FIBRE CORP.	9,265,740	4.18
Chailease Finance Co., Ltd.	9,244,844	4.18
Ya Su Development Corp.	9,113,321	4.12
Chailease International Finance Corp.	9,020,535	4.07
Da-Li Development Co, Ltd.	8,849,481	4.00
Da-Li Development LLC	8,849,481	4.00
Da Li International LLC	8,849,481	4.00
Ya Tung Ready Mixed Concrete Co., Ltd.	8,807,710	3.98
Kao Ming Container Terminal Corp.	8,707,029	3.93
All Oceans Transportation Inc.	8,682,652	3.92
Kuang Ming Shipping Corp.	8,679,440	3.92
Kuang Ming (Liberia) Corp.	8,679,440	3.92
Innolux Corp.	8,623,446	3.89
DA LI PROPERTIES LLC	8,618,067	3.89
Shinshunshin Investment Co., Ltd.	8,520,141	3.85
Sin He Sing Investment Corp.	8,430,154	3.81
Jhao Fong Investment	8,410,128	3.80
Yieh Hsing Enterprise Co., Ltd.	8,288,362	3.74
Dali Development Co., Ltd.	8,270,193	3.74
EVERGREEN AVIATION TECHNOLOGIES CORPORATION	8,057,128	3.64
FU-DA TRANSPORT CORPORATION	7,762,815	3.51

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Yuan Ding Investment Corp.	\$ 7,324,506	3.31
Far EastOne Telecommunications Co., Ltd.	7,324,506	3.31
Radium Life Tech. Co., Ltd.	7,269,988	3.28
EVER ECOVE CORPORATION	7,190,425	3.25
Chung Hung Steel Corp.	7,160,790	3.23
China Steel Corp.	7,160,790	3.23
C.S. Aluminium Corporation	7,160,790	3.23
Ji Shun Life Tech Co., Ltd.	7,130,264	3.22
Ruen Chen Investment Holding Co., Ltd.	7,108,834	3.21
Chailease Holding Co., Ltd.	7,051,441	3.18
BenQ Materials Corp.	6,830,555	3.08
Visco Vision Inc.	6,830,555	3.08
G-Tech Optoelectronics Corp.	6,660,731	3.01
AUO Co., Ltd.	6,642,947	3.00
Fina Finance & Trading Co., Ltd.	6,575,770	2.97
FOXCONN INTERCONNECT TECHNOLOGY LIMITED TAIWAN BRANCH (CAYMAN)	6,511,885	2.94
Foxconn Technology Co., Ltd.	6,353,125	2.87
World Peace Industrial Co., Ltd.	6,311,941	2.85
WPG Holdings Limited	6,310,304	2.85
Asia Cement Corp.	6,268,046	2.83
Ennoconn Corporation	6,263,435	2.83
FOXSEMICON INTEGRATED TECHNOLOGY INC.	6,245,879	2.82
BREAKTIME INC.	6,242,975	2.82
Nan Chung Petrochemical Corp.	6,186,531	2.79
AUO (Kunshan) Co., Ltd.	6,158,278	2.78
Everwiner Enterprise Co., Ltd.	6,010,404	2.71
Frontek Technology Corporation	5,863,404	2.65
Dragon Steel Corp.	5,860,511	2.65
Capital Machinery Corp.	5,813,958	2.63
Genuine Crop.	5,563,742	2.51
Li Jiang Development Corp.	5,552,298	2.51
FORMOSA INDUSTRIES CORP.	5,527,081	2.50
China Man-Made Fiber Corporation	5,510,312	2.49
Taiwan Semiconductor Manufacturing Co., Ltd.	5,446,958	2.46
CHIAHUI POWER CORPORATION	5,425,713	2.45
MOTECH INDUSTRIES INC.	5,421,256	2.45
China Steel Machinery Corp.	5,339,561	2.41
GREENCOMPASS MARINE S.A.	5,205,880	2.35
Chungwha Construction Corp.	5,135,922	2.32
China Steel Chemical Corp.	5,128,575	2.32
Nan Ya Plastics Corporation	5,095,837	2.30
Taiwan Land Development Corp.	5,095,739	2.30
Taiwan Innovation Development Corp.	5,095,739	2.30
Taiwan Commercial Development Corp.	5,095,739	2.30
Fubon Financial Holding Co, Ltd.	5,073,005	2.29

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Rih Ding Water Enterprise Co., Ltd.	\$ 5,063,900	2.29
Farglory Dome Co., Ltd.	5,051,273	2.28
Tayu - Taiwanglass Corp.	5,044,450	2.28
TG Tianjin Glass Co., Ltd.	5,044,450	2.28
Yu Yuan Investment Co., Ltd.	5,002,583	2.26
China Steel Structure Co., Ltd.	5,000,434	2.26
United Steel Engineering & Construction Corporation	5,000,434	2.26
Vanguard International Semiconductor Corporation	4,989,718	2.25
Pan Asia Chemical Co.	4,913,034	2.22
Li Sheng Corporation	4,865,651	2.20
FARGLORY HOTEL	4,864,927	2.20
Taiwan Cement Corporation	4,843,837	2.19
CSRC China (Maanshan) Corporation P.R.C	4,843,837	2.19
Silicon Application Corp.	4,836,858	2.18
JEAN CO., LTD.	4,798,964	2.17
Jean Pacific Development Co., Ltd.	4,798,964	2.17
JOHNSON HEALTH TECH CO., LTD.	4,768,296	2.15
JOHNSON HEALTH TECH. GMBH	4,768,296	2.15
Asia Cement (China) Holdings Corporation	4,721,547	2.13
Fubon Life Insurance Co., Ltd.	4,699,749	2.12
Nan Ya Technology Corp.	4,649,165	2.10
Taichung Bank Leasing Corporation Limited	4,565,312	2.06
FENG SHEHG ENTERPRISE COMPANY	4,548,824	2.05
United Microelectronics Corp.	4,430,067	2.00
Grand Pacific Financing Corporation	4,423,851	2.00
CMI Credit LTD.	4,412,958	1.99
Kuan-Ho Refractories Corp.	4,411,176	1.99
ASIAN INFORMATION TECHNOLOGY INC.	4,409,220	1.99
TITAN DEVELOPMENT AND CONSTRUCTION CO., LTD.	4,350,134	1.96
Prince Housing & Development Corp.	4,350,094	1.96
Winbond Electronics Corp.	4,345,784	1.96
Yieh Phui Enterprise Co., Ltd.	4,296,085	1.94
Hanshin Mall	4,286,023	1.94
Tatung Co., Ltd.	4,186,610	1.89
TATUNG CONSUMER PRODUCTS (TAIWAN) CO., LTD.	4,186,610	1.89
E-DA Healthcare Group	4,176,450	1.89
Fujian Lian Wwi Logistics Co., Ltd.	4,172,650	1.88
Wan Da Tong Co., Ltd.	4,141,710	1.87
CSBC CORPORATION, TAIWAN	4,122,402	1.86
Zhong Tai Hotel Co., Ltd.	4,106,828	1.85
Mandarin Oriental, Taipei	4,106,828	1.85
Chunghwa Picture Tubes, Ltd.	4,082,135	1.84
Unimicron Technology Corp.	4,065,702	1.84
Kindom Construction Corp.	3,944,404	1.78
Taiwan Mobile Corp.	3,921,113	1.77

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of TCFHC's Equity
Aerospace Industrial Development Corp.	\$ 3,895,932	1.76
TAIWAN GLASS IND. CORP.	3,874,647	1.75
Shih Wei Navigation Co., Ltd.	3,870,558	1.75
Advance Material Co., Ltd.	3,847,720	1.74
Farglory Land Development Co., Ltd.	3,764,879	1.70
Uni-President Enterprises Corporation	3,701,441	1.67
Long Chen Paper Co., Ltd.	3,698,681	1.67
HANSHIN DEPARTMENT STORE CO., LTD.	3,692,111	1.67
TTET Union Corporation	3,660,054	1.65
TCC INTERNATIONAL HOLDINGS LTD.	3,597,811	1.62
Tcc International Ltd.	3,597,811	1.62
LUILANG WISDOM S.A.	3,596,986	1.62
PROSPERITY TIEH ENTERPRISE CO., LTD.	3,569,184	1.61
Powerchip Semiconductor Manufacturing Corporation	3,539,701	1.60
Central Investment Corp.	3,538,732	1.60
RUEN TEX Group	3,507,649	1.58
FAR EASTERN DEPT. STORE, LTD.	3,493,124	1.58
Pfg Fiber Glass Corporation	3,487,131	1.57
Taipei Fubon Commercial Bank Co., Ltd.	3,486,927	1.57
UNISENSE TECHNOLOGY CO., LTD.	3,473,875	1.57
UNI-SPLENDOR CORP.	3,468,408	1.57
Spinnaker Pescadores S.A. Panama	3,465,460	1.57
LUNG HWA ELECTRONICS CO., LTD.	3,427,166	1.55
Taiwan Finance Corporation	3,344,164	1.51
Dong Lien Maritime S.A. Panama	3,308,801	1.49
Taiwan Prosperity Chemical Corporation	3,292,870	1.49
CHALEASE INTERNATIONAL FINANCIAL	3,275,575	1.48
Qun Hong Technology Inc.	3,264,226	1.47
Grand Bills Finance Corp.	3,223,267	1.46
FU CHAN HIGH PILE CO., LTD.	3,220,760	1.45
United Renewable Energy Co., Ltd.	3,215,375	1.45
GINTUNG ENERGY CORPORATION	3,181,948	1.44
Wuxi Longchen Greentech Co., Ltd.	3,178,906	1.44
Pinghu Longchen Greentech Co., Ltd.	3,178,906	1.44
Suzhou Long Chen Paper Co., Ltd.	3,178,906	1.44
Lian Jing Investment Corp.	3,166,615	1.43
WISDOM MARINE LINES S.A.	3,160,327	1.43
Continental Carbon Company	3,149,822	1.42
Fubon Real Estate Management Co., Ltd.	3,091,461	1.40
Jingzhou Longchen Greentech Co., Ltd.	3,090,704	1.40
EVERGREEN MARINE (SINGAPORE) PTE. LTD.	3,045,343	1.38
KRATON FORMOSA POLYMERS CORPORATION	3,041,540	1.37
Formosa Petrochemical Corporation	3,041,120	1.37
LONG BON INTERNATIONAL CO., LTD.	3,037,753	1.37
CHANG HWA COMMERCIAL BANK, LTD.	3,020,169	1.36
YIEH MAU CORP.	3,007,606	1.36

(Concluded)

TABLE 7

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Note 2)	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
1	Co-operative Assets Management Co., Ltd.	Tai-Hwei Trade Co., Ltd.	Receivables on lending funds	No	\$ 190,000	\$ 190,000	\$ 190,000	3-8	Short-term financing	\$ -	Operating use	\$ 1,900	Real estate	\$ 390,634	\$ 334,198 (Note 3)	\$ 1,336,791 (Note 3)
		Hanky&Partners (Taiwan) Ltd.	Receivables on lending funds	No	220,000	216,046	216,046	3-8	Short-term financing	-	Operating use	2,160	Real estate	302,957	334,198 (Note 3)	1,336,791 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	90,000	82,500	82,500	3-8	Short-term financing	-	Operating use	825	Real estate	48,550	334,198 (Note 3)	1,336,791 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	35,000	28,000	28,000	3-8	Short-term financing	-	Operating use	280	Guarantee	5,250	334,198 (Note 3)	1,336,791 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	100,000	91,746	91,746	3-8	Short-term financing	-	Operating use	917	Stocks	56,400	334,198 (Note 3)	1,336,791 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	40,000	35,679	35,679	3-8	Short-term financing	-	Operating use	357	Real estate	56,373	334,198 (Note 3)	1,336,791 (Note 3)
		Shin Wei Navigation Co., Ltd.	Receivables on lending funds	No	50,000	40,203	40,203	3-8	Short-term financing	-	Operating use	402	Guarantee	5,000	334,198 (Note 3)	1,336,791 (Note 3)
		Anli Lines Corp.	Receivables on lending funds	No	30,000	28,608	28,608	3-8	Short-term financing	-	Operating use	286	Stocks	46,000	334,198 (Note 3)	1,336,791 (Note 3)
		Xindan Co., Ltd.	Receivables on lending funds	No	35,000	-	-	3-8	Short-term financing	-	Operating use	-	Real estate	48,769	334,198 (Note 3)	1,336,791 (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, 2020 was \$3,341,977 thousand.

TABLE 8

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Taiwan Cooperative Venture Capital Co., Ltd.	<u>Beneficial certificate</u> TCB Taiwan Money Market Bond Fund	Fund managed by sister company	Financial assets at fair value through profit or loss	4,837	\$ 49,518	-	\$ 49,518	
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		1,017,595	100.00	1,017,595	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	20,075	5.00	20,075	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	2,034	0.38	2,034	
Taiwan Cooperative Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200	36,240	0.43	36,240	
	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	29,040	2.38	29,040	
	Acmept Energy Services Co., Ltd.	-	Financial assets at fair value through profit or loss	1,058	47,081	3.25	47,081	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	124,287	2.82	124,287	
	Lung Teh Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	2,257	74,531	2.82	74,531	
	Eland Information Co., Ltd.	-	Financial assets at fair value through profit or loss	558	25,179	3.22	25,179	
	M2 Communication Inc.	-	Financial assets at fair value through profit or loss	50	214	0.20	214	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	22,168	2.41	22,168	
	Tachyon Intelligence Robot Company	-	Financial assets at fair value through profit or loss	95	1,129	2.95	1,129	
	ULSee Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	651	15,736	6.51	15,736	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Inrestec Inc.	-	Financial assets at fair value through profit or loss	2,000	\$ 33,920	1.96	\$ 33,920	
	Cloud Mile Inc.	-	Financial assets at fair value through profit or loss	838	57,636	8.38	57,636	
	Hoytek Precision Company	-	Financial assets at fair value through profit or loss	495	9,900	19.84	9,900	
	Phu Vinh Industrial Construction, Llc	-	Financial assets at fair value through profit or loss	2,000	123,640	20.00	123,640	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,250	46,260	8.54	46,260	
	COSPM Media Fabrication Co., Ltd.	-	Financial assets at fair value through profit or loss	680	17,000	1.51	17,000	
	Winking Entertainment Ltd.	-	Financial assets at fair value through profit or loss	6,452	58,704	11.03	58,704	
	China Development II Biomedical Venture Capital, LP.	-	Financial assets at fair value through profit or loss	-	8,363	1.61	8,363	
	TA Chen Stainless Pipe Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,101	34,468	0.07	34,468	
	Kuo Yang Construction Co., Ltd.	-	Financial assets at fair value through other comprehensive income	750	18,902	0.20	18,902	
	PharmaEssentia Corporation	-	Financial assets at fair value through other comprehensive income	329	30,898	0.13	30,898	
	Adimmune Corporation	-	Financial assets at fair value through other comprehensive income	516	28,948	0.12	28,948	
	Etron Technology, Inc.	-	Financial assets at fair value through other comprehensive income	1,000	24,400	0.37	24,400	
	Mesh Cooperative Ventures, Inc.	Associate	Investments accounted for using equity method	330	1,992	33.00	1,992	
	JC Capital Taiwan Co., Ltd.	Associate	Investments accounted for using equity method	350	2,801	35.00	2,801	

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

(Concluded)

TABLE 9

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 1,552,339	\$ 812,658	\$ 87,913	\$ 62,948	5.66	7.75

TABLE 10**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
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
2020.12.7	SC Lowy Primary Investments, Ltd.	Midterm unsecured loan for enterprise (international syndicated loans)	- (Note 3)	44,145 (EUR 1,317)	44,145 (EUR 1,317)	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.

Note 3: Book value equals the amount of the original loan of EUR7,907 thousand minus the allowance for bad debts of EUR7,907 thousand.

(Continued)

Co-operative Assets Management Co., Ltd.

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note 4)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Company
2020.3.19	Client A	Residential mortgage loan	\$ 1,611	\$ 2,000	\$ 389	None	None
2020.12.29	Client B	Land	9,965	24,000	14,035	None	None

Note 4: Book value equals the amount of the original loan minus the allowance for bad debts.

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

(Concluded)

TABLE 11

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 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 Co., Ltd.	Parent company	\$ 2,100,191	-	\$ -	-	\$ -	\$ -

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

TABLE 12

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.

PERCENTAGE SHARE IN INVESTEEES AND RELATED INFORMATION
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Taipei	Banking	100.00	\$ 241,211,699	\$ 14,892,036	10,450,730	-	10,450,730	100.00	Note 3
	Taiwan Cooperative Securities Co., Ltd.	Taipei	Securities dealer	100.00	5,886,591	661,161	472,420	-	472,420	100.00	Note 3
	Taiwan Cooperative Bills Finance Co., Ltd.	Taipei	Bills finance dealer	100.00	7,406,748	483,220	487,774	-	487,774	100.00	Note 3
	Co-operative Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans	100.00	3,342,192	236,583	282,528	-	282,528	100.00	Note 3
	Taiwan Cooperative Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	100.00	419,145	37,817	30,300	-	30,300	100.00	Note 3
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taipei	Life insurance	51.00	6,655,413	561,589	350,939	-	350,939	51.00	Note 3
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei	Venture capital	100.00	1,067,585	62,549	102,464	-	102,464	100.00	Note 3

Note 1: Shares or proforma shares held by the Company, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

- Note 2: a. Proforma shares are shares that are assumed to have been obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.
- b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the “Securities and Exchange Law Enforcement Rules.”
- c. Derivative instruments, such as stock options, are those conforming to the definition of IFRS 9 - “Financial Instruments”, such as stock options.

Note 3: When TCFHC prepares the consolidated financial statements, this investment has been eliminated.

TABLE 13

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Taiwan Cooperative Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Taiwan Cooperative Bank Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	\$ 4,547,235 (US\$ 154,395) (Note 1)	Direct	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ -	\$ -	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ 445,113	100	\$ 445,113	\$ 5,862,888	\$ -
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)	(186,732)	100	(186,732)	2,483,235	-
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)	231,194	100	231,194	3,202,014	-
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)	48,663	100	48,663	2,269,619	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 145,217,276 (Note 2)

Co-operative Assets Management Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Taiwan Cooperative International Leasing Co., Ltd.	Financial leasing	\$ 910,980 (RMB 185,460) (Note 1)	Direct	\$ 910,980 (RMB 185,460) (Note 1)	\$ -	\$ -	\$ 910,980 (RMB 185,460) (Note 1)	\$ 51,102	100	\$ 47,698	\$ 1,017,595	\$ -

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable
\$ 910,980 (RMB 185,460) (Note 1)	\$ 910,980 (RMB 185,460) (Note 1)	\$ 2,005,186 (Note 3)

(Continued)

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

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

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

(Concluded)

TABLE 14**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transacting Company	Counterparty	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	\$ 2,100,191	Note 4	0.05
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	2,100,191	Note 4	0.05
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	628,687	Note 4	0.02
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Deposits from banks	628,687	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	7,650,645	Note 4	0.18
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	7,650,645	Note 4	0.18
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	2,645,977	Note 4	0.06
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	2,645,977	Note 4	0.06
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	629,989	Note 4	1.22
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	629,989	Note 4	1.22
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	296,153	Note 4	0.57
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	296,153	Note 4	0.57
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	983,108	Note 4	0.02
4	Taiwan Cooperative Bills Finance Co., Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Security sold under repurchased agreements	983,108	Note 4	0.02
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Call loans to banks	5,200,000	Note 4	0.13
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Call loans from banks	5,200,000	Note 4	0.13

(Continued)

No. (Note 1)	Transacting Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	\$ 383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	1.12
5	Co-operative Assets Management Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Investment properties, net	963,705	Note 4	0.02
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Right-of-use assets, net	163,190	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	164,752	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	1,964	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	41,170	Note 4	0.08
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	42,688	Note 4	0.08

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

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

Note 2: Transaction flows are as follows:

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

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

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

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

(Concluded)

TABLE 15**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.****INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 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.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Except Unit Price)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment Date	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations	Note
							Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)		
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>										
Commercial paper										
	TCBF (Note 1)					\$ 38,929,160		\$ 38,944,635		
	TCB (Note 1)					17,985,353		17,969,310		
	TCS (Note 1)					<u>339,335</u>		<u>339,335</u>		
						<u>57,253,848</u>		<u>57,253,280</u>		
Negotiable certificates of deposit										
	TCBF (Note 1)					<u>7,600,000</u>		<u>7,598,419</u>		Among the negotiable certificates of deposit, face value of \$300,000 thousand had been provided as collaterals for domestic overdraft.
Beneficial certificates										
	TCS (Note 1)					882,988		936,938		
	TCB (Note 1)					10,000		12,350		
	TCVC (Note 1)					49,500		49,518		
	BPCTLI (Note 1)					<u>3,404,018</u>		<u>4,660,441</u>		
						<u>4,346,506</u>		<u>5,659,247</u>		
Corporate bonds										
	TCS (Note 1)		2023/07/18- 2023/12/14			319,348		320,590		
	TCB (Note 1)		2021/08/10- 2029/04/29			<u>1,800,097</u>		<u>1,829,477</u>		
						<u>2,119,445</u>		<u>2,150,067</u>		
Government bonds										
	TCB (Note 1)		2030/11/16- 2030/12/21			157,869		158,141		
	TCBF (Note 1)		2040/12/29			98,569		99,201		
	TCS (Note 1)		2025/06/26			<u>226,614</u>		<u>226,950</u>		
						<u>483,052</u>		<u>484,292</u>		

(Continued)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment Date	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations	Note
							Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)		
Investment in equity instruments										
BPCTLI (Note 1)						\$ 393,245		\$ 471,590		
TCBF (Note 1)						58,773		59,550		
TCS (Note 1)						240,649		244,180		
TCVC (Note 1)						548,246		731,028		
TCB (Note 1)						<u>1,166,265</u>		<u>1,273,497</u>		
						<u>2,407,178</u>		<u>2,779,845</u>		
Acquired loans										
CAM (Note 1)						<u>523,403</u>		<u>166,140</u>		
Convertible bonds										
TCS (Note 1)			2023/11/03- 2024/04/29			748,310		852,948		
TCVC (Note 1)			2023/03/31			<u>10,000</u>		<u>10,000</u>		
						<u>758,310</u>		<u>862,948</u>		
Convertible bonds assets swap contracts										
TCBF						<u>63,100</u>		<u>63,476</u>		
Commercial paper contracts with reference rate										
TCBF (Note 1)						-		10,389		
Currency swap contracts										
TCB						-		868,840		
BPCTLI						-		396,579		
						-		<u>1,265,419</u>		
Futures exchange margins										
TCS						200,506		229,154		
TCB						49,520		49,566		
TCBF						2,641		2,641		
BPCTLI						<u>15,020</u>		<u>15,020</u>		
						<u>267,687</u>		<u>296,381</u>		
Currency option contracts - buy										
TCB						<u>37,588</u>		<u>38,487</u>		
Forward contracts										
TCB						-		82,557		
Cross-currency swap contracts										
TCB						-		8,106		
BPCTLI						-		6,210		
						-		<u>14,316</u>		
Interest rate swap contracts										
TCS						-		5,300		
						<u>\$ 75,860,117</u>		<u>\$ 78,730,563</u>		

Note 1: The cost of each individual item do not exceed 5% of the account balance.

Note 2: The book value which amounted to \$36,890,958 thousand had been sold under repurchase agreements.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Except Unit Price)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Allowance for Accumulated Losses	Fair Value		Note
								Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)	
Government bonds										
TCB (Note 1)			2021/03/10- 2040/12/29			\$ 177,310,095	\$ (51,193)		\$ 183,849,877	
BPCTLI (Note 1)			2021/03/17- 2037/08/18			11,074,292	(3,993)		12,112,901	
TCBF (Note 1)			2021/02/13- 2039/09/06			6,229,392	(1,265)		6,348,101	
TCS (Note 1)			2027/09/20- 2029/05/25			<u>2,123,976</u>	<u>(518)</u>		<u>2,119,456</u>	
						<u>196,737,755</u>	<u>(56,969)</u>		<u>204,430,335</u>	
Corporate bonds										
TCB (Note 1)			2021/03/17- 2035/04/15			96,005,939	(35,743)		97,873,865	
BPCTLI (Note 1)			2024/12/15- 2031/01/16			5,245,418	(2,161)		5,729,816	
TCBF (Note 1)			2021/05/26- 2030/11/30			7,402,355	(6,029)		7,463,227	
TCS (Note 1)						<u>5,969,199</u>	<u>(4,396)</u>		<u>5,984,336</u>	
						<u>114,622,911</u>	<u>(48,329)</u>		<u>117,051,244</u>	
Bank debentures										
TCB (Note 1)			2021/02/05- 2027/07/17			69,674,123	(23,748)		70,986,162	
BPCTLI (Note 1)			2021/09/05- 2034/06/26			10,544,260	(4,051)		11,592,331	
TCS (Note 1)			2022/04/19- 2030/08/13			155,482	(69)		157,981	
TCBF (Note 1)			2022/07/25- 2029/04/16			<u>1,273,495</u>	<u>(850)</u>		<u>1,280,294</u>	
						<u>81,647,360</u>	<u>(28,718)</u>		<u>84,016,768</u>	
Listed shares and emerging market shares										
TCB (Note 1)						15,407,380	-		17,082,692	
TCBF (Note 1)						148,430	-		144,284	
TCS (Note 1)						157,241	-		149,866	
TCVC (Note 1)						<u>142,209</u>	<u>-</u>		<u>137,616</u>	
						<u>15,855,260</u>	<u>-</u>		<u>17,514,458</u>	

(Continued)

Financial Instrument Items	Institution/ Notes and Securities Name	Interest Payment	Payback Date/ Maturity Date	Face Value/In Thousands of Shares	Interest Rate (%)	Cost	Allowance for Accumulated Losses	Fair Value		Note
								Unit Price (In Hundreds of New Taiwan Dollars)	Amount (Note 2)	
Unlisted shares										
CAM (Note 1)						\$ 25,000	\$ -		\$ 20,075	
TCB (Note 1)						3,689,814	-		5,980,870	
TCS (Note 1)						16,845	-		28,685	
TCBF (Note 1)						9,277	-		71,511	
TCSIT (Note 1)						2,274	-		2,033	
TCFHC (Note 1)						<u>25,000</u>	<u>-</u>		<u>20,075</u>	
						<u>3,768,210</u>	<u>-</u>		<u>6,123,249</u>	
						<u>\$ 412,631,496</u>	<u>\$ (134,016)</u>		<u>\$ 429,136,054</u>	

Note 1: The cost of each individual item do not exceed 5% of the account balance.

Note 2: The book value which amounted to \$18,840,795 thousand had been sold under repurchase agreements.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2020

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

Bond Items	Institution	Interest Payment Date	Maturity Date	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value	Note
Negotiable certificates of deposit in the Central Bank TCB									
C91210012	Central Bank of the ROC	2021/01/04	2021/01/04	55,500,000	0.4753	\$ -	\$ -	\$ 55,500,000	
C91210014	Central Bank of the ROC	2021/01/05	2021/01/05	49,900,000	0.4753	-	-	49,900,000	
C91210022	Central Bank of the ROC	2021/01/11	2021/01/11	66,000,000	0.4753	-	-	66,000,000	
C91210032	Central Bank of the ROC	2021/01/15	2021/01/15	37,500,000	0.4950	-	-	37,500,000	
C91210048	Central Bank of the ROC	2021/01/25	2021/01/25	49,500,000	0.5137	-	-	49,500,000	Among the negotiable certificates of deposit in the Central Bank, face value of \$30,000,000 thousand had been provided as collaterals for call loans of foreign currency.
						-	-	258,400,000	
	Other (Note)			300,880,000		-	-	300,880,000	Among the negotiable certificates of deposit in the Central Bank, face value of \$11,000,000 thousand had been provided as collaterals for overdraft of domestic U.S. dollar settlement; face value of \$500,000 thousand had been provided as collaterals for overdraft of domestic JPY settlement; face value of \$30,000,000 thousand had been provided as collaterals for overdraft of Central Bank; face value of \$10,000,000 thousand had been provided as collaterals for call loans of foreign currency.
						-	-	559,280,000	

(Continued)

Bond Items	Institution	Interest Payment Date	Maturity Date	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value	Note
Government bonds									
TCB (Note)			2021/05/08- 2043/08/02			\$ (25,231)	\$ 4,907,722	\$ 105,565,891	Among the government bonds, face value of \$1,019,700 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others; face value of \$280,000 thousand had been provided as guarantee deposits for the trust business compensation reserve; face value of \$50,000 thousand provided as the guarantee deposits for the bills finance business; face value of 50,000 thousand had been provided as guarantee deposits for the securities operation.
TCBF (Note)			2033/01/28- 2038/03/13			(381)	72,732	1,258,693	Among the government bonds, face value of \$980,000 thousand had been provided as collaterals for domestic overdraft; face value of \$50,000 thousand had been provided as guarantee deposits for provisional collateral seizure for loan defaults and others; face value of \$90,000 thousand had been provided as the bond payment settlement reserves for the Electronic Bond Trading System
BPCTLI (Note)			2028/04/17- 2048/04/23			<u>(403)</u>	<u>2,217</u>	<u>957,319</u>	
						<u>(26,015)</u>	<u>4,982,671</u>	<u>107,781,903</u>	
Corporate bonds									
TCB (Note)			2021/04/12- 2048/06/25			<u>(17,454)</u>	<u>30,416</u>	<u>46,252,986</u>	
Bank debentures									
TCB (Note)			2021/03/02- 2047/03/22			(2,936)	(30,592)	11,908,622	
UTB (Note)			2021/03/15- 2022/07/15			(91)	2,713	761,322	
BPCTLI (Note)			2028/03/22			<u>(1)</u>	<u>(616)</u>	<u>5,483</u>	
						<u>(3,028)</u>	<u>(28,495)</u>	<u>12,675,428</u>	
Certificates of deposit									
TCB (Note)						-	-	202,320	The certificates of deposit had been provided as overseas branches' capital adequate reserve and guarantee deposits for operation.
BPCTLI (Note)						<u>(1,162)</u>	<u>-</u>	<u>2,073,838</u>	
						<u>(1,162)</u>	<u>-</u>	<u>2,276,158</u>	
						<u>\$ (47,659)</u>	<u>\$ 4,984,592</u>	<u>\$ 728,266,474</u>	

Note: The book value of each individual item does not exceed 5% of the account balance.

(Concluded)

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF DISCOUNTS AND LOANS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Items	Amount
Bills discounts	\$ 2,873,302
Unsecured overdrafts	26,683
Secured overdrafts	27,581
Import and export negotiations	937,030
Loans	
Short-term unsecured loans	251,607,009
Accounts receivable financing	257,023
Short-term secured loans	198,240,650
Medium-term unsecured loans	359,883,619
Medium-term secured loans	401,042,799
Long-term unsecured loans	35,508,190
Long-term secured loans	1,047,578,506
	2,294,117,796
Overdue loans	6,564,807
Life insurance loan	397,042
Temporary insurance paid	60,491
Total amount (Note)	2,305,004,732
Less: Allowance for possible losses	29,173,224
Less: Adjustment of discount	499,994
Net amount	\$ 2,275,331,514

Note: The amount of US\$283,691 thousand had been provided as collaterals at the Discount Window Account of the Federal Reserve Bank.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Except Face Value and Unit Price)

Investee Company	Type of Shares	Fact Value (NT\$)	Balance, January 1		Increase in the Current Year		Decrease in the Current Year		Balance, December 31			Market Value or Equity		Note
			Shares	Amount	Shares	Amount	Shares	Amount	Shares (Note 1)	Percentage of Ownership	Amount	Unit Price (NT\$)	Amount	
United Real Estate Management Co., Ltd.	Common stock	\$10	10,116	\$ 131,500	-	\$ 9,963	-	\$ 7,081	10,116	30.00	\$ 134,382	\$13.28	\$ 134,382	Note 2
Mesh Cooperative Ventures, Inc.	Common stock	10	330	3,294	-	-	-	1,302	330	33.00	1,992	6.04	1,992	Note 3
JC Capital Taiwan Co., Ltd.	Common stock	10	-	-	350	3,500	-	699	350	35.00	2,801	8.00	2,801	Note 4
				<u>\$ 134,794</u>		<u>\$ 13,463</u>		<u>\$ 9,082</u>			<u>\$ 139,175</u>		<u>\$ 139,175</u>	

Note 1: The investments accounted for using equity method had not provide for collaterals or settle for pledge.

Note 2: The balance increasing in the current year was due to share of gains of associates accounted for using equity method; the balance decreasing in the current year was due to payment of cash dividends.

Note 3: The balance decreasing in the current year was due to share of losses of associates accounted for using equity method.

Note 4: The balance increasing in the current year was due to initial investment cost; the balance decreasing in the current year was due to share of losses of associates accounted for using equity method.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OTHER FINANCIAL ASSETS

DECEMBER 31, 2020

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

Items	Payback Date/ Maturity Date	Face Value/ In Thousands of Shares	Amount	Note
Overdue receivables, net				
TCB				
Exchange bills negotiated			\$ 3,197	
Secured trade finance advance			6,030	
Trade finance advance - credit cards			<u>6,465</u>	
			15,692	
Less: Allowance for possible losses			<u>7,885</u>	
			<u>7,807</u>	
TCS				
Overdue receivables			82,047	
Less: Allowance for possible losses			<u>82,047</u>	
			<u>-</u>	
CAM				
Overdue receivables			239,371	
Less: Allowance for possible losses			<u>13,170</u>	
			<u>226,201</u>	
			<u>234,008</u>	
Due from banks (Note)				
TCB			8,115,787	Among the due from banks, face value of RMB300,000 thousand had provided as collaterals for overdraft of domestic RMB settlement; face value of US\$3,906 thousand had been provided as overseas branches' capital adequate reserve.
TCBF			120,000	The face value of \$120,000 thousand had been provided as collaterals for domestic overdraft.
TCSIT			<u>276,700</u>	
			<u>8,512,487</u>	
Call loans to security firms				
TCB			<u>252,900</u>	
Security borrowing margin				
TCS			<u>683,255</u>	
Separate - account assets				
BPCTLI				
Demand deposits			1,423,970	
Financial assets at FVTPL			102,989,435	
Other receivables			<u>1,389,707</u>	
			<u>105,803,112</u>	
			<u>\$ 115,485,762</u>	

Note: Due from banks held by the Company were demand deposits and time deposits could not be withdrawn and time deposits had maturity periods of more than three months and could not be used before maturity.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF INVESTMENT PROPERTIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase	Balance, December 31
Cost					
Land	\$ 8,149,105	\$ 633,303	\$ (222,735)	\$ 74,067	\$ 8,633,740
Buildings	<u>3,632,616</u>	<u>277,757</u>	<u>(182,411)</u>	<u>205,560</u>	<u>3,933,522</u>
Total cost	11,781,721	<u>\$ 911,060</u>	<u>\$ (405,146)</u>	<u>\$ 279,627</u>	12,567,262
Less: Accumulated depreciation					
Buildings	<u>955,280</u>	<u>\$ 99,324</u>	<u>\$ (20,771)</u>	<u>\$ 114,757</u>	<u>1,148,590</u>
	<u>\$ 10,826,441</u>				<u>\$ 11,418,672</u>

Note 1: Investment properties had not been provided as collaterals.

Note 2: Buildings are depreciated on the straight-line method over service lives estimated as follows: Main buildings, 45 to 50 years; Equipment installed in building, 5 to 15 years.

Note 3: As of December 31, 2020, the fair value of investment properties was \$26,318,017 thousand. The fair value was determined through calculations using the market value method and estimates based on market quotes.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF PROPERTIES AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase (Decrease)	Effects of Exchange Rate Changes	Balance, December 31
Cost						
Land	\$ 20,730,527	\$ -	\$ (3,017)	\$ (74,067)	\$ (160)	\$ 20,653,283
Buildings	19,286,111	129,915	(87,127)	(144,700)	(341)	19,183,858
Machinery and Equipment	4,747,396	317,451	(133,752)	313,268	(9,707)	5,234,656
Transportation equipment	637,030	57,262	(35,534)	5,752	(1,228)	663,282
Other equipment	1,404,396	118,338	(35,789)	6,350	(2,619)	1,490,676
Leasehold improvements	<u>1,017,917</u>	<u>63,641</u>	<u>(23,197)</u>	<u>18,834</u>	<u>(5,418)</u>	<u>1,071,777</u>
Total cost	<u>47,823,377</u>	<u>\$ 686,607</u>	<u>\$ (318,416)</u>	<u>\$ 125,437</u>	<u>\$ (19,473)</u>	<u>48,297,532</u>
Less: Accumulated depreciation						
Buildings	8,004,869	\$ 678,352	\$ (61,936)	\$ (114,757)	\$ (329)	8,506,199
Machinery and Equipment	3,725,215	364,852	(133,575)	(93)	(6,613)	3,949,786
Transportation equipment	533,914	27,281	(35,530)	-	(966)	524,699
Other equipment	1,166,042	83,429	(35,788)	93	(2,221)	1,211,555
Leasehold improvements	<u>861,348</u>	<u>56,938</u>	<u>(23,197)</u>	<u>-</u>	<u>(3,954)</u>	<u>891,135</u>
Total accumulated depreciation and impairment	<u>14,291,388</u>	<u>\$ 1,210,852</u>	<u>\$ (290,026)</u>	<u>\$ (114,757)</u>	<u>\$ (14,083)</u>	<u>15,083,374</u>
Less: Accumulated impairment						
Land	<u>15,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,177</u>
Prepayments for equipment, land and buildings and construction in progress						
Construction in progress	27,010	\$ 185,642	\$ -	\$ (89,418)	\$ -	123,234
Prepayments for equipment	<u>227,671</u>	<u>260,951</u>	<u>-</u>	<u>(359,082)</u>	<u>24</u>	<u>129,564</u>
	<u>254,681</u>	<u>\$ 446,593</u>	<u>\$ -</u>	<u>\$ (448,500)</u>	<u>\$ 24</u>	<u>252,798</u>
	<u>\$ 33,771,493</u>					<u>\$ 33,451,779</u>

Note 1: Property and equipment had not been provided as collaterals.

Note 2: Properties and equipment are depreciated on the straight-line method over service lives estimated as follows: Buildings - main buildings, 37 to 50 years; buildings - equipment installed in buildings, 10 to 15 years; machinery and equipment, 1 to 10 years; transportation equipment, 4 to 10 years; other equipment, 1 to 20 years; leasehold improvements, 2 to 10 years.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
DETAIL SCHEDULE OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Effects of Exchange Rate Changes and Others	Balance, December 31
Cost					
Land	\$ 17,463	\$ 5,704	\$ (1,675)	\$ -	\$ 21,492
Buildings	2,174,025	630,887	(223,469)	(30,490)	2,550,953
Transportation equipment	91,383	38,581	(9,864)	(1,135)	118,965
Other equipment	<u>30,952</u>	<u>266</u>	<u>-</u>	<u>-</u>	<u>31,218</u>
Total cost	<u>2,313,823</u>	<u>\$ 675,438</u>	<u>\$ (235,008)</u>	<u>\$ (31,625)</u>	<u>2,722,628</u>
Accumulated depreciation					
Land	2,625	\$ 6,941	\$ (900)	\$ -	8,666
Buildings	550,397	593,048	(191,281)	(8,655)	943,509
Transportation equipment	27,864	33,787	(9,499)	(404)	51,748
Other equipment	<u>9,325</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>13,825</u>
Total accumulated depreciation	<u>590,211</u>	<u>\$ 638,276</u>	<u>\$ (201,680)</u>	<u>\$ (9,059)</u>	<u>1,017,748</u>
	<u>\$ 1,723,612</u>				<u>\$ 1,704,880</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER ASSETS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Refundable deposits	\$ 1,869,126
Operating deposits and settlement funds	726,271
Receipts under custody for securities underwriting	473,856
Prepayments	188,344
Other (Note)	<u>124,780</u>
	<u>\$ 3,382,377</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2020**

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

Financial Instrument Items	Summary	Face Value	Interest Rate (%)	Fair Value		Change in Fair Values Resulting from Credit Risk Variations
				Unit Price	Amount	
Held-for-trading financial liabilities						
Payable - security borrowing						
TCS					\$ 410,521	
Commercial paper contracts with reference rate						
TCBF					2	
Currency swap contracts						
TCB					4,260,059	
BPCTLI					57,811	
					4,317,870	
Currency option contracts - sell						
TCB					38,583	
Interest rate swap contracts						
TCB					12,558	
TCS					309	
					12,867	
Forward contracts						
TCB					33,803	
Foreign - currency margin contracts						
TCB					921	
Asset swap options						
TCS					17,881	
Convertible bonds assets swap contracts						
TCBF					50	
					\$ 4,832,498	

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF COMMERCIAL PAPER ISSUED

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company	Guarantee or Acceptance Agency	Terms of the Contract	Interest Rate (%)	Amount		
				Issue Amount	Unamortized Discount	Book Value
TCFHC	E.SUN Commercial Bank, Ltd.	2021.03.12	0.298	\$ 2,600,000	\$ 1,197	\$ 2,598,803
	E.SUN Commercial Bank, Ltd.	2021.01.14	0.388	2,000,000	235	1,999,765
	China Bills Finance Corp.	2021.01.14	0.378	3,500,000	412	3,499,588
	China Bills Finance Corp.	2021.03.12	0.296	2,000,000	951	1,999,049
	CTBC Bank Co., Ltd.	2021.01.25	0.308	3,000,000	493	2,999,507
	Taipei Fubon Commercial Bank Co., Ltd.	2021.02.26	0.298	2,000,000	782	1,999,218
	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2021.01.14-2021.03.12	0.288-0.388	<u>9,530,000</u>	<u>3,006</u>	<u>9,526,994</u>
				<u>24,630,000</u>	<u>7,076</u>	<u>24,622,924</u>
CAM	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2021.01.04-2021.03.11	0.348-0.438	<u>4,200,000</u>	<u>1,306</u>	<u>4,198,694</u>
TCS	The commercial paper was accepted and guaranteed by financial institutions.	Expire on 2021.01.06-2021.01.25	0.298-0.338	<u>2,980,000</u>	<u>275</u>	<u>2,979,725</u>
				<u>\$ 31,810,000</u>	<u>\$ 8,657</u>	<u>\$ 31,801,343</u>

Note: The book value of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF DEPOSITS AND REMITTANCES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Items	Amount
Checking deposits	
Checking deposits	\$ 42,344,981
Cashier's checks	7,131,269
Accepted checks	12,661
	<u>49,488,911</u>
Demand deposits	
Demand deposits	502,190,905
Foreign currency demand deposits	208,277,686
	<u>710,468,591</u>
Savings - demand deposits	
Savings - demand deposits	1,011,211,613
Bank employee demand savings deposits	21,786,400
	<u>1,032,998,013</u>
Time deposits	
Time deposits	421,957,406
Foreign currency time deposits	280,718,214
	<u>702,675,620</u>
Negotiable certificates of deposits	<u>47,136,505</u>
Savings - time deposits	
Withdrawals of interest savings	469,318,734
Round-amount savings	129,017,175
Bank employee time savings deposits	11,167,430
Regular deposits	612,168
	<u>610,115,507</u>
Treasury deposits	
Time deposits	46,037,720
Demand deposits	70,717,964
	<u>116,755,684</u>
Remittances	
Remittances outstanding	115,376
Outward remittances	117,337
	<u>232,713</u>
	<u>\$ 3,269,871,544</u>

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF BOND PAYABLES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Name	Trust Institutions	Issue Date	Interest Payment Date	Annual Interest Rate	Amount			Repayment Method	Types of Collateral	Note
					Total Issued Amount	Repaid Amount	Carrying Amount			
TCB										
First subordinated bonds in 2012 (10 years after the issue date)	None	2012/06/28	June 28 in each year	Fixed interest rate 1.65%	\$ 11,650,000	\$ -	\$ 11,650,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2012 (10 years after the issue date), Type B	None	2012/12/25	December 25 in each year	Fixed interest rate 1.55%	7,350,000	-	7,350,000	Repay on the maturity date	Unsecured	
Second subordinated bonds in 2013 (10 years after the issue date), Type B	None	2013/12/25	December 25 in each year	Reuters’ fixing rate for 90 day’s New Taiwan dollar commercial paper refers to the TAIBOR plus 0.45%	4,600,000	-	4,600,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (7 years after the issue date), Type A	None	2014/05/26	May 26 in each year	Fixed interest rate 1.70%	1,500,000	-	1,500,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (10 years after the issue date), Type B	None	2014/05/26	May 26 in each year	Fixed interest rate 1.85%	2,700,000	-	2,700,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2014 (10 years after the issue date), Type C	None	2014/05/26	May 26 in each year	Fixed rate for 90 day’s New Taiwan dollar commercial paper refers to the Taiwan Bills Index rate 02 plus 0.43%	5,800,000	-	5,800,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2016 (7 years after the issue date), Type A	None	2016/09/26	September 26 in each year	Fixed interest rate 1.09%	950,000	-	950,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2016 (10 years after the issue date), Type B	None	2016/09/26	September 26 in each year	Fixed interest rate 1.20%	4,050,000	-	4,050,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2017 (7 years after the issue date), Type A	None	2017/09/26	September 26 in each year	Fixed interest rate 1.32%	600,000	-	600,000	Repay on the maturity date	Unsecured	
First subordinated bonds in 2017 (10 years after the issue date), Type B	None	2017/09/26	September 26 in each year	Fixed interest rate 1.56%	1,400,000	-	1,400,000	Repay on the maturity date	Unsecured	
First non-cumulative perpetual subordinated bonds in 2018	None	2018/11/26	November 26 in each year	Fixed interest rate 2.28%	5,000,000	-	5,000,000	TCB may exercise its redemption right after 5 years and 2 months	Unsecured	
First non-cumulative perpetual subordinated bonds in 2019	None	2019/06/26	July 26 in each year	Fixed interest rate 1.90%	5,000,000	-	5,000,000	TCB may exercise its redemption right after 5 years and 1 month	Unsecured	
Second unsecured bank debentures bonds in 2019	None	2019/11/28	November 28 in each year	Fixed interest rate 0.69%	1,000,000	-	1,000,000	Repay on the maturity date	Unsecured	
Third non-cumulative perpetual subordinated bonds in 2019	None	2019/12/31	December 31 in each year	Fixed interest rate 1.45%	5,000,000	-	5,000,000	TCB may exercise its redemption right after 5 years and 1 month	Unsecured	
First non-cumulative perpetual subordinated bonds in 2020	None	2020/06/29	July 29 in each year	Fixed interest rate 1.50%	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	TCB may exercise its redemption right after 5 years and 1 month	Unsecured	
					<u>61,600,000</u>	<u>-</u>	<u>61,600,000</u>			
TCFHC										
First unsecured corporate bond of TCFHC in 2020	Yuanta Commercial Bank	2027/05/26	May 26 in each year	Fixed interest rate 0.68%	5,700,000	-	5,700,000	Repay on the maturity date	Unsecured	
Second unsecured corporate bond of TCFHC in 2020, Type A	Yuanta Commercial Bank	2025/10/07	October 7 in each year	Fixed interest rate 0.61%	2,100,000	-	2,100,000	Repay on the maturity date	Unsecured	
Second unsecured corporate bond of TCFHC in 2020, Type A	Yuanta Commercial Bank	2027/10/07	October 7 in each year	Fixed interest rate 0.66%	<u>2,200,000</u>	<u>-</u>	<u>2,200,000</u>	Repay on the maturity date	Unsecured	
					<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>			
					<u>\$ 71,600,000</u>	<u>\$ -</u>	<u>\$ 71,600,000</u>			

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Lease Term	Discount Rate (%)	Balance, End of Year
Land	Branch lands	2019.01.01-2039.08.05	1.593-1.627	\$ 11,346
Buildings	Branch buildings	2019.01.01-2030.08.31	1.359-11.625	1,548,116
Transportation equipment	Business cars	2019.01.01-2024.08.02	0.845-8.880	71,800
Other equipment	Telephone switchboard systems	2019.01.01-2028.01.31	2.445-4.000	<u>18,484</u>
				<u>\$ 1,649,746</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest revenue from discounts and loans	
Discounts and overdraft	\$ 31,521
Short-term loans	7,649,102
Medium-term loans	14,160,159
Long-term loans	17,944,911
Overdue loans	8,669
Others	<u>296,264</u>
	<u>40,090,626</u>
Interest revenue from investments	
Financial assets at fair value through other comprehensive income	6,070,022
Investments in debt instruments at amortized cost	<u>3,883,039</u>
	<u>9,953,061</u>
Interest revenue from due from banks and call loans to banks	
Due from the Central Bank	474,839
Due from banks	444,094
Call loans to banks	<u>597,543</u>
	<u>1,516,476</u>
Interest revenue from financing	<u>375,132</u>
Others	<u>933,877</u>
	<u>\$ 52,869,172</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF INTEREST EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest expenses from deposits	
Foreign currency deposits	\$ 4,506,338
Withdrawals of interest savings	4,361,019
Time deposits	2,188,724
Savings - demand deposits	1,242,093
Round-amount savings	1,152,967
Employee deposits	682,736
Treasury deposits	613,844
Negotiable certificates of deposit	223,747
Demand deposits	239,190
Others	6,233
	<u>15,216,891</u>
Interest expenses from due to the Central Bank and other banks	
Call loans from other banks	1,028,768
Due to other banks	160,868
	<u>1,189,636</u>
Interest expenses from issuing bonds payable	
Subordinated bank debentures	936,697
Priority bank debentures	6,902
Interest expenses from corporate bond	29,790
	<u>973,389</u>
Interest expenses from deposits from the Central Bank and other banks	<u>310,914</u>
Interest expenses from securities sold under repurchase agreements	<u>178,589</u>
Others	<u>103,539</u>
	<u>\$ 17,972,958</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF SERVICE FEE AND COMMISSION INCOME, NET
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Service fee and commission income	
Trust business	\$ 2,103,263
Guarantees	1,055,399
Loans	1,009,811
Insurance service	748,767
Brokerage service	738,965
Investment-linked products	641,601
Credit cards	523,487
Management fees of investment-linked products	434,875
Management fees Remittance	396,458
Remittance	297,555
Cross-bank transactions	289,571
Underwriting	139,321
Import/export service	110,126
Trust affiliated business	26,286
Others (Note)	<u>532,807</u>
	<u>9,048,292</u>
Service charge and commission expenses	
Cross-bank transactions	342,079
Insurance commission	267,937
Credit cards	270,334
Credit cards billing collections	130,371
Custody	81,542
Others (Note)	<u>233,141</u>
	<u>1,325,404</u>
	<u>\$ 7,722,888</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF PREMIUM INCOME (LOSSES), NET
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Premium income	
Separate-account revenue	\$ 1,692,913
Premium income	<u>3,604,845</u>
	<u>5,297,758</u>
Premium losses	
Separate-account expense	(1,692,913)
Insurance claims and benefits	(3,281,603)
Reinsurance premium ceded	(255,641)
Others	<u>(29,951)</u>
	<u>(5,260,108)</u>
	<u>\$ 37,650</u>

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

**DETAILED SCHEDULE OF GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT
FAIR VALUE THROUGH PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Realized Gains (Losses)	Unrealized Gains (Losses)	Total
Financial assets at fair value through profit or loss			
Financial assets mandatorily classified as at fair value through profit or loss			
Acquired loans	\$ 260,171	\$ 21,602	\$ 281,773
Commercial paper (including interest revenue)	475,049	(7,357)	467,692
Bank debentures (including interest revenue)	21,287	(10,402)	10,885
Negotiable certificates of deposit (including interest revenue)	28,119	(1,354)	26,765
Corporate bonds (including interest revenue)	58,839	33,888	92,727
Stocks (including cash dividends)	370,078	52,643	422,721
Government bonds (including interest revenue)	73,226	1,715	74,941
Convertible bonds	46,386	73,651	120,037
Beneficial certificates	68,179	630,959	699,138
Currency swap contracts	4,889,565	(286,005)	4,603,560
Interest rate swap contracts	520,677	(495,078)	25,599
Forward contracts	244,931	28,563	273,494
Convertible bonds assets swap contracts (including interest revenue)	1,658	(464)	1,194
Asset swap options (including interest revenue)	1,534	(4,963)	(3,429)
Cross-currency swap contracts	37,598	3,650	41,248
Futures contracts	(25,763)	(27,876)	(53,639)
Currency option contracts - buy	<u>(97,459)</u>	<u>665</u>	<u>(96,794)</u>
	<u>6,974,075</u>	<u>13,837</u>	<u>6,987,912</u>
Financial liabilities at fair value through profit or loss			
Held-for-trading financial liabilities			
Security borrowing	1,781	(16,595)	(14,814)
Currency option contracts - sell	94,705	(121)	94,584
Asset swap options	4,544	(6,701)	(2,157)
Cross-currency swap contracts	(23,370)	-	(23,370)
Forward contracts	(188,159)	(20,341)	(208,500)
Interest rate swap contracts	(10,260)	(471)	(10,731)
Commercial paper	-	(2)	(2)
Convertible bonds assets swap contracts	-	(50)	(50)
Currency swap contracts	(12,576,024)	(343,027)	(12,919,051)
Others	<u>(6,420)</u>	<u>-</u>	<u>(6,420)</u>
	<u>(12,703,203)</u>	<u>(387,308)</u>	<u>(13,090,511)</u>

(Continued)

Items	Realized Gains (Losses)	Unrealized Gains (Losses)	Total
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (including interest expense)	\$ <u>(145,326)</u>	\$ <u>57,097</u>	\$ <u>(88,229)</u>
	<u>(12,848,529)</u>	<u>(330,211)</u>	<u>(13,178,740)</u>
	<u>\$ (5,874,454)</u>	<u>\$ (316,374)</u>	<u>\$ (6,190,828)</u>
			(Concluded)

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE
THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Government bonds	\$ 2,422,984
Dividend income of listed and emerging market shares	1,692,011
Dividend income of unlisted shares	235,110
Corporate bonds	147,772
Bank debentures	<u>177,900</u>
	<u>\$ 4,675,777</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF FOREIGN EXCHANGE GAINS (LOSSES)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Foreign exchange - current swap, net asset	\$ 9,987,807
Foreign exchange - spot	1,695,651
Foreign exchange - swap, spot	(18,924)
Foreign exchange - internal exchange rate	(42,736)
Foreign exchange - net asset	(555,355)
Foreign exchange - others	<u>(1,753)</u>
	<u>\$ 11,064,690</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF IMPAIRMENT LOSSES (REVERSAL OF IMPAIRMENT LOSS) ON
ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Impairment Loss	Reversal of Impairment Loss	Net Amount
Investments in debt instruments measured at amortized cost	\$ 636	\$ (55)	\$ 581
Investments in debt instruments at fair value through other comprehensive income	(42,868)	183	(42,685)
Other financial assets and other assets	<u>(6,372)</u>	<u>-</u>	<u>(6,372)</u>
	<u>\$ (48,604)</u>	<u>\$ 128</u>	<u>\$ (48,476)</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER NONINTEREST GAINS, NET
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Rental revenue	\$ 494,420
Donation	(320,411)
Others (Note)	<u>(31,660)</u>
	<u>\$ 142,349</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON
COMMITMENTS AND GUARANTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Provision for possible losses on discounts and loans	\$ 6,818,133
Provision for possible losses on receivables	67,073
Provision for possible losses on overdue receivables	82,465
Provision for possible losses on guarantees	78,393
Provision for possible losses on financing commitments	45,868
Provision for possible losses on others	<u>8,750</u>
	<u>\$ 7,100,682</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF NET CHANGES IN RESERVES FOR INSURANCE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Life policy reserve, net of release	\$ (1,084,152)
Reserve for insurance contract with financial instrument features, net of release	76,875
Deficiency reserve, net of release	884
Claim reserve, net of release	(16,383)
Unearned premium reserve, net of release	37,360
Reserve for foreign exchange variation, net of release	<u>(33,880)</u>
	<u>\$ (1,019,296)</u>

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

**DETAILED SCHEDULE OF EMPLOYEE BENEFITS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Employee Benefits Expenses	Other Noninterest Gains, Net	Other Operating and Administrative Expenses	Total
Salary expense				
Salaries	\$ 8,857,356	\$ -	\$ -	\$ 8,857,356
Bonuses	3,124,109	-	-	3,124,109
Subsidies	723,661	-	-	723,661
Overtime	<u>448,035</u>	<u>-</u>	<u>-</u>	<u>448,035</u>
	13,153,161	-	-	13,153,161
Post-employment benefits, termination benefits and compensation	699,635	-	-	699,635
Excessive interest from preferential interest deposits	1,303,744	-	-	1,303,744
Insurance	852,329	-	-	852,329
Meal allowance	254,994	-	-	254,994
Employee benefits	145,590	-	-	145,590
Remuneration of directors	142,191	-	-	142,191
Others	<u>22,333</u>	<u>-</u>	<u>-</u>	<u>22,333</u>
	<u>\$ 16,573,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,573,977</u>

Note 1: For the years ended December 31, 2020 and 2019, the average number of employees of the Company was 9,422 and 9,274, of which the average number of directors who was not concurrently was 36 and 36, respectively.

Note 2: For the years ended December 31, 2020 and 2019, the average amount of employee benefits expenses of the Company was \$1,751 thousand and \$1,801 thousand, respectively.

Note 3: For the years ended December 31, 2020 and 2019, the average amount of salary expenses of the Company was \$1,401 thousand and \$1,422 thousand, respectively.

Note 4: The average salary expenses adjustment was (1.48%).

Note 5: For the years ended December 31, 2020 and 2019, the amount of remuneration of the supervisor was \$1,889 thousand and \$1,601 thousand, respectively.

(Continued)

Note 6: The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

The remuneration paid to the directors and the supervisors is based on their participation in company and their contribution, and the Company takes business performance and the industry average into consideration as well. The Company regularly reviews the directors' and supervisors' individual performance, company operating results and the connection of future risk. The amount and distribution are approved by the board of directors.

The total compensation paid to the executive officers and the employees is mainly based on their job responsibility, company operating results and individual performance. The Company also takes the factors such as the current market average and the risks into considerations, and appropriately applies the competitive benefits and compensation adjustment to recruit and retain talent.

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF DEPRECIATION AND AMORTIZATION FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

Items	Amount
Depreciation expense	
Property and equipment	
Building	\$ 678,352
Machinery and equipment	364,852
Transportation equipment	27,281
Other equipment	83,429
Leasehold improvements	56,938
	<u>1,210,852</u>
Investment properties	
Building	<u>99,324</u>
Right-of-use assets	
Land	6,941
Building	593,048
Transportation equipment	33,787
Others	4,500
	<u>638,276</u>
	<u>1,948,452</u>
Amortization expense	
Computer software	220,421
Others	198
	<u>220,619</u>
	<u>\$ 2,169,071</u>

**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND
SUBSIDIARIES****DETAILED SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Tax	\$ 2,642,824
Insurance	668,020
Professional services	357,622
Repair and maintenance	343,440
Postage	316,524
Building management	257,434
Entertainment	248,629
Employee training	140,494
Utilities	195,039
Membership and registration	180,421
Outsourcing	159,665
Printing	162,768
Advertisement	151,771
Supplies	149,157
Others (Note)	<u>1,145,048</u>
	<u>\$ 7,118,856</u>

Note: The amount of each individual item does not exceed 5% of the account balance.